

**STATE OF OHIO
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS RESOURCES MANAGEMENT**

In re the Matter of the Application of	:	
Gulfport Energy Corporation, for	:	
Unit Operation	:	Application Date: May 19, 2015
	:	Supplement Date: July 27, 2015
<u>Conway West Unit</u>	:	

SUPPLEMENT TO APPLICATION

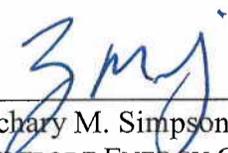
On May 19, 2015, Gulfport Energy Corporation (“Gulfport”) filed an application with the Ohio Department of Natural Resources Division of Oil and Gas Resources Management (the “Division”) for unit operation of the Conway West Unit located in Belmont County, Ohio (the “Unitization Application”). Gulfport files this Supplement to Application to reflect the following changes:

- Gulfport has completed an acreage trade with Paloma Partner III, LLC, where Gulfport has acquired Paloma’s interest associated with Tract 2.
- Gulfport has corrected certain typographical errors in the original application.

To reflect these changes, Gulfport has attached revised versions or new forms of the following exhibits to the Unitization Application:

- Revised Unitization Application
- Revised Exhibits A, A-2 and A-4 to the Unit Operating Agreement.
- Revised Exhibits MB-1 and MB-2 to the Prepared Testimony of Michael Buckner.
- Revised Prepared Testimony of Christen Morgan.
- Revised Exhibits CM-2, CM-3 and CM-4 to Christen Morgan’s Prepared Testimony.
- Requested the removal of Exhibit CM 1.3 to the Prepared Testimony of Christen Morgan, since Paloma Partners III, LLC is no longer uncommitted.
- Revised Exhibits 6 and 6.1 – GPOR’s Working Interest Owner Approval Form.

Respectfully submitted,



Zachary M. Simpson (0089862)
GULFPORT ENERGY CORPORATION
14313 North May Avenue, Suite 100
Oklahoma City, Oklahoma 73134

Attorney for Applicant

**STATE OF OHIO
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS RESOURCES MANAGEMENT**

In re the Matter of the Application of	:	
Gulfport Energy Corporation, for	:	
Unit Operation	:	Application Date: May 19, 2015
	:	Supplement Date: July 27, 2015
<u>Conway West Unit</u>	:	

**APPLICATION OF GULFPORT ENERGY CORPORATION
FOR UNIT OPERATION**

Zachary M. Simpson (0089862)
GULFPORT ENERGY CORPORATION
14313 North May Avenue, Suite 100
Oklahoma City, Oklahoma 73134

Attorney for Applicant

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**STATE OF OHIO
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS RESOURCES MANAGEMENT**

In re the Matter of the Application of	:	
Gulfport Energy Corporation, for	:	
Unit Operation	:	Application Date: May 19, 2015
	:	Supplement Date: July 27, 2015
<u>Conway West Unit</u>	:	

APPLICATION

Pursuant to Ohio Revised Code Section 1509.28, Gulfport Energy Corporation (“Gulfport”), hereby respectfully requests the Chief of the Ohio Department of Natural Resources’ Division of Oil and Gas Resources Management (“Division”) to issue an order authorizing Gulfport to operate the Unitized Formation and applicable land area in Belmont County, Ohio (hereinafter, the “Conway West Unit”) as a unit according to the Unit Plan attached hereto and as more fully described herein. Gulfport makes this request for the purpose of substantially increasing the ultimate recovery of oil and natural gas, including related liquids, from the Unitized Formation, and to protect the correlative rights of unit owners, consistent with the public policy of Ohio to conserve and develop the state’s natural resources and prevent waste.

I.
APPLICANT INFORMATION

Gulfport Energy Corporation, is a corporation organized under the laws of the State of Delaware. Gulfport has its principal office in Oklahoma City, Oklahoma and is registered in good standing as an “owner” with the Division.

Gulfport designates to receive service, and respectfully requests that all orders, correspondence, pleadings and documents from the Division and other persons concerning this filing be served upon, the following:

Zachary M. Simpson – Corporate Counsel
Christen Morgan – Landman
Gulfport Energy Corporation
14313 N. May, Suite 100
Oklahoma City, Oklahoma 73134
Tel. (405) 848-8807
E-mail: zsimpson@gulfportenergy.com
cstone@gulfportenergy.com

II. PROJECT DESCRIPTION

The Conway West Unit is located in Belmont County, Ohio, and consists of twenty-five (25) separate tracts of land. See Exhibits A-1, A-2, A-3 and A-4 of the Unit Operating Agreement (showing the plat and tract participations, respectively). The total land area in the Conway West Unit is approximately 566.943 acres. Gulfport has the right to drill on and produce from approximately 523.683 acres of the proposed unit through its leasehold interest and joint venture agreement with Rice Drilling D., LLC – i.e., approximately ninety-two percent (92.3695%) of the unit area, which is well above the sixty-five percent (65%) threshold required by Ohio Revised Code § 1509.28.¹ As more specifically described herein, Gulfport seeks authority to drill and complete one or more horizontal wells in the Unitized Formation from a single well pad located to the south of the Conway West Unit to efficiently test, develop, and operate the Unitized Formation for oil, natural gas, and related liquids production.

Gulfport's plan for unit operations (the "Unit Plan") is attached to this Application and consists of the Unit Agreement, attached as Exhibit 1; and the Unit Operating Agreement, attached as Exhibit 2. Among other things, the Unit Plan allocates unit production and expenses based upon each tract's surface acreage participation in the unit; includes a carry provision for those unit participants unable to meet their financial obligations, the amount of which is based upon the risks of and costs related to the project; and conforms to industry standards for the drilling and operating of horizontal wells generally used by the Applicant with other interest owners.

III. TESTIMONY

The following pre-filed testimony has been attached to the Application supporting the Conway West Unit's formation: (i) testimony from a Geologist establishing that the Unitized Formation is part of a pool and supporting the Unit Plan's recommended allocation of unit production and expenses on a surface acreage basis;² (ii) testimony from a Reservoir Engineer establishing that unitization is reasonably necessary to increase substantially the recovery of oil and gas, and that the value of the estimated additional resource recovery from unit operations exceeds its additional costs;³ and (iii) testimony from an operational Landman with firsthand

¹ See Prepared Direct Testimony of Christen Morgan at 2-3, attached as Exhibit 5.

² See Prepared Direct Testimony of Michael Buckner, attached as Exhibit 3.

³ See Prepared Direct Testimony of Danny Watson, attached as Exhibit 4.

knowledge of Gulfport's Ohio development who describes the project generally, the Unit Plan, efforts to lease unleased owners, and the approvals received for unit development.⁴

IV.
THE CHIEF SHOULD GRANT THIS APPLICATION

A. Legal Standard

Ohio Revised Code § 1509.28 requires the Chief of the Division to issue an order providing for the unit operation of a pool – or a part thereof – if it is reasonably necessary to increase substantially the ultimate recovery of oil and gas, and the value of the estimated additional resource recovery from the unit's operations exceeds its additional costs. See Ohio Rev. Code § 1509.28(A).

The Chief's order must be on terms and conditions that are just and reasonable and prescribe a plan for unit operations that includes the following:

- (1) a description of the unit area;
- (2) a statement of the nature of the contemplated operations;
- (3) an allocation of production from the unit area not used in unit operations, or otherwise lost, to the separately owned tracts;
- (4) a provision addressing credits and charges to be made for the investment in wells, tanks, pumps, and other equipment contributed to unit operations by owners in the unit;
- (5) a provision addressing how unit operation expenses shall be determined and charged to the separately owned tracts in the unit, and how they will be paid;
- (6) a provision, if necessary, for carrying someone unable to meet their financial obligations in connection with the unit;
- (7) a provision for the supervision and conduct of unit operations in which each person has a vote with a value corresponding to the percentage of unit operations expenses chargeable against that person's interest;
- (8) the time when operations shall commence and the manner in which, and circumstances under which, unit operations will terminate; and
- (9) such other provisions appropriate for engaging in unit operation and for the protection or adjustment of correlative rights.

See Ohio Rev. Code § 1509.28(A). The Chief's order becomes effective once approved in writing by those working-interest owners who will be responsible for paying at least sixty-five percent of the costs of the unit's operations and by royalty and unleased fee-owners of sixty-five percent of the unit's acreage. Once effective, production that is "allocated to a separately owned

⁴ See Prepared Direct Testimony of Christen Morgan, attached as Exhibit 5.

tract shall be deemed, for all purposes, to have been actually produced from such tract, and all operations *** [conducted] upon any portion of the unit area shall be deemed for all purposes the conduct of such operations and production from any lease or contract for lands any portion of which is included in the unit area.” Ohio Rev. Code § 1509.28.

B. Gulfport’s Application Meets this Standard

i. *The Unitized Formation is Part of a Pool*

The “Unitized Formation” consists of the subsurface portion of the Unit Area (i.e., the lands shown on Exhibit A-1 and identified in Exhibits A-2, A-3 and A-4 to the Unit Operating Agreement) at a depth located from fifty feet above the top of the Utica Shale to fifty feet below the base of the Point Pleasant formation, and frequently referred to as the Utica/Point Pleasant formation. The evidence presented in this Application establishes that the Unitized Formation is part of a pool and thus an appropriate subject of unit operation under Ohio Rev. Code § 1509.28.⁵ Additionally, that evidence establishes that the Unitized Formation is likely to be reasonably uniformly distributed throughout the Unit Area – and thus that it is reasonable for the Unit Plan to allocate unit production and expenses to separately owned tracts on a surface acreage basis.⁶

ii. *Unit Operations Are Reasonably Necessary to Increase Substantially the Ultimate Recovery of Oil and Gas*

The evidence presented in this Application establishes that unit operations are reasonably necessary to increase substantially the ultimate recovery of oil and gas from the lands making up the Conway West Unit. The Unit Plan contemplates the potential drilling of approximately three horizontal wells from a single well pad, with laterals that measure approximately 7,890, 7,889’ and 7,873’ respectively, and with the potential for additional unit wells in the event they are necessary to fully recover the resource.⁷ Gulfport estimates that the ultimate recovery from this unit development could be as much as 50 billion cubic feet (Bcf) of natural gas from the Unitized Formation.⁸ Absent unit development, that recovery would be substantially less: First, the evidence shows that it is unlikely that vertical development of the unit would ever take place because it is likely to be uneconomic – resulting in potentially no resource recovery from the Unit-

⁵ A “pool” is defined under Ohio law as “an underground reservoir containing a common accumulation of oil or gas, or both, but does not include a gas storage reservoir.” Ohio Rev. Code § 1509.01(E). See also Exhibit 3 at 2-3.

⁶ Exhibit 3 at 3-5.

⁷ See, e.g., Exhibit 5 at 4-5.

⁸ See, e.g., Exhibit 4 at 3-6. We emphasize that these are only estimates, and like the rest of the estimates set forth in this Application, they should be treated as simply estimates based upon the best information available at the time.

ized Formation.⁹ Second, simply relying on shorter horizontal laterals to develop the Unitized Formation underlying the Conway West Unit would be uneconomical. Oil and gas recovery from horizontal drilling methods is directly related to the length of the lateral – limit a lateral’s length and you limit its ultimate recovery. Here, in absence of unit operations being granted, the unleased and uncommitted tracts would prevent the development of all wells in the unit area and lead to stranding of reserves.¹⁰

The evidence thus shows that the contemplated unit operations are reasonably necessary to allow for, much less increase substantially, the recovery of oil and gas from the Unitized Formation.¹¹

iii. *The Value of Additional Recovery Exceeds Its Additional Costs*

As set forth in Danny Watson’s testimony, Gulfport estimates that the net present value of the recovery, when compared to an uneconomical or total inability to develop the land area comprising the Conway West Unit at present, is likely to be approximately \$24.2 million.¹² Thus, the evidence establishes that the value of the estimated recovery exceeds the estimated additional costs incident to conducting unit operations.

iv. *The Unit Plan Meets the Requirements of Ohio Revised Code § 1509.28*

The Unit Plan proposed by Gulfport meets the requirements set forth in Ohio Revised Code § 1509.28. The unit area is described in the Unit Agreement at Article 1, as well as on Exhibits A-1, A-2, A-3 and A-4 to the Unit Operating Agreement. The nature of the contemplated unit operations can be found generally in the Unit Agreement at Article 3, with greater specificity throughout the Unit Agreement and Unit Operating Agreement.¹³ Unit production and unit expenses are allocated on a surface acreage basis as set forth in the Unit Agreement at Articles 3 through 5 (generally), except where otherwise allocated by the Unit Operating Agreement.¹⁴ Payment of unit expenses is addressed generally in Article 3 of the Unit Agreement.¹⁵ No provision for credits and charges related to contributions made by owners in the unit area regarding wells, tanks, pumps and other equipment for unit operations are addressed in the Unit Operating

⁹ *Id.* at 4-6.

¹⁰ *Id.* at 4-6.

¹¹ *Id.* at 5-7.

¹² *Id.* at 7.

¹³ See also, e.g., Exhibit 5 at 6-10.

¹⁴ *Id.* at 7-10.

¹⁵ *Id.*

Agreement because none are contemplated.¹⁶ The Unit Plan provides for various carries in the event a participant is unable to meet its financial obligations related to the unit – see, e.g., Article VI of the Unit Operating Agreement.¹⁷ Voting provisions related to the supervision and conduct of unit operations are set forth in Article XV of the Unit Operating Agreement, with each person having a vote that has a value corresponding to the percentage of unit expenses chargeable against that person’s interest.¹⁸ Commencement and termination of operations are addressed in Articles 11 and 12 of the Unit Agreement.

V. APPROVALS

As of the filing of this Application, the Unit Plan has been agreed to or approved by approximately ninety-two percent (92.3695%) of Working Interest Owners. See Exhibit 5 at 2-4, and Exhibit 6. Said approval exceeds the statutory minimum requirements set forth in Ohio Revised Code § 1509.28.

VI. HEARING

Ohio Revised Code § 1509.28 requires the Chief to hold a hearing to consider this Application, when requested by sixty-five percent (65%) of the owners of the land area underlying the proposed unit. Ohio Rev. Code § 1509.28(A). That threshold level is met here. Accordingly, Gulfport respectfully requests that the Division schedule a hearing at an available hearing room located at the Division’s Columbus complex for the September 2015 unitization docket, to consider the Application filed herein.

VII. CONCLUSION

Ohio Revised Code § 1509.28 requires the Chief of the Division to issue an order for the unit operation of a pool – or a part thereof – if it is reasonably necessary to increase substantially the recovery of oil and gas, and the value of the estimated additional recovery from the unit’s operations exceeds its additional costs. Gulfport respectfully submits that the Application meets this standard, and that the terms and conditions of the Unit Plan are just and reasonable and satisfy the requirements of Ohio Revised Code § 1509.28(B). Gulfport therefore asks the Chief to

¹⁶ *Id.* at 10.

¹⁷ *Id.* at 10-13.

¹⁸ *Id.* at 11-13.

issue an order authorizing Gulfport to operate the Conway West Unit according to the Unit Plan attached hereto.

Respectfully submitted,



Zachary M. Simpson (0089862)
GULFPORT ENERGY CORPORATION
14313 North May Avenue, Suite 100
Oklahoma City, Oklahoma 73134

Attorney for Applicant

AFFIDAVIT OF FACT

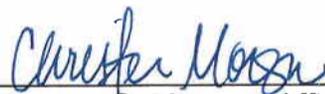
STATE OF OKLAHOMA)
) SS
COUNTY OF OKLAHOMA)

The undersigned, being first duly sworn according to the law, makes this Affidavit and deposes and says that:

- 1. Affiant, Christen S. Morgan, RPL, is employed by Gulfport Energy Corporation (“Gulfport”) as a Landman. Affiant’s job responsibilities include the acquisition of leases or overseeing lease acquisition in certain areas of Ohio, including Belmont County, Ohio. Affiant has personal knowledge of the matters set forth in this affidavit, and the following information is true to the best of Affiant’s knowledge and belief.
- 2. The Affiant has reviewed the Development Agreement between Gulfport and Rice Drilling D LLC (“Rice”), dated October 14, 2013 (the “Development Agreement”).
- 3. The Affiant states that the Development Agreement provides Gulfport with the authority to execute all necessary documents associated with the Conway West Unitization Application on behalf of Rice.

Further Affiant sayeth naught.

Dated this 27 day of July,
2015.



Christen S. Morgan, Affiant
Landman, RPL
Gulfport Energy Corporation

WORKING INTEREST OWNER

APPROVAL OF

UNIT PLAN FOR THE

CONWAY WEST UNIT

WASHINGTON TOWNSHIP

BELMONT COUNTY, OHIO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, a Unit Plan has been prepared for the testing, development, and operation of certain Tracts identified therein, which Plan consists of an agreement entitled, "Unit Agreement, The Conway West Unit, Washington Township, Belmont County, Ohio" (the "Unit Agreement"); and an agreement entitled "A.A.P.L. Form 610-1982 Model Form Operating Agreement," also regarding the Conway West Unit (the "Unit Operating Agreement"); and,

WHEREAS, the undersigned is the owner of a Working Interest in and to one or more of the Tracts identified in said Unit Plan and is authorized, by separate agreement, to file this approval on behalf of the Working Interest controlled by Rice Drilling D., L.L.C., relating to the Tracts described below (hereinafter, the "Owner").

NOW, THEREFORE, the Owner hereby approves the Unit Plan and acknowledges receipt of full and true copies of both the Unit Agreement and Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the signature of its representative.

WORKING INTEREST OWNER

TRACT NO. 2-7, 9-16, 18-21, 23-25

TRACT ACREAGE: 523.683 net acres

RELATED WORKING INTEREST PERCENTAGE: 92.3695%

GULFPORT ENERGY CORPORATION

By: Christen Morgan
Christen S. Morgan, RPL –Landman

Date: 7-27-2015

Exhibit 6.1

Working Interest Owners

Attached to and made a part of that certain Unit Operating Agreement dated May 1, 2015 as approved by the Ohio Department of Natural Resources for the Conway West Unit

TRACT NUMBER	LESSOR	SURFACE ACRES IN UNIT	TAX MAP PARCEL ID NUMBERS
2	John B. and Patricia A. Rosen	0.886	43-00199.003
3	VEM Appalachian Minerals, LLC	0.755	43-00147.000
4	MOAM Minerals International, LLC	4.295	43-00147.001
5	Richard E. Rebecca and Melissa M. Rebecca	7.112	43-00199.002
6	Anthony R. Skolnik and Sandra L. Skolnik	0.149	43-00082.000
7	Richard E. Rebecca and Melissa M. Rebecca	0.028	43-00199.000
9	The Ohio Valley Coal Company	6.672	43-00755.000
10	Russell D. Lucas	7.282	43-00198.000
11	Michelle R. Uttermohlen	45.999	43-00161.000
12	Leonard A. & Jay H. Vandyne	70.952	43-00469.000
13	Rita S. and John-Pierre D. Donahue, wife and husband	1.25	43-00026.000
14	Larry A. Conway, Peggy S. Conway, and the David P. and Cindy A. Conway Living Trust	174.105	43-00119.000
15	Dolores J. Bruny, a widow (20%) Barbara Kay Seib and William A. Seib (20%) Amy Bruny Kugler & James M. Kugler, wife and husband (20%) Stuart F. Bruny & Tracy L. Harrison-Bruney, husband and wife (20%) Scott Bruny, a single man (20%)	91.034	43-00158.000
16	Anthony P. Patch & Mary Lou Patch Kathy L. Lucas & Rusty L. Lucas	2.332	43-00158.001
18	Conex Oil and Gas, LLC	14.977	43-00197.000
19	Elbert George Miller, a widower (50%) Debbie McCabe & Billy Lee McCabe, wife and husband (7.142%) David Moellendick, a single man (7.142%) Danny Moellendick and Connie Moellendick, husband and wife (7.142%) Darla Moellendick, a single woman (7.412%) Donna Ritchey & James Ritchey, wife and husband (7.142%) Douglas Moellendick, a single man (7.142%) Dana Kubic, a single woman (7.142%)	6.847	43-00295.000
20	The Ohio Valley Coal Company	7.436	43-00757.000
21	The Ohio Valley Coal Company Donald H. and Carol M. Stukey Wilda Warren	8.356	43-00434.000
23	The County of Belmont, Ohio by and through the Belmont County Board of Commissioners	4.153	43-60021.000
24	Russell D. Lucas	58.551	43-00736.000
25	The Ohio Valley Coal Company	10.512	43-00756.000
		523.683	

EXHIBIT "A"

Attached to and made a part of that certain Unit Operating Agreement
dated May 1, 2015, as approved by the
Ohio Department of Natural Resources for the Conway West Unit

1. Description of lands subject to this Agreement:

The Contract Area is the Unit shown on Exhibit "A-1" attached hereto.

2. Restrictions, if any, as to depths, formations or substances:

This Agreement shall cover the Unit Area from fifty feet above the top of the Utica Shale formation to fifty feet below the base of the Point Pleasant (as more particularly defined in Article 1 of the Unit Agreement).

3. Parties to agreement with addresses for notice purposes:

Gulfport Energy Corporation
14313 N. May Ave., Suite 100
Oklahoma City, Oklahoma 73134
Attention: Bill Eischeid, Land Manager

The names and addresses of the remaining parties set forth in Exhibit "A-3" and Exhibit "A-4" attached hereto.

4. Percentages or fractional interests of parties to this agreement:

OPERATOR	<u>Working Interest</u>
Gulfport Energy Corporation	50.6856%*
NON OPERATOR	
Rice Drilling D, LLC	41.6840%
Uncommitted WI Owners	6.1070%
Unleased Mineral Owners	1.5234%*
TOTAL:	100.000000%

5. Oil and Gas Leases and/or Oil and Gas Interests subject to this agreement:

See Exhibit "A-2"

*It is understood by the Parties that the working interests listed above are estimates and are subject to change based upon the verification of title, additional leasehold acquired within the Contract Area, and/or the participation or non-participation of unleased mineral interests and/or third parties. The Parties' interests shall be adjusted to reflect the actual interest owned by the Parties in the Contract Area.

End of Exhibit "A"

Exhibit "A-2"

Leases Within the Contract Area

Attached to and made a part of that certain Unit Operating Agreement dated May 1, 2015 as approved by the Ohio Department of Natural Resources for the Conway West Unit

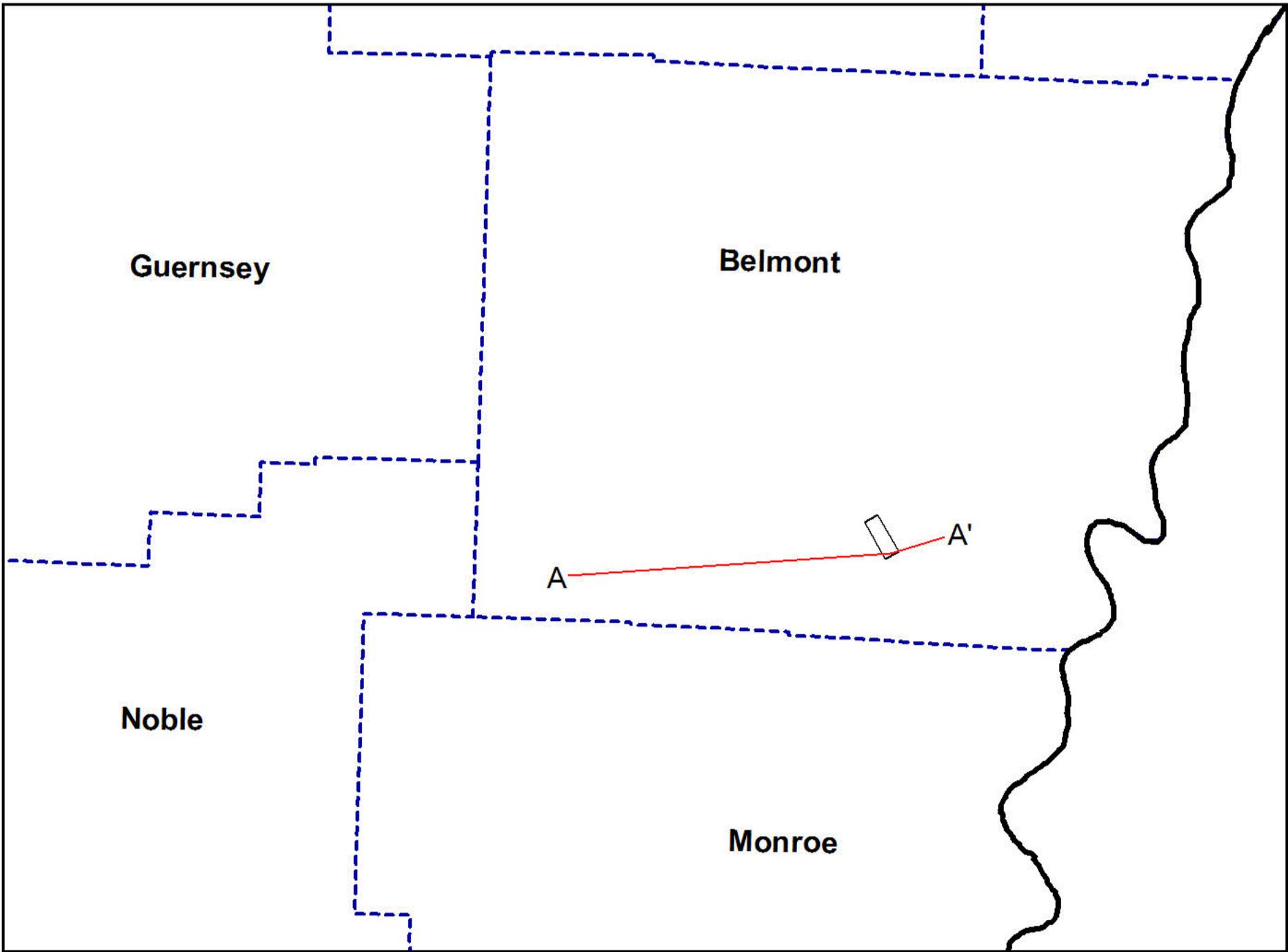
TRACT NUMBER	GULFPORT LEASE ID NUMBER	LESSOR/OWNER	LEASED? Y/N	SURFACE ACRES IN UNIT	TRACT PARTICIPATION	TAX MAP PARCEL ID NUMBERS	TOWNSHIP	COUNTY	STATE	COMMITTED WORKING INTEREST (NET ACRES)	GULFPORT WORKING INTEREST	RICE WORKING INTEREST	UNIT PARTICIPATION	ADDRESS	CITY	STATE	ZIP CODE
13		Rita S. and John-Pierre D. Donahue, wife and husband	Y	1.25	0.2205%	43-00026.000	Washington	Belmont	OH	0.002205	0.001143	0.001062	0.0022	3004 Brook Hill Dr	Birmingham	AL	35242
6	n/a	Anthony R. Skolnik and Sandra L. Skolnik	Y	0.149	0.0263%	43-00082.000	Washington	Belmont	OH	0.000263	0.000136	0.000127	0.0003	56679 Saffell Church Rd	Alledonia	OH	43902
14	2062	The David P. and Cindy A. Conway Living Trust (50%)	Y	87.0525	15.3547%	43-00119.000	Washington	Belmont	OH	0.153547	0.079599	0.073948	0.1535	68121 Beckleigh	St. Clairsville	OH	43950
14	2062	Larry A. Conway, Peggy S. Conway (50%)	Y	87.0525	15.3547%	43-00119.000	Washington	Belmont	OH	0.153547	0.079599	0.073948	0.1535	38722 National Road, PO Box 208	Morristown	OH	43759
3	n/a	VEM Appalachian Minerals, LLC	Y	0.755	0.1332%	43-00147.000	Washington	Belmont	OH	0.001332	0.000690	0.000641	0.0013	7001 S. Dewey Street	Amherst	OH	44001
4	n/a	MOAM Minerals International, LLC	Y	4.295	0.7576%	43-00147.001	Washington	Belmont	OH	0.007576	0.003927	0.003648	0.0076	33107 Northwood Circle	Avon Lake	OH	44012
15	n/a	Dolores J. Bruny, a widow (20%)	Y	18.2068	3.2114%	43-00158.000	Washington	Belmont	OH	0.032114	0.016648	0.015466	0.0321	4130 Pegg Court	Columbus	OH	43214
15	n/a	Barbara Kay Seib and William A. Seib (20%)	Y	18.2068	3.2114%	43-00158.000	Washington	Belmont	OH	0.032114	0.016648	0.015466	0.0321	208 Amazon Place	Columbus	OH	43214
15	n/a	Amy Bruny Kugler & James M. Kugler, wife and husband (20%)	Y	18.2068	3.2114%	43-00158.000	Washington	Belmont	OH	0.032114	0.016648	0.015466	0.0321	609 Davis Road	Mansfield	OH	44907
15	n/a	Stuart F. Bruny & Tracy L. Harrison-Bruney, husband and wife (20%)	Y	18.2068	3.2114%	43-00158.000	Washington	Belmont	OH	0.032114	0.016648	0.015466	0.0321	30059 Lake Logan Road	Logan	OH	43138
15	n/a	Scott Bruny, a single man (20%)	Y	18.2068	3.2114%	43-00158.000	Washington	Belmont	OH	0.032114	0.016648	0.015466	0.0321	1840 Willoway Circle South	Columbus	OH	43220
16	2105	Anthony P. Patch & Mary Lou Patch Kathy L. Lucas & Rusty L. Lucas	Y	2.332	0.4113%	43-00158.001	Washington	Belmont	OH	0.004113	0.002132	0.001981	0.0041	57079 Steel Road	Alledonia	OH	43902
11	n/a	Michelle R. Uttermohlen	Y	45.999	8.1135%	43-00161.000	Washington	Belmont	OH	0.081135	0.042060	0.039075	0.0811	3833 Harrison Street	Bellaire	OH	43906
18	n/a	Conex Oil and Gas, LLC	Y	14.977	2.6417%	43-00197.000	Washington	Belmont	OH	0.026417	0.013695	0.012722	0.0264	PO Box 31	New Philadelphia	OH	44663
10	6536	Russell D. Lucas	Y	7.282	1.2844%	43-00198.000	Washington	Belmont	OH	0.012844	0.006658	0.006186	0.0128	57220 Twp. Hwy 101	Alledonia	OH	43902
7	5058	Richard E. Rebecca and Melissa M. Rebecca	Y	0.028	0.0049%	43-00199.000	Washington	Belmont	OH	0.000049	0.000026	0.000024	0.0000	47841 East Captina Highway	Alledonia	OH	43902
5	5058	Richard E. Rebecca and Melissa M. Rebecca	Y	7.112	1.2544%	43-00199.002	Washington	Belmont	OH	0.012544	0.006503	0.006041	0.0125	47841 East Captina Highway	Alledonia	OH	43902
2	n/a	John B. Rosen and Patricia A. Rosen	Y	0.886	0.1563%	43-00199.003	Washington	Belmont	OH	0.001563	0.000810	0.000753	0.0016	57650 Armstrong	Jacobsburg	OH	43933
19	n/a	Elbert George Miller, a widower (50%)	Y	3.4235	0.6039%	43-00295.000	Washington	Belmont	OH	0.006039	0.003130	0.002908	0.0060	55499 Trough Run Road	Bellaire	OH	43906
19	n/a	Debbie McCabe & Billy Lee McCabe, wife and husband (7.142%)	Y	0.48901274	0.0863%	43-00295.000	Washington	Belmont	OH	0.000863	0.000447	0.000415	0.0009	55558 Merritts Row	Bellaire	OH	43906
19	n/a	David Moellendick, a single man (7.142%)	Y	0.48901274	0.0863%	43-00295.000	Washington	Belmont	OH	0.000863	0.000447	0.000415	0.0009	51650 Glencoe-Stewartsville Road	Jacobsburg	OH	43933
19	n/a	Danny Moellendick and Connie Moellendick, husband and wife (7.142%)	Y	0.48901274	0.0863%	43-00295.000	Washington	Belmont	OH	0.000863	0.000447	0.000415	0.0009	57341 Somerton Highway	Barnesville	OH	43713
19	n/a	Darla Moellendick, a single woman (7.412%)	Y	0.48901274	0.0863%	43-00295.000	Washington	Belmont	OH	0.000863	0.000447	0.000415	0.0009	Harrison Street	Bellaire	OH	43906
19	n/a	Donna Ritchey & James Ritchey, wife and husband (7.142%)	Y	0.48901274	0.0863%	43-00295.000	Washington	Belmont	OH	0.000863	0.000447	0.000415	0.0009	158 North Main Apt #4	Buffalo	Wy	82834
19	n/a	Douglas Moellendick, a single man (7.142%)	Y	0.48901274	0.0863%	43-00295.000	Washington	Belmont	OH	0.000863	0.000447	0.000415	0.0009	3 Weegee Lane, Lot # 51	Shadyside	OH	43947
19	n/a	Dana Kubic, a single woman (7.142%)	Y	0.48901274	0.0863%	43-00295.000	Washington	Belmont	OH	0.000863	0.000447	0.000415	0.0009	64662 Old Township Road 310	Bellaire	OH	43906
21	9031b	The Ohio Valley Coal Company	Y	8.356	1.4739%	43-00434.000	Washington	Belmont	OH	0.014739	0.014739	0.000000	0.0147	56854 Pleasant Ridge Road	Alledonia	OH	43902
21	9843	Donald H. and Carol M. Stucky	Y	DMA	DMA	43-00434.000	Washington	Belmont	OH	DMA	DMA	DMA	DMA	62112 Bailey Road	Barnesville	OH	43713
21	9843	Wilda Warren	Y	DMA	DMA	43-00434.000	Washington	Belmont	OH	DMA	DMA	DMA	DMA	4428 Lincoln Avenue	Shadyside	OH	43947
12	2099	Leonard A. Vandyne (50%)	Y	35.476	6.2574%	43-00469.000	Washington	Belmont	OH	0.062574	0.032438	0.030136	0.0626	59395 Ogilbee Road	Jacobsburg	OH	43933
12	2099	Jay H Vandyne (50%)	Y	35.476	6.2574%	43-00469.000	Washington	Belmont	OH	0.062574	0.032438	0.030136	0.0626	1904 Raintree Court	Snellville	GA	30278
24	3371	Russell D. Lucas	Y	58.551	10.3275%	43-00736.000	Washington	Belmont	OH	0.103275	0.053538	0.049737	0.1033	57220 Captina Highway	Alledonia	OH	43902
9	9031a	The Ohio Valley Coal Company	Y	6.672	1.1768%	43-00755.000	Washington	Belmont	OH	0.011768	0.011768	0.000000	0.0118	56854 Pleasant Ridge Road	Alledonia	OH	43902

Exhibit "A-4"
Uncommitted Working Interest Parties

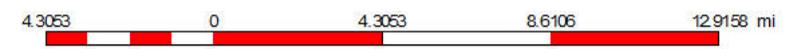
Attached to and made a part of that certain Unit Operating Agreement dated May 1, 2015 as approved by the Ohio Department of Natural Resources for the Conway West Unit

TRACT NUMBER	LESSOR/OWNER	ADDRESS	LEASED YES/NO	SURFACE ACRES IN UNIT	TRACT PARTICIPATION	TAX MAP PARCEL ID NUMBERS	PROPERTY TOWNSHIP	PROPERTY COUNTY	STATE	OWNER CITY	OWNER STATE	OWNER ZIP CODE	UNIT PARTICIPATION
22	XTO Energy Inc.	810 Houston Street	Y	14.036	0.024757	43-00202.000	Washington	Belmont	OH	Fort Worth	Texas	76102	2.475734%
17	XTO Energy Inc.	810 Houston Street	Y	14.569	0.025697	43-00203.000	Washington	Belmont	OH	Fort Worth	Texas	76102	2.569747%
1	XTO Energy Inc.	810 Houston Street	Y	6.018	0.010615	44-00054.000	Washington	Belmont	OH	Fort Worth	Texas	76102	1.061482%
				TOTAL UNCOMMITTED WI ACRES:	34.623							6.106963%	
				TOTAL UNIT ACRES:	566.943								

END OF EXHIBIT "A-4"



		
<p><i>EXHIBIT MB-1</i></p> <p><i>Conway West</i></p>		
<p>Author: MDB</p>		<p>Date: 14 May, 2015</p>
	<p>Scale: <scale></p>	



**STATE OF OHIO
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS RESOURCES MANAGEMENT**

In re the Matter of the Application of :
Gulfport Energy Corporation, for :
Unit Operation : Application Date: May 19, 2015
 : Supplement Date: July 27, 2015
Conway West Unit :

**PREPARED TESTIMONY OF CHRISTEN MORGAN, RPL
ON BEHALF OF GULFPORT ENERGY CORPORATION**

Zachary M. Simpson (0089862)
GULFPORT ENERGY CORPORATION
14313 North May, Suite 100
Oklahoma City, Oklahoma 73134

Attorney for Applicant,
Gulfport Energy Corporation

Date: April 21, 2015

PREPARED DIRECT TESTIMONY OF CHRISTEN S. MORGAN, RPL

1 INTRODUCTION.

2 **Q1. Please state your name and business address.**

3 A1. My name is Christen Morgan and my business address is 14313 North May Ave.,
4 Suite 100, Oklahoma City, OK 73134

5 **Q2. Who is your employer?**

6 A2. Gulfport Energy Corporation.

7 **Q3. What is your position with Gulfport?**

8 A3. I am a Landman.

9 **Q4. Please describe your professional responsibilities at Gulfport.**

10 A4. My primary responsibilities involve preparing and overseeing development of
11 drilling units from the early stages of designing the unit based on Gulfport's lease
12 position, acquisition of leases or rights to drill, and title work up and through the
13 drilling phase, ending at overseeing attorneys determining title for the distribution of
14 production proceeds.

15 **Q5. Starting with college, please describe your educational background.**

16 A5. I earned a Bachelor of Business Administration specializing in Energy Management
17 from the University of Oklahoma's main campus in Norman, Oklahoma in May of
18 2009.

19 **Q6. Please briefly describe your professional experience.**

20 A6. In May of 2010 I started my career in the oil and gas industry working for Questar
21 Exploration and Production which is now known as QEP Energy Corporation. I
22 rotated through the Lease Records and Division Orders Departments and settled into
23 the Land Department six (6) months later. While in the Land Department at QEP
24 Energy Corporation, I worked as a Land Associate handling properties in Oklahoma
25 and Texas and then advanced to a Landman where I prepared wells that were drilled
26 in Oklahoma, Texas and Louisiana and managed subsequent non-operated properties
27 in Arkansas, Texas and Kansas. In November 2013 I joined Gulfport where I have
28 been working to develop our assets in Ohio and West Virginia.

29 **Q7. What do you do as a Landman?**

30 A7. My responsibilities as a Landman consist of acquiring, developing, and maintaining

1 Gulfport's leasehold position in various counties in Ohio and West Virginia. I work
2 hand-in-hand with Gulfport's Engineering and Geology departments to create
3 production units that we believe will produce the minerals in a way that will protect
4 the correlative rights of all parties involved. Once we have determined the unit
5 boundaries, I interface with lease brokers, title attorneys, and surveyors to determine
6 the ownership of each parcel within the proposed unit and subsequently acquire the
7 mineral rights to as much of the unit as possible. If there are other operators who
8 have a leasehold presence within the boundary lines, I work with them to negotiate
9 trade agreements, term assignments, and various other commitment agreements. If
10 there are unleased mineral owners within the unit, I work on securing Oil and Gas
11 Leases from the unleased mineral owners. Additionally, I oversee the surface
12 development and permitting process for these wells as well as any other tasks that
13 are necessary in preparing Gulfport to successfully drill horizontal Utica/Point
14 Pleasant wells.

15 **Q8. Are you a member of any professional associations?**

16 A8. Yes, I am a member of the American Association of Professional Landmen and the
17 Oklahoma City Association of Professional Landmen. In 2012 I passed the
18 comprehensive certification exam for the professional certification of Registered
19 Professional Landman through the American Association of Professional Landmen.

20 **Q9. Have you ever been involved in combining or pooling oil and gas interests for
21 development in other states?**

22 A9. Yes, I have been accepted and testified as an expert witness by the Oklahoma
23 Corporation Commission in regard to compulsory pooling matters in Oklahoma for
24 horizontal development in the Woodford shale and the Marmaton formation. I have
25 been involved in the formation of voluntary pooling and unit designation of Granite
26 Wash units pursuant to the field rules of the Texas Railroad Commission as well as
27 the compulsory formation of Haynesville units pursuant to the State of Louisiana's
28 Office of Conservation.

29 **Q10. Were you involved in the preparation of Gulfport Energy Corporation's
30 Application for unitization with respect to the Conway West Unit?**

31 A10. Yes, after our initial lease acquisition covering the relevant land, I have managed the

1 formation of the Conway West Unit in its present configuration and have been
2 involved with the preparation of this application for unitization.

3 **Q11. Can you generally describe the Conway West Unit?**

4 A11. Sure. The Conway West Unit consists of twenty-five (25) distinct parcels of land
5 totaling approximately 566.943 acres of land in Washington Township, Belmont
6 County, State of Ohio.

7 **EFFORTS MADE BY GULFPORT TO LEASE UNIT TRACTS.**

8 **Q12. The Application submitted by Gulfport indicates that it owns the oil and gas
9 leasehold rights to 287.358 acres of the proposed 566.943 acre unit. Would you
10 describe how Gulfport acquired its rights?**

11 A12. Gulfport Energy Corporation began acquiring these leasehold rights in June of 2011
12 by purchasing various oil and gas leases from Tri-Star Energy. Gulfport made an
13 additional purchase from Tri-Star in December 2012 and also acquired leasehold
14 rights initially owned by Wishguard and OHTex. Since then, Gulfport has added
15 interest through its own leasing efforts as well as a Joint Venture with Rice Drilling
16 D., LLC, headquartered in Cannonsburg, PA.

17 **Q13. What percentage of the total acreage of the Conway West Unit is represented
18 by the oil and gas rights held by Gulfport?**

19 A13. Approximately 50.6856%

20 **Q14. Have other working interest owners in the Conway West Unit approved the Unit
21 Plan prior to filing this application?**

22 A14. Yes. Pursuant to the terms of the Unrecorded Development Agreement between
23 Gulfport Energy Corporation and Rice Drilling D, LLC, the parties agree that
24 Gulfport is be the applicant and operator for units within Washington township and
25 that the applicant shall have the authority to execute all necessary documents
26 associated with the unitization on behalf of both parties' oil and gas interest within
27 the unitized area. As a result, the Application is brought on behalf of 92.3695% of
28 the owners within the Conway West Unit, which is well above the 65% threshold
29 required by the statute.

30 **Q15. Why was Gulfport not able to acquire the oil and gas rights to all of the acreage
31 in the proposed unit?**

1 A15. There is one unleased parcel within the unit (tract 8) to which the minerals are owned
2 by the Norfolk Southern Railway. Gulfport has been working to secure an Oil and
3 Gas Lease for the unleased unit tract. Unit Tract 8 is composed of 8.637 net acres
4 and represents an undivided 1.523% of the Conway West unit. Gulfport has been in
5 consistent communication with the railway and we are working as diligently as we
6 can to come to terms of a mutually acceptable Oil and Gas Lease.

7 **Q16. Have you prepared a log detailing Gulfport's efforts to obtain a lease from the**
8 **unleased mineral owners in the proposed unit?**

9 A16. Yes. I have outlined Gulfport's communication with Norfolk Southern Railway
10 Company on Exhibit CM-1.1

11 **Q17. Can you describe the efforts that Gulfport has made to contact the land owners**
12 **and/or their representatives?**

13 A17. Gulfport and/or their representatives have attempted to contact the mineral owners
14 through numerous phone calls and mailings. We have connected with the decision
15 makers to let them know of our intent to lease as well as our plans for the
16 development of the parcel. We have followed up with the mineral owner numerous
17 times and continue to negotiate terms and conditions that will benefit both parties to
18 the transaction.

19 **Q18. If the unleased tract owner in the unit were to even now ask to lease with**
20 **Gulfport under the terms extended by Gulfport, would Gulfport be likely to**
21 **agree?**

22 A18. Yes.

23 **Q19. Could you describe the location of the leased and unleased tracts within the**
24 **Conway West Unit?**

25 A19. Yes. Exhibit CM-2, which is attached hereto, is a plat showing each of the tracts in
26 the Conway West Unit. Tract 8 on the attached plat remain open and unleased for
27 the purposes of this unit.

28 **Q20. Are there other operators that have an interest within the Conway West Unit?**

29 A20. Yes. XTO Energy Corporation, currently holds a 6.1070% Working Interest within
30 the unit and Rice Drilling D., LLC currently holds a 41.6840% Working Interest
31 within the unit. Gulfport has been in communication with each party regarding our
32 plans for developing the unit and are currently working towards an agreement that

1 would account for the working interest currently held by XTO in the Conway West
2 Unit. At this point they are listed as an uncommitted working interest owner;
3 however, our ultimate goal is to come to terms and finalize a trade agreement.
4 Pursuant to Gulfport and Rice's joint venture agreements, Gulfport has the right to
5 approve and execute all documents incident to this unitization application on behalf
6 of Rice's interest. Therefore, Gulfport's working interest owner approval form takes
7 into consideration Rice's interest.

8 **UNIT PLAN PROVISIONS.**

9 **Q21. Would you describe generally the development plan for the Conway West Unit?**

10 A21. Gulfport plans to develop the Conway West Unit from a southern pad site that is an
11 estimated 350 feet off the southern unit boundary line and an estimated 1,500 feet
12 from both the western unit boundary line and eastern unit boundary line. The pad
13 site will be located on a parcel that is not within the proposed drilling and spacing
14 unit but terms and conditions between the surface owner and Gulfport have been
15 agreed upon by both parties. The pad will be adequately built to drill multiple
16 horizontal wells with a northwesterly orientation in the Unit. The Unit is currently
17 configured to include 3 horizontal wellbores, with projected lateral lengths of
18 approximately 7,900 feet.

19 **Q22. Can you describe the location of the proposed wellbores within the Conway
20 West Unit?**

21 A22. Yes. I have attached as Exhibit CM-4 to my testimony a plat showing the
22 configuration of the wellbores. It shows the pad site located just outside the southern
23 boundary of the Conway West Unit with two wellbores configured to be drilled
24 parallel in a northwesterly direction spaced 975 feet apart on an approximate 30
25 degree angle.

26 **Q23. Do you know where the drilling and completion equipment will be located on
27 the pad?**

28 A23. Yes, we have been in contact with the surface owner of the parcel of our proposed
29 pad site and plan to develop our surface location pursuant to the terms of our agree-
30 ment. We have acquired a surface use agreement with the surface owner of said par-
31 cel.

32 **Q24. If the Division were to issue an order authorizing the proposed unit, and if
33 Gulfport agreed with the terms and conditions of that order, how long**

1 **thereafter would Gulfport drill the exploratory well contemplated by the**
2 **petition?**

3 A24. We plan to drill the initial well in the first quarter of 2016.

4 **Q25. Does Gulfport have a specific timeline for drilling additional wells in the**
5 **Conway West Unit?**

6 A25. Subsequent wells will be drilled at some indeterminate time following the drilling of
7 the initial well.

8 **Q26. What are the benefits to this type of unit development?**

9 A26. Developing the Conway West Unit in the manner previously described protects the
10 correlative rights of the unit participants while also providing for substantial
11 environmental and economic benefits. Drilling, completing and producing multiple
12 horizontal wells from a single pad site significantly reduces the environmental
13 impact by allowing Gulfport to build a single access road rather than many, reduce
14 traffic, and allow for the development of acreage that might not otherwise be
15 available for development due to various surface limitations (terrain, residences,
16 etc.). Developing the Utica Shale via the drilling of vertical wells is not practicable,
17 as this reservoir cannot be produced at economic flow rates or volumes with vertical
18 drilling, and due to the fact that even if economically feasible, surface limitations set
19 out above would prevent the practical well spacing necessary too efficiently and
20 effectively produce the reservoir. Horizontal drilling negates these issues by
21 allowing for a central pad location to develop mineral acreage underlying otherwise
22 inaccessible lands with a minimum of surface disturbance.

23 **Q27. So is it fair to say that the benefits of this type of development are substantial?**

24 A27. Yes, the type of development planned by Gulfport for the Conway West Unit offers
25 significant benefits not only to the operator, but also to the landowners in the unit
26 and the surrounding area.

27 **Q28. Are you familiar with the Unit Plan proposed by Gulfport for the Conway West**
28 **Unit?**

29 A28. Yes. The Unit Plan proposed by Gulfport is set out in two documents attached to the
30 Application. The first, the Unit Agreement, establishes the non-operating
31 relationship between the parties in the unit. The second, the Unit Operating

1 Agreement, establishes how the unit will be explored, developed, and produced.

2 **Q29. Let's turn first to the Unit Agreement, marked as Exhibit 1 to the Application.**

3 **Would you describe briefly what it does?**

4 A29. Yes. The Unit Agreement in effect combines the oil and gas rights in the Conway
5 West Unit so that they can be developed as if they were part of a single oil and gas
6 lease.

7 **Q30. Are mineral rights to all geological formations combined under the Unit**
8 **Agreement?**

9 A30. No. The Unit Agreement only unitizes the oil and gas rights located fifty feet above
10 the top of the Utica Shale to fifty feet below the base of the Point Pleasant formation,
11 defined in the Agreement as the "Unitized Formation," to allow development of the
12 Utica Shale formation.

13 **Q31. How will production proceeds from the Conway West Unit be allocated among**
14 **royalty interest owners and working interest owners in the Unit?**

15 A31. On a surface-acreage basis. Under Article 4 of the Unit Agreement, every tract is
16 assigned a tract participation percentage based on surface acreage and shown on
17 Exhibits A-2, A-3 and A-4 to the Unit Operating Agreement. Article 5 of the Unit
18 Agreement allocates production based on each individual's proportionate ownership
19 of that tract participation.

20 **Q32. Why use a surface-acreage basis as the method of allocation?**

21 A32. Based on the testimony of Michael Buckner attached to the Application as Exhibit 3,
22 a surface-acreage basis is an appropriate method of allocation because the formation
23 thickness and reservoir quality of the Unitized Formation is expected to be consistent
24 across the Conway West Unit.

25 **Q33. Would you go through an example from Exhibit A-2 to the Unit Operating**
26 **Agreement to illustrate how a surface-acreage allocation would be applied to**
27 **the Conway West Unit?**

28 A33. Yes. The fifth column on Exhibit A-2 to the Unit Operating Agreement, entitled
29 "Surface Acres in Unit," shows the number of surface acres in each tract of land
30 within the Conway West Unit. Column 6 on Exhibit A-2 shows the related tract
31 participation of each tract, which is calculated by taking the total number of surface

1 acres in the tract and dividing it by the total number of surface acres in the unit. So,
2 for example, if you look at Tract Number 1 on Exhibit A-2, it shows that the Rita S.
3 and John-Pierre Donahue tract comprises 1.25 surface acres in the 566.943 acre
4 Conway West Unit, which equates to a tract participation of approximately 0.2205%
5 (1.25/566.943).

6 **Q34. What does that mean in terms of production allocated to that particular**
7 **Donahue tract?**

8 A34. It would mean that roughly 0.2205% of all production from the Conway West Unit
9 would be allocated to the Donahue tract, and would be distributed based on the terms
10 of the lease or other pertinent documents affecting the ownership to production
11 proceeds from the tract.

12 **Q35. Does it work the same way for an unleased mineral interest, that is, for the tract**
13 **of a person or entity which did not lease its property in the unit?**

14 A35. Yes. Exhibit A-3 to the Unit Operating Agreement lists the surface acreage, tract
15 participation, and related working interest and unit participations of each unleased
16 parcel in the proposed unit. In the 25-tract Conway West Unit, Tract 8 is the only
17 unleased parcel and is comprised of 8.637 net acres. If the acreage from the unleased
18 tract is divided by the full surface acreage comprising the unit (566.943 acres), the
19 result gives a tract participation of approximately 1.523% under the Unit Agreement.
20 Since these parcels are unleased, the mineral owner would receive a working interest
21 of seven-eighths (7/8) and a royalty interest of one-eighth (1/8) of that tract
22 participation. Under the terms of the Unit Operating Agreement, should the unleased
23 mineral owners remain as unleased interest, they would individually decide whether
24 they wanted to participate in any proposed operations, or decline to participate and
25 let the remaining parties proceed with the proposed operation.

26 **Q36. In your experience, is that a customary way to allocate production in a unit?**

27 A36. In my experience, surface-acreage allocation is both fair and customary for
28 horizontal shale development.

29 **Q37. How are unit expenses allocated?**

30 A37. Similarly to production, unit expenses are allocated on a surface-acreage basis.
31 Article 3 of the Unit Agreement provides that expenses, unless otherwise allocated

1 in the Unit Operating Agreement, will be allocated to each tract of land within the
2 unit based on the proportion that the surface acres of each particular tract bears to the
3 surface acres in the entire unit.

4 **Q38. Who pays the unit expenses?**

5 A38. Working interest owners.

6 **Q39. Do the royalty owners pay any part of the unit expenses?**

7 A39. No. Royalty interest owners are responsible only for their proportionate share of
8 taxes and post-production costs, which are deducted from their share of the proceeds
9 from sales of production of hydrocarbons from the unit area.

10 **Q40. Let's turn to the Unit Operating Agreement, marked as Exhibit 2 to the**
11 **Application. It appears to be based upon a form document. Could you please**
12 **identify that form document?**

13 A40. Yes. The Unit Operating Agreement is based upon *A.A.P.L. Form 610 – Model Form*
14 *Operating Agreement – 1982*, which we typically use when we enter into joint
15 operating agreements with other parties.

16 **Q41. Are you familiar with the custom and usage of the Form 610 and other similar**
17 **agreements in the industry?**

18 A41. Yes. The Form 610, together with its exhibits, is commonly used in the industry and
19 is frequently modified to address the development objectives of the parties. As a
20 landman, I have been involved in negotiating and modifying versions of A.A.P.L.
21 operating agreements.

22 **Q42. Turning to the Unit Operating Agreement in particular, does it address how**
23 **unit expenses are determined and paid?**

24 A42. Yes. Article III of the Unit Operating Agreement provides that all costs and liabilities
25 incurred in operations shall be borne and paid by the working interest owners, in
26 accordance with their Unit Participation percentages. Those percentages can be
27 found in Exhibits A-2, A-3 and A-4 to the Unit Operating Agreement. Also, the Unit
28 Operating Agreement has attached to it an accounting procedure identified as Exhibit
29 C.

30 **Q43. What is the purpose of the document marked as Exhibit C in connection with**
31 **the Conway West Unit Operating Agreement?**

- 1 A43. The document presents information concerning how unit expenses are determined
2 and paid.
- 3 **Q44. At the top of each page of Exhibit C, there appears a label that reads: “COPAS
4 2005 Accounting Procedure, Recommended by COPAS, Inc.” Are you familiar
5 with this society?**
- 6 A44. Yes, COPAS stands for the Council of Petroleum Accountants Societies.
- 7 **Q45. Is this COPAS document used in oil and gas operations across the country?**
- 8 A45. Yes. It is commonly used in the industry.
- 9 **Q46. In your opinion, is this COPAS document generally accepted in the industry?**
- 10 A46. Yes. This was drafted by an organization whose membership encompasses various
11 companies and sectors across the industry, and, as a result, is designed to be fair.
- 12 **Q47. Will there be in-kind contributions made by owners in the unit area for unit
13 operations, such as contributions of equipment?**
- 14 A47. No, Gulfport Energy does not anticipate in-kind contributions for the Unit Opera-
15 tions.
- 16 **Q48. Are there times when a working interest owner in the unit chooses not to – or
17 cannot – pay their allocated share of the unit expenses?**
- 18 A48. Yes. Joint Operating Agreements account for such occurrences, which are not
19 uncommon. The agreements allow working interest owners the flexibility to decline
20 to participate in an operation that they may not believe will be a profitable venture
21 or that they cannot afford. The remaining parties can then proceed at their own risk
22 and expense.
- 23 **Q49. Generally, how is the working interest accounted for when an owner chooses
24 not to participate in an operation?**
- 25 A49. A working interest owner who cannot or chooses not to participate in an operation is
26 considered a non-consenting party. If the remaining working interest owners decide
27 to proceed with the operation, the consenting parties bear the full cost and expense
28 of the operation. A non-consenting party is deemed to have relinquished its interest
29 in that operation until the well revenues pay out the costs that would have been
30 attributed to that party, plus a prescribed risk penalty or non-consent penalty.
- 31 **Q50. What is a risk penalty or non-consent penalty, and why are they included in the**

1 **agreement?**

2 A50. A risk penalty or non-consent penalty is a means to compensate consenting parties
3 for the financial risks of proceeding with a well that may be a non-producer when
4 one or more working interest owners do not consent to pay their share of the costs of
5 drilling said well. A non-consent penalty can also serve as a means to allow a
6 working interest owner to finance participation in a well when unable to advance its
7 share of drilling costs.

8 **Q51. Can a working interest owner choose to go non-consent in the initial well in the**
9 **Conway West Unit?**

10 A51. Yes. If a working interest owner chooses not to participate in the unit's initial well,
11 Article VI.A of the Unit Operating Agreement provides that the working interest
12 owner shall be deemed to have relinquished to the other parties its working interest
13 in the unit with a back-in provision with a risk factor of 300%.

14 **Q52. Does the Unit Operating Agreement treat the initial well and subsequent**
15 **operations differently in terms of going non-consent, and if so, why?**

16 A52. Yes. Subsequent operations have a smaller risk factor of 200%. A lack of
17 information as to whether the well will be economic makes participation in the initial
18 well a riskier endeavor than subsequent operations, when information gained from
19 the initial well reduces the risk factor going forward. Therefore, it is common for
20 joint operating agreements to distinguish risk factors between initial and subsequent
21 operations.

22 **Q53. But if the working interest owner still has a royalty interest in the unit, that**
23 **royalty interest would remain in place and be paid?**

24 A53. Yes. The royalty interest would still be paid even if the working interest is being
25 used to pay off a risk factor.

26 **Q54. What is the risk factor for subsequent operations set out in the Unit Operating**
27 **Agreement?**

28 A54. 200%, as set out in Article VI.B of the Unit Operating Agreement.

29 **Q55. Are the percentages included in the Unit Operating Agreement unusual?**

30 A55. No, not for joint operating agreements used in horizontal drilling programs. Because
31 of the significant costs associated with drilling horizontally to the Utica Shale (often

1 in excess of \$10,000,000 to plan, drill, and complete) and because the Utica Shale is
2 an unconventional play (where uneven geological performance is likely), it is
3 common for companies to incorporate into their joint operating agreements a risk
4 factor proportionate to the substantial financial commitment.

5 **Q56. Have you seen risk factor levels of 200% to 300% in other parts of the country**
6 **that you've worked in and are familiar with?**

7 A56. Yes. Those numbers are not unusual, and in fact higher numbers are sometimes seen
8 in the early stages of a play's development due to the relative lack of information and
9 the corresponding risk.

10 **Q57. How are decisions made regarding unit operations?**

11 A57. Article V of the Unit Operating Agreement designates Gulfport Energy Corporation
12 as the Unit Operator, with full operational authority for the supervision and conduct
13 of operations of the unit. Additionally, except where otherwise provided, Article XV
14 of the Unit Operating agreement sets forth a voting procedure for any decision,
15 determination or action to be taken by the unit participants. Under the voting
16 procedure, each unit participant has a vote that corresponds in value to that
17 participant's allocated responsibility for the payment of unit expenses.

18 **Q58. I believe you've already described generally the documents in Exhibits A and C**
19 **to the Unit Operating Agreement. Let's turn therefore to Exhibit B of the Unit**
20 **Operating Agreement. What is it?**

21 A58. Exhibit B is Gulfport's standard oil and gas lease form, which we attached to the
22 joint operating agreement to govern any unleased interests owned by the parties.
23 Article III.A of the Unit Operating Agreement provides that if any party owns or
24 acquires an oil and gas interest in the Contract Area, then that interest shall be treated
25 for all purposes of the Unit Operating Agreement as if it were covered by the form
26 of lease attached as Exhibit B.

27 **Q59. Does this oil and gas lease contain standard provisions that Gulfport uses in**
28 **connection with its drilling operations in Ohio and elsewhere?**

29 A59. Yes.

30 **Q60. Moving on to Exhibit D of the Unit Operating Agreement, would you describe**
31 **what it is?**

1 A60. Exhibit D is the insurance exhibit to the joint operating agreement. It outlines
2 coverage amounts and limitations, and the insurance terms for operations conducted
3 under the Unit Operating Agreement.

4 **Q61. Are the terms of insurance contained in Exhibit D substantially similar to those**
5 **employed in connection with Gulfport's other unitized projects in the State of**
6 **Ohio?**

7 A61. Yes.

8 **Q62. Based upon your education and professional experience, do you view the terms**
9 **of Exhibit D as reasonable?**

10 A62. Yes.

11 **Q63. Would you next describe Exhibit E of the Unit Operating Agreement?**

12 A63. Exhibit E is the Gas Balancing Agreement, which sets out the rights and obligations
13 of the parties with respect to marketing and selling any production from the Contract
14 Area.

15 **Q64. Would you give me an example of how Exhibit E might come into play?**

16 A64. Yes. Assuming that Company A is the operator of a well, and Company B is the
17 non-operator, the fact that Company A will drill, complete, and secure pipeline to the
18 well, does not preclude Company B from negotiating its own marketing agreements.
19 In the event that Company B wishes to do so, the Gas Balancing Agreement would
20 provide protection for both companies on volumes, underproduction, failure to take
21 production, maintaining the leases, etc.

22 **Q65. Are the terms contained in Exhibit E substantially similar to those employed in**
23 **connection with Gulfport's other unitized projects in the State of Ohio?**

24 A65. Yes.

25 **Q66. Has Gulfport documented which of the working interest owners included within**
26 **the Conway West Unit have given their consent to the proposed unitization?**

27 A66. Yes. Exhibit 6.1 to the application documents the approvals for the Unit Plan
28 received from working interest owners included with the Conway West Unit up to
29 the time the Application was filed.

30 **Q67. Does the Application contain a list of those mineral owners who have not**
31 **previously agreed to enter into any oil and gas lease with respect to the tracts**

1 **they own within the Conway West Unit?**

2 A67. Yes, Exhibit A-3 to the Unit Operating Agreement lists the “unitized parties,” being
3 the fee mineral owners who remain unleased.

4 **Q68. In your professional opinion, given your education and experience, are unit**
5 **operations for the proposed Conway West Unit reasonably necessary to increase**
6 **substantially the ultimate recovery of oil and gas?**

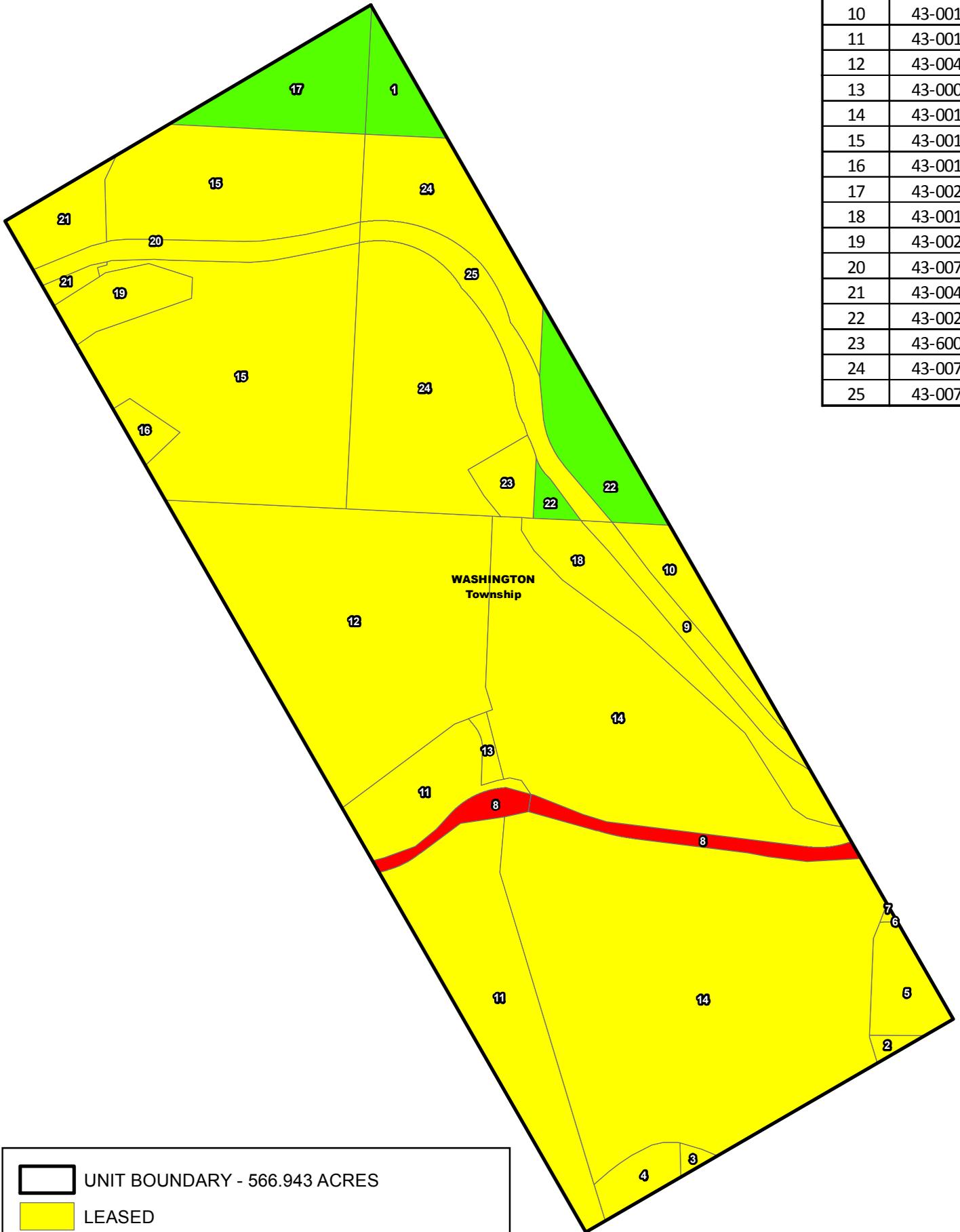
7 A68. Yes. Unit operations for the Conway West Unit will minimize waste and allow for
8 the most efficient recovery of oil and gas. By drilling horizontally, Gulfport can
9 develop a larger area with a much smaller surface disturbance than through the
10 drilling of vertical wells. Without unit operations, we would not be able to develop
11 the unit area, so it’s fair to say that unit operations are necessary to increase
12 substantially the recovery of oil and gas. I believe that the Conway West Unit
13 represents a reasonable and efficient means to develop the Utica Shale.

14 **Q69. Does this conclude your testimony?**

15 A69. Yes.

EXHIBIT "CM-2"
GULFPORT ENERGY CORPORATION
CONWAY WEST UNIT
BELMONT COUNTY, OHIO
566.943 ACRES

MAP ID	PARCEL NUMBER
1	44-00054.000
2	43-00199.003
3	43-00147.000
4	43-00147.001
5	43-00199.002
6	43-00082.000
7	43-00199.000
8	43-90010.000
9	43-00755.000
10	43-00198.000
11	43-00161.000
12	43-00469.000
13	43-00026.000
14	43-00119.000
15	43-00158.000
16	43-00158.001
17	43-00203.000
18	43-00197.000
19	43-00295.000
20	43-00757.000
21	43-00434.000
22	43-00202.000
23	43-60021.000
24	43-00736.000
25	43-00756.000



	UNIT BOUNDARY - 566.943 ACRES
	LEASED
	UNCOMMITTED WORKING INTEREST OWNERS
	UNLEASED

CONWAY WEST
 WASHINGTON TOWNSHIP BELMONT COUNTY, OHIO

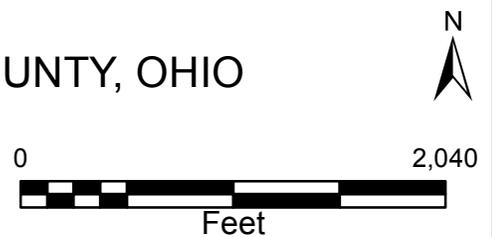
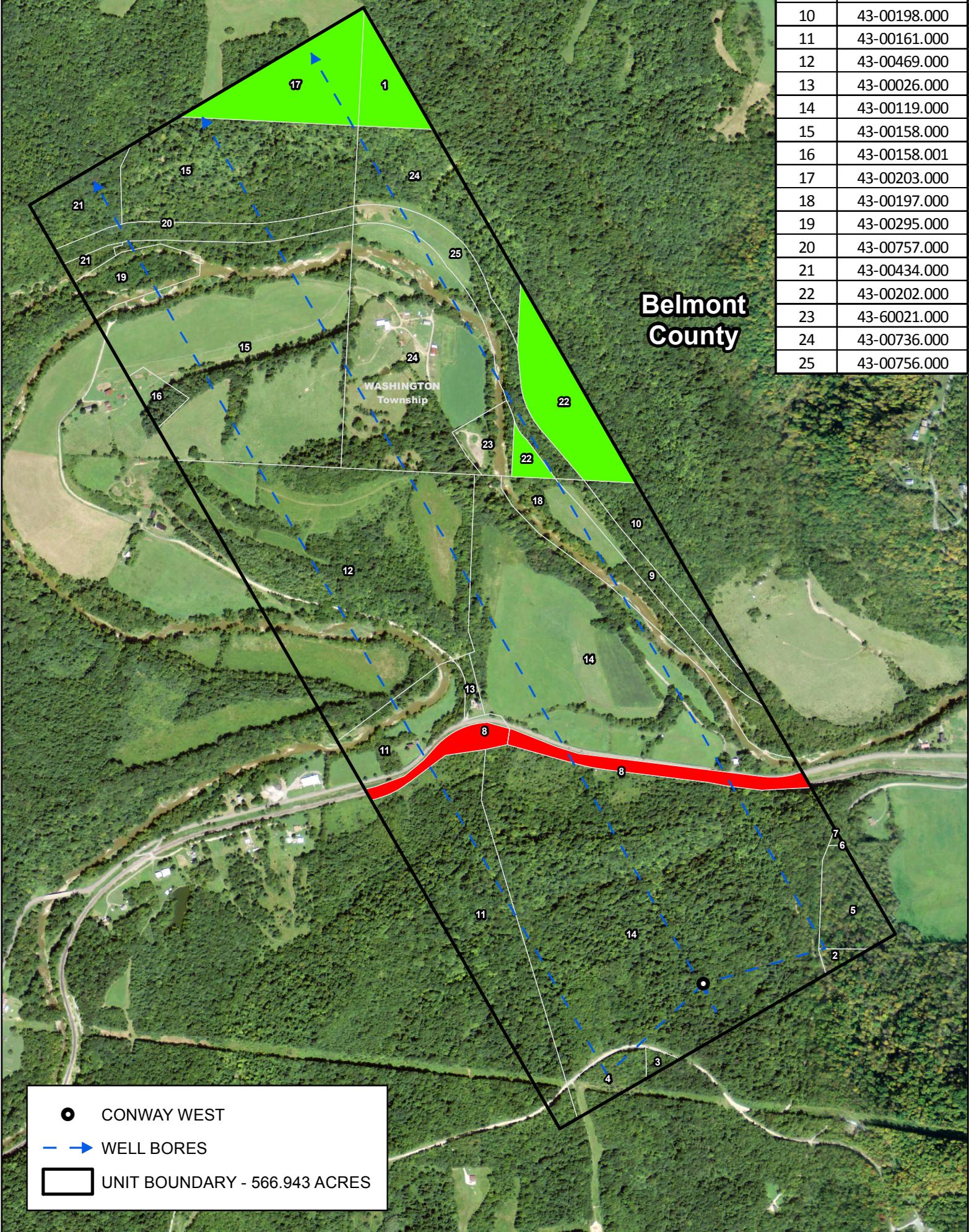


EXHIBIT "CM-3"

GULFPORT ENERGY CORPORATION CONWAY WEST UNIT BELMONT COUNTY, OHIO 566.943 ACRES

MAP ID	PARCEL NUMBER
1	44-00054.000
2	43-00199.003
3	43-00147.000
4	43-00147.001
5	43-00199.002
6	43-00082.000
7	43-00199.000
8	43-90010.000
9	43-00755.000
10	43-00198.000
11	43-00161.000
12	43-00469.000
13	43-00026.000
14	43-00119.000
15	43-00158.000
16	43-00158.001
17	43-00203.000
18	43-00197.000
19	43-00295.000
20	43-00757.000
21	43-00434.000
22	43-00202.000
23	43-60021.000
24	43-00736.000
25	43-00756.000



CONWAY WEST
WASHINGTON TOWNSHIP BELMONT COUNTY, OHIO

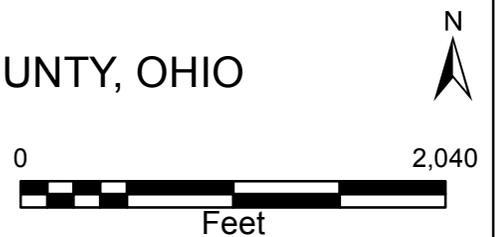
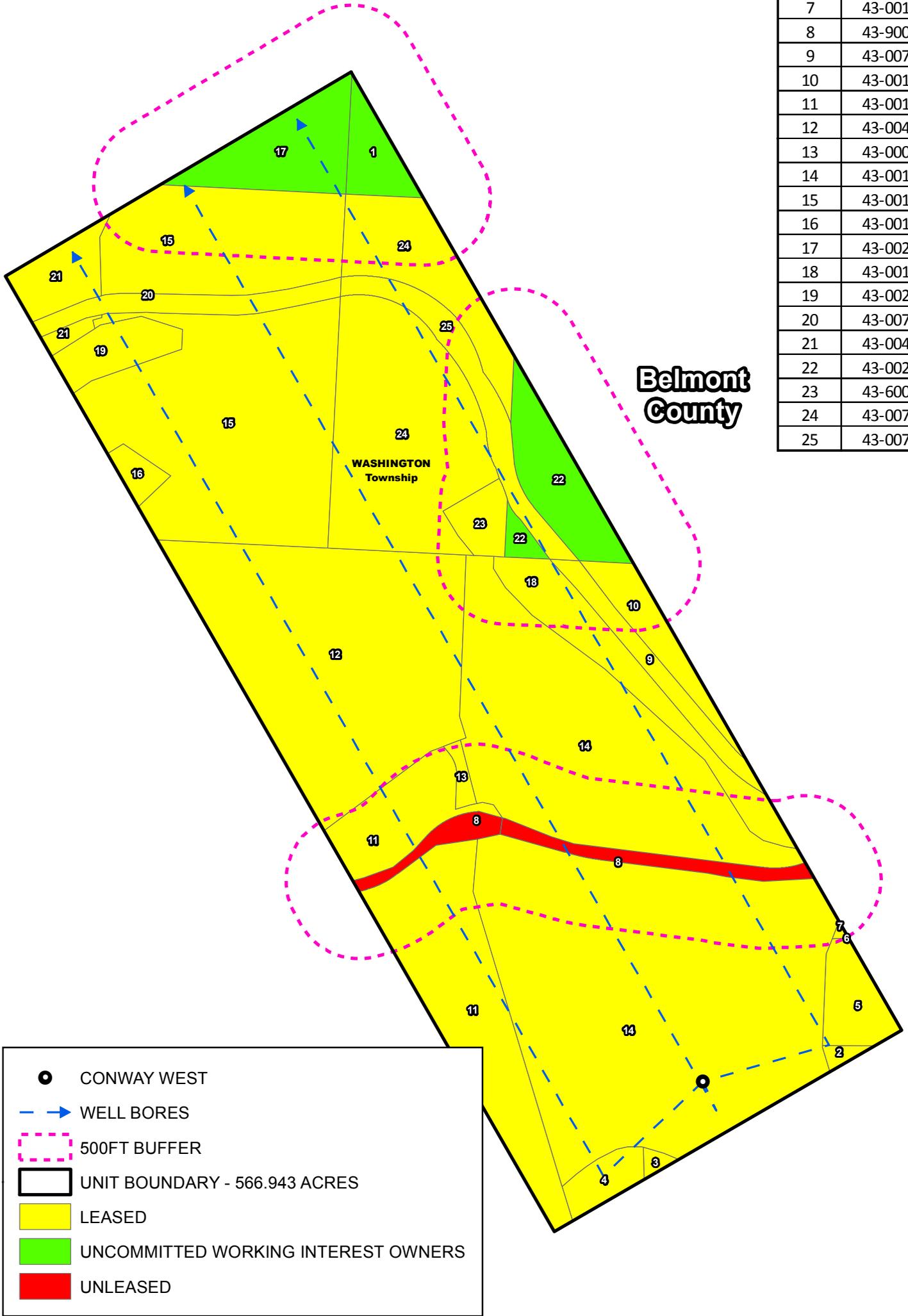


EXHIBIT "CM-4"

GULFPORT ENERGY CORPORATION CONWAY WEST UNIT BELMONT COUNTY, OHIO 566.943 ACRES

MAP ID	PARCEL NUMBER
1	44-00054.000
2	43-00199.003
3	43-00147.000
4	43-00147.001
5	43-00199.002
6	43-00082.000
7	43-00199.000
8	43-90010.000
9	43-00755.000
10	43-00198.000
11	43-00161.000
12	43-00469.000
13	43-00026.000
14	43-00119.000
15	43-00158.000
16	43-00158.001
17	43-00203.000
18	43-00197.000
19	43-00295.000
20	43-00757.000
21	43-00434.000
22	43-00202.000
23	43-60021.000
24	43-00736.000
25	43-00756.000



- CONWAY WEST
- WELL BORES
- 500FT BUFFER
- UNIT BOUNDARY - 566.943 ACRES
- LEASED
- UNCOMMITTED WORKING INTEREST OWNERS
- UNLEASED

CONWAY WEST
WASHINGTON TOWNSHIP BELMONT COUNTY, OHIO

