

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

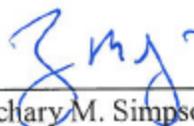
In re the Matter of the Application of :
Gulfport Energy Corporation, for :
Unit Operation : Application Date: February 17, 2016
 : Supplement Date: June 1, 2016
Neal West Unit :

FIRST SUPPLEMENT TO APPLICATION

On February 17, 2016, 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 Neal West Unit located in Belmont County, Ohio (the “Unitization Application”). Gulfport files this First Supplement to Application to reflect the following changes:

- Revised Unitization Application
- Revised Exhibit A-2 to the Unit Operating Agreement
- Revised Exhibit 4 – Prepared Testimony of Danny Watson
- Revised Exhibit DW-1 and DW-2 to Danny Watson’s Prepared Testimony
- Revised Exhibit 5 - Prepared Testimony of Jenae McCuiston
- Revised Exhibits JM-2 thru JM-4

Respectfully submitted,



Zachary M. Simpson (0089862)
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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: February 17, 2016
 : Supplement Date: June 1, 2016
Neal West Unit :

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

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Exhibit 1 Unit Agreement

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Exhibit 3 Prepared Direct Testimony of Michael Buckner (“Geologist”)

Exhibit 4 Prepared Direct Testimony of Danny Watson (“Reservoir Engineer”)

Exhibit 5 Prepared Direct Testimony of Jenae McCuistion (“Landman”)

Exhibit 6 Working Interest Owner Approval

**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: February 17, 2016
	:	Supplement Date: June 1, 2016
<u>Neal 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 “Neal 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
Gulfport Energy Corporation
14313 N. May, Suite 100
Oklahoma City, Oklahoma 73134
Tel. (405) 848-8807
E-mail: zsimpson@gulfportenergy.com

II. PROJECT DESCRIPTION

The Neal West Unit is located in Belmont County, Ohio, and consists of forty-five (45) 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 Neal West Unit is approximately 465.938 acres. Gulfport has the right to drill on and produce from approximately 420.392 acres of the proposed unit through its leasehold interest and joint venture agreement with Rice Drilling D., LLC – i.e., approximately ninety percent (90.2238%) 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 Neal 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 Neal 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 Jenae McCuiston 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 Jenae McCuiston, 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 Neal West Unit. The Unit Plan contemplates the potential drilling of approximately two horizontal wells from a single well pad, with laterals averaging in length approximately 10,100 feet, 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 39 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 Unitized Formation.⁹ Second, simply

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.

⁹ *Id.* at 4-6.

relying on shorter horizontal laterals to develop the Unitized Formation underlying the Neal West Unit would result in stranding reserves. 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 result in leaving 11 billion cubic feet (Bcf) of natural gas reserves stranded.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 Neal West Unit at present, is likely to be approximately \$14.117 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 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

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.*

¹⁶ *Id.* at 10.

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 percent (90.2238%) 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 June 2016 unitization docket, to consider the Application filed herein.

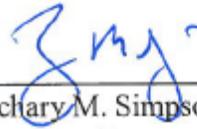
VII. CONCLUSION

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

¹⁷ *Id.* at 10-13.

¹⁸ *Id.* at 11-13.

Respectfully submitted,



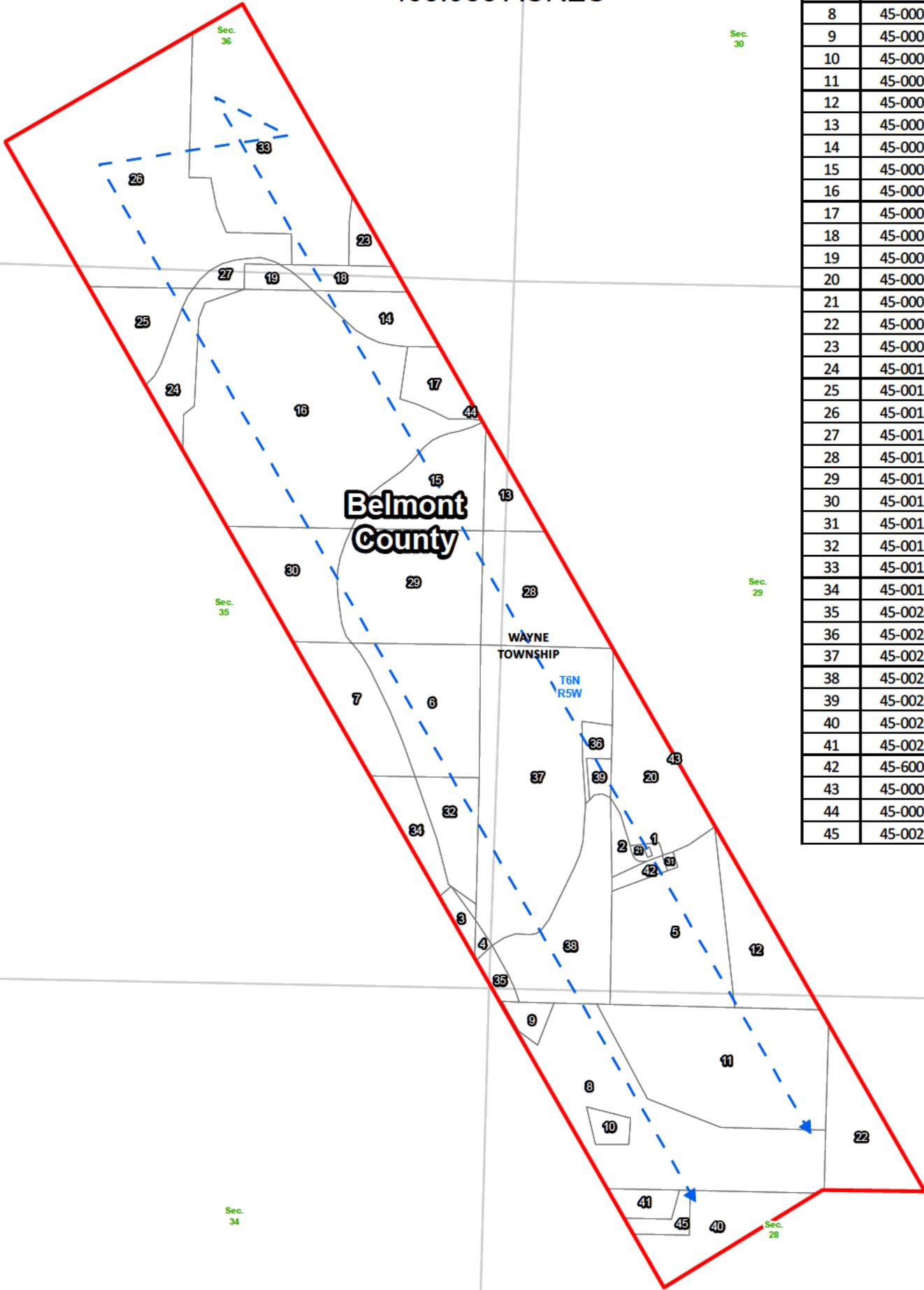
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Attorney for Applicant

EXHIBIT "A-1"

GULFPORT ENERGY CORPORATION NEAL WEST UNIT BELMONT COUNTY, OHIO 465.938 ACRES

MAP ID	PARCEL NUMBER	ACRES
1	45-00000.000	0.06
2	45-00008.000	1.45
3	45-00026.000	1.332
4	45-00026.000	0.449
5	45-00044.000	21.051
6	45-00046.000	15.677
7	45-00046.001	9.581
8	45-00051.000	31.667
9	45-00051.001	1.637
10	45-00051.002	1.564
11	45-00064.000	29.447
12	45-00065.000	9.921
13	45-00073.001	4.124
14	45-00074.000	5.489
15	45-00074.001	11.903
16	45-00074.002	58.369
17	45-00074.004	4.501
18	45-00075.000	3.349
19	45-00075.001	1.75
20	45-00076.000	13.479
21	45-00076.002	0.519
22	45-00083.000	10.678
23	45-00087.004	2.075
24	45-00117.000	5.835
25	45-00117.001	6.733
26	45-00119.002	45.636
27	45-00120.000	1.577
28	45-00125.000	14.283
29	45-00126.000	20.506
30	45-00126.001	12.027
31	45-00142.000	0.228
32	45-00150.001	6.49
33	45-00169.000	33.327
34	45-00175.000	4.826
35	45-00284.000	1.461
36	45-00284.001	1.588
37	45-00284.002	39.35
38	45-00284.003	16.493
39	45-00285.000	1.1
40	45-00295.000	9.129
41	45-00295.001	2.247
42	45-60002.000	1.102
43	45-00007.000	0.029
44	45-00074.003	0.136
45	45-00295.003	1.763



UNIT BOUNDARY - 465.938 ACRES

NEAL WEST
WAYNE TOWNSHIP BELMONT COUNTY, OHIO

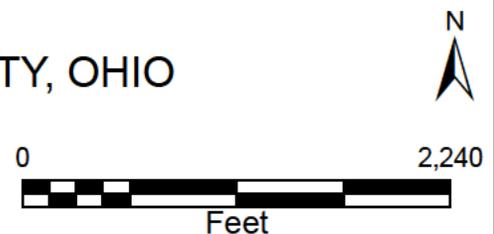


Exhibit "A-2"
Leases Within the Contract Area

Attached to and made a part of that certain Unit Operating Agreement dated February 17, 2016 as approved by the Ohio Department of Natural Resources for the Neal 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	ECLIPSE WORKING INTEREST	UNIT PARTICIPATION	ADDRESS	CITY	STATE	ZIP CODE
1	RICE	M. E. Church	Y	0.060	0.01288%	45-00000.000	Wayne	Belmont	OH	0.00013		0.00013		0.00013	57302 Stumptown Rd	Barnesville	OH	43713
2	12756	Joseph S. Yoder Etal	Y	1.450	0.31120%	45-00008.000	Wayne	Belmont	OH	0.00311	0.00311			0.00311	56021 Stumptown Road	Barnesville	OH	43713
3	2153	Ronald & Sherrie Wharton	Y	1.332	0.28587%	45-00026.000	Wayne	Belmont	OH	0.00286	0.00286			0.00286	57080 Shry Road	Barnesville	OH	43713
4	2153	Ronnie G. & Sherrie L. Wharton	Y	0.449	0.09636%	45-00026.000	Wayne	Belmont	OH	0.00096	0.00096			0.00096	57080 Shry Road	Barnesville	OH	43713
5	2660	Robyn S. Turner	Y	21.051	4.51798%	45-00044.000	Wayne	Belmont	OH	0.04518	0.04518			0.04518	59199 Somerton Hwy	Barnesville	OH	43713
6	2152	John & Saloma Weaver	Y	15.677	3.36461%	45-00046.000	Wayne	Belmont	OH	0.03365	0.03365			0.03365	57399 Shry Road	Barnesville	OH	43713
7	2154	Mark A. Yakubisin Etal	Y	9.581	2.05628%	45-00046.001	Wayne	Belmont	OH	0.02056	0.02056			0.02056	57360 Shry Road	Barnesville	OH	43713
8	ECLIPSE	Damon K. Detling	Y	ECR	ECR	45-00051.000	Wayne	Belmont	OH	0.00000	0.00000		100%	ECR	56960 Shry Road	Jerusalem	OH	43747
9	ECLIPSE	Doreen D. Detling	Y	ECR	ECR	45-00051.001	Wayne	Belmont	OH	0.00000	0.00000		100%	ECR	56960 Shry Road	Jerusalem	OH	43747
10	ECLIPSE	Damon K. Detling	Y	ECR	ECR	45-00051.002	Wayne	Belmont	OH	0.00000	0.00000		100%	ECR	56960 Shry Road	Jerusalem	OH	43747
11	9244	LD & Rebecca Jenkins	Y	29.447	1.57998%	45-00064.000	Wayne	Belmont	OH	0.01580	0.01580			0.01580	P.O. Box 51	Cashion	OK	73016
11	9317	First Ranger Capital LLC	Y	*29.447	0.02370%	45-00064.000	Wayne	Belmont	OH	0.00024	0.00024			0.00024	7045 Aspen Wood Trail	Fort Worth	TX	76132
11	9317	Flatiron Energy Partners, LLC	Y	*29.447	0.66359%	45-00064.000	Wayne	Belmont	OH	0.00664	0.00664			0.00664	P.O. Box 601559	Dallas	TX	75360
11	9317	Four HC Utica LLC	Y	*29.447	0.15784%	45-00064.000	Wayne	Belmont	OH	0.00158	0.00158			0.00158	12377 Merit Drive Suite 1200	Dallas	TX	75251
11	9317	Highpoint Energy Partners, VI	Y	*29.447	2.68613%	45-00064.000	Wayne	Belmont	OH	0.02686	0.02686			0.02686	2236 Cahaba Valley Drive Suite 100	Birmingham	AL	35242
11	9317	Nelson Bunker Hunt Trust Estate	Y	*29.447	1.18499%	45-00064.000	Wayne	Belmont	OH	0.01185	0.01185			0.01185	5910 North Central Expressway Suite 1350	Dallas	TX	75206
11	9317	Tejas Resources, LLC	Y	*29.447	0.02370%	45-00064.000	Wayne	Belmont	OH	0.00024	0.00024			0.00024	8351 Deerwood Forest Drive	Fort Worth	TX	76126
12	9244	LD & Rebecca Jenkins	Y	9.921	0.53231%	45-00065.000	Wayne	Belmont	OH	0.00532	0.00532			0.00532	P.O. Box 51	Cashion	OK	73016
12	9317	First Ranger Capital LLC	Y	*9.921	0.00798%	45-00065.000	Wayne	Belmont	OH	0.00008	0.00008			0.00008	7045 Aspen Wood Trail	Fort Worth	TX	76132
12	9317	Flatiron Energy Partners, LLC	Y	*9.921	0.22357%	45-00065.000	Wayne	Belmont	OH	0.00224	0.00224			0.00224	P.O. Box 601559	Dallas	TX	75360
12	9317	Four HC Utica LLC	Y	*9.921	0.05318%	45-00065.000	Wayne	Belmont	OH	0.00053	0.00053			0.00053	12377 Merit Drive Suite 1200	Dallas	TX	75251
12	9317	Highpoint Energy Partners, VI	Y	*9.921	0.90499%	45-00065.000	Wayne	Belmont	OH	0.00905	0.00905			0.00905	2236 Cahaba Valley Drive Suite 100	Birmingham	AL	35242
12	9317	Nelson Bunker Hunt Trust Estate	Y	*9.921	0.39923%	45-00065.000	Wayne	Belmont	OH	0.00399	0.00399			0.00399	5910 North Central Expressway	Dallas	TX	75206
12	9317	Tejas Resources, LLC	Y	*9.921	0.00798%	45-00065.000	Wayne	Belmont	OH	0.00008	0.00008			0.00008	8351 Deerwood Forest Drive	Fort Worth	TX	76126
13	3424	James R. & Mary F. Wilcox	Y	4.124	0.88510%	45-00073.001	Wayne	Belmont	OH	0.00885	0.00885			0.00885	5765 Lyrie Drive	Clinton	OH	44216
14	3426	Andy J. & Susan J. Weaver	Y	5.489	1.17805%	45-00074.000	Wayne	Belmont	OH	0.01178	0.01178			0.01178	56021 Stumptown Road	Barnesville	OH	43713
15	3424	James R. & Mary F. Wilcox	Y	11.903	2.55463%	45-00074.001	Wayne	Belmont	OH	0.02555	0.02555			0.02555	5765 Lyrie Drive	Clinton	OH	44216
16	9543	Jacob E. & Wayne E. Miller	Y	58.369	12.52720%	45-00074.002	Wayne	Belmont	OH	0.12527	0.12527			0.12527	1954 Twp Road 661	Dundee	OH	44624
17	3426	Andy J. & Susan J. Weaver	Y	4.501	0.96601%	45-00074.004	Wayne	Belmont	OH	0.00966	0.00966			0.00966	56021 Stumptown Road	Barnesville	OH	43713

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18	3426	Andy J. & Susan J. Weaver	Y	3.349	0.71877%	45-00075.000	Wayne	Belmont	OH	0.00719	0.00719			0.00719	56021 Stumptown Road	Barnesville	OH	43713
19	9543	Jacob E. & Wayne E. Miller	Y	1.750	0.37559%	45-00075.001	Wayne	Belmont	OH	0.00376	0.00376			0.00376	1954 Twp Road 661	Dundee	OH	44624
20	3405	Richard A. & Cynthia J. Lallathin	Y	13.479	2.89287%	45-00076.000	Wayne	Belmont	OH	0.02893	0.02893			0.02893	57414 Stumptown Road	Barnesville	OH	43713
21	RICE	Pleasant Ridge Church	Y	0.519	0.11139%	45-00076.002	Wayne	Belmont	OH	0.00111		0.00111		0.00111	57302 Stumptown Rd	Barnesville	OH	43713
22	ECLIPSE	Brian and Barry West	Y	ECR	ECR	45-00083.000	Wayne	Belmont	OH	0.00000	0.00000		100%	0.00000	57400 New Castle Road	Jerusalem	OH	43747
23	3395	John D. Bush Etal	Y	2.075	0.44534%	45-00087.004	Wayne	Belmont	OH	0.00445	0.00445			0.00445	38160 Crook Street	Crafton	OH	44044
24	9543	Jacob E. & Wayne E. Miller	Y	5.835	1.25231%	45-00117.000	Wayne	Belmont	OH	0.01252	0.01252			0.01252	1954 Twp Road 661	Dundee	OH	44624
25	9543	Jacob E. & Wayne E. Miller	Y	6.733	1.44504%	45-00117.001	Wayne	Belmont	OH	0.01445	0.01445			0.01445	1954 Twp Road 661	Dundee	OH	44624
26	9543	Jacob E. & Wayne E. Miller	Y	45.636	9.79444%	45-00119.002	Wayne	Belmont	OH	0.09794	0.09794			0.09794	1954 Twp Road 661	Dundee	OH	44624
27	9543	Jacob E. & Wayne E. Miller	Y	1.577	0.33846%	45-00120.000	Wayne	Belmont	OH	0.00338	0.00338			0.00338	1954 Twp Road 661	Dundee	OH	44624
28	3402	Joe P. & Lizzie J. Hershberger	Y	14.283	3.06543%	45-00125.000	Wayne	Belmont	OH	0.03065	0.03065			0.03065	57459 Shry Road	Barnesville	OH	43713
29	3402	Joe P. & Lizzie J. Hershberger	Y	20.506	4.40101%	45-00126.000	Wayne	Belmont	OH	0.04401	0.04401			0.04401	57459 Shry Road	Barnesville	OH	43713
30	2656	Hills & Hollers Farm LLC	Y	12.027	2.58124%	45-00126.001	Wayne	Belmont	OH	0.02581	0.02581			0.02581	3645 Sandy Lake Road	Ravenna	OH	44266
31	12909	ESTATE OF JAMES W. STOTTLER	Y	0.228	0.01631%	45-00142.000	Wayne	Belmont	OH	0.00016	0.00016			0.00016	P.O.Box 466	Barnesville	OH	43713
31	12911	E. Dwayne Stottler	Y	*0.228	0.00350%	45-00142.000	Wayne	Belmont	OH	0.00003	0.00003			0.00003	58780 Sandy Ridge Road	Barnesville	OH	43713
31	12907	Lora W. & Danny J. Wildes	Y	*0.228	0.00350%	45-00142.000	Wayne	Belmont	OH	0.00003	0.00003			0.00003	58970 Sandy Ridge Road	Barnesville	OH	43713
31	12906	William L. & Kathleen Stottler	Y	*0.228	0.00326%	45-00142.000	Wayne	Belmont	OH	0.00003	0.00003			0.00003	304 South Broadway	Barnesville	OH	43713
31	12905	Bernard E. and Alice R. Clark	Y	*0.228	0.00326%	45-00142.000	Wayne	Belmont	OH	0.00003	0.00003			0.00003	59761 Sandy Ridge Road	Barnesville	OH	43713
31	12903	Francis E. & Lona G. Stottler	Y	*0.228	0.00326%	45-00142.000	Wayne	Belmont	OH	0.00003	0.00003			0.00003	3472 N 700 East	Kendallville	IN	46755
31	12904	Barbara J. Carpenter	Y	*0.228	0.00326%	45-00142.000	Wayne	Belmont	OH	0.00003	0.00003			0.00003	213 Railroad Street	Barnesville	OH	43713
31	12913	Richard Wayne Stottler	Y	*0.228	0.00155%	45-00142.000	Wayne	Belmont	OH	0.00002	0.00002			0.00002	12545 Battle Ridge Road	Cambridge	OH	43725
31	12908	Nancy L. & David W. Cheek	Y	*0.228	0.00155%	45-00142.000	Wayne	Belmont	OH	0.00002	0.00002			0.00002	2726 Eldersville Road	Follansbee	WV	26037
31	12915	Terry H. & Deborah Stottler	Y	*0.228	0.00155%	45-00142.000	Wayne	Belmont	OH	0.00002	0.00002			0.00002	1771 Marinette Street	Torrance	CA	90501
31	12909	JAMES R. STOTTLER, UNMARRIED	Y	*0.228	0.00155%	45-00142.000	Wayne	Belmont	OH	0.00002	0.00002			0.00002	112 Wood	Westerville	OH	43081
31	12916	Robert W. Stottler	Y	*0.228	0.00155%	45-00142.000	Wayne	Belmont	OH	0.00002	0.00002			0.00002	P.O. Box 68	Quaker City	OH	43773
31	12912	Diana L. and Donald C. Luers	Y	*0.228	0.00052%	45-00142.000	Wayne	Belmont	OH	0.00001	0.00001			0.00001	P.O. Box 2232	Buckeye Lake	OH	43008
31	12902	Mary Ruth & Patrick H. Sullivan	Y	*0.228	0.00326%	45-00142.000	Wayne	Belmont	OH	0.00003	0.00003			0.00003	3300 Lockport Place	Keswich	VA	22947
31	UNLEASED MINERAL OWNER	HELEN E. SMITH	N	*0.228	UNLEASED	45-00142.000	Wayne	Belmont	OH	0.00000	0			UNLEASED	14122 Churchhill Estates Boulevard, Unit 604	San Antonio	TX	78248
31	UNLEASED MINERAL OWNER	MARGARET AND BRAD BRIGNER	N	*0.228	UNLEASED	45-00142.000	Wayne	Belmont	OH	0.00000	0			UNLEASED	816 Pier Avenue	Whitehall	OH	43213
32	3286	Jeffrey L. Wehr	Y	6.490	1.39289%	45-00150.001	Wayne	Belmont	OH	0.01393	0.01393			0.01393	57062 Stumptown Road	Barnesville	OH	43713
33	9925	Danette L. Warrick Etal	Y	33.327	7.15267%	45-00169.000	Wayne	Belmont	OH	0.07153	0.03576	0.03576		0.07153	58612 Warrick Road	Barnesville	OH	43713
34	3423	Stephen L. Wharton	Y	4.826	1.03576%	45-00175.000	Wayne	Belmont	OH	0.01036	0.01036			0.01036	57260 Shry Road	Barnesville	OH	43713
35	3286	Jeffrey L. Wehr	Y	1.461	0.31356%	45-00284.000	Wayne	Belmont	OH	0.00314	0.00314			0.00314	57062 Stumptown Road	Barnesville	OH	43713

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	ECLIPSE WORKING INTEREST	UNIT PARTICIPATION	ADDRESS	CITY	STATE	ZIP CODE
36	2118	Michael & Amy Smith	Y	1.588	0.34082%	45-00284.001	Wayne	Belmont	OH	0.00341	0.00341			0.00341	57218 Stumptown Road	Barnesville	OH	43713
37	3286	Jeffrey L. Wehr	Y	39.350	8.44533%	45-00284.002	Wayne	Belmont	OH	0.08445	0.08445			0.08445	57062 Stumptown Road	Barnesville	OH	43713
38	3286	Jeffrey L. Wehr	Y	16.493	3.53974%	45-00284.003	Wayne	Belmont	OH	0.03540	0.03540			0.03540	57063 Stumptown Road	Barnesville	OH	43713
39	RICE	Arsa R. Fisher Etal	Y	1.100	0.23608%	45-00285.000	Wayne	Belmont	OH	0.00236		0.00236		0.00236	57246 Stumptown RD	Barnesville	OH	43713
40	2151	Jake & Delila Weaver (Trustees)	Y	9.129	1.95927%	45-00295.000	Wayne	Belmont	OH	0.01959	0.01959			0.01959	56539 Shry Road	Jerusalem	OH	43747
41	8331	Roy N. & Martha S. Hershberger	Y	2.247	0.48225%	45-00295.001	Wayne	Belmont	OH	0.00482	0.00482			0.00482	56720 Shry Road	Jerusalem	OH	43747
42	RICE	Church & Cemetery	Y	1.102	0.23651%	45-60002.000	Wayne	Belmont	OH	0.00237		0.00237		0.00237	57302 Stumptown Road	Barnesville	OH	437.13
43	3405	Richard A. & Cynthia J. Lallathin	Y	0.029	0.00622%	45-00007.000	Wayne	Belmont	OH	0.00006	0.00006			0.00006	57474 Stumptown Road	Barnesville	OH	43713
44	3418	Wenger Holding LLC	Y	0.136	0.02919%	45-00074.003	Wayne	Belmont	OH	0.00029	0.00029			0.00029	21005 New Gottengen Road	Salesville	OH	43778
45	8331	Roy N. & Martha S. Hershberger	Y	1.763	0.37838%	45-00295.003	Wayne	Belmont	OH	0.00378	0.00378			0.00378	56720 Shry Road	Jerusalem	OH	43747

0.902238 0.860506 0.041732 0.097751 0.902238

TOTAL NET LEASED ACRES:	420.392000	0.902238
TOTAL UNIT ACRES:	465.938000	

END OF EXHIBIT "A-2"

Exhibit "A-3"
Unitized Parties

Attached to and made a part of that certain Unit Operating Agreement dated February 17, 2016 as approved by the Ohio Department of Natural Resources for the Neal 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	UNIT PARTICIPATI ON	ADDRESS	CITY	STATE	ZIP CODE
31	UNLEASED MINERAL OWNER	HELEN E. SMITH	N	0.228	0.000005	45-00142.000	Wayne	Belmont	OH	0 000005	14122 Churchill Estates Boulevard, Unit 604	San Antonio	TX	78248
31	UNLEASED MINERAL OWNER	MARGARET AND BRAD BRIGNER	N	*0.228	0.000005	45-00142.000	Wayne	Belmont	OH	0 000005	816 Pier Avenue	Whitehall	OH	43213

TOTAL UNITIZED ACRES:	0.2280000	0.000010
TOTAL UNIT ACRES:	465.93800	

0.000010

 Unleased

END OF EXHIBIT "A-3"

Exhibit "A-4"

Attached to and made a part of that certain Unit Operating Agreement dated February 17, 2016 as approved by the Ohio Department of Natural Resources for the Neal West Unit

TRACT NUMBER	UNCOMMITTED WORKING INTEREST OWNER	ADDRESS	LEASED? Y/N	SURFACE ACRES IN UNIT	TRACT PARTICIPATION	TAX MAP PARCEL ID NUMBERS	TOWNSHIP	COUNTY	STATE	UNIT PARTICIPATION
8	Eclipse Resources – Ohio, LLC Eclipse Resources I, LP	2121 Old Gatesburg Road, Suite 110 State College, PA 16803 Attention: Chad Volk	Y	31.667	6.79640%	45-00051.000	Wayne	Belmont	Ohio	0.067964
9	Eclipse Resources – Ohio, LLC Eclipse Resources I, LP	2121 Old Gatesburg Road, Suite 110 State College, PA 16803 Attention: Chad Volk	Y	1.637	0.35133%	45-00051.001	Wayne	Belmont	Ohio	0.003513
10	Eclipse Resources – Ohio, LLC Eclipse Resources I, LP	2121 Old Gatesburg Road, Suite 110 State College, PA 16803 Attention: Chad Volk	Y	1.564	0.33567%	45-00051.002	Wayne	Belmont	Ohio	0.003357
22	Eclipse Resources – Ohio, LLC Eclipse Resources I, LP	2121 Old Gatesburg Road, Suite 110 State College, PA 16803 Attention: Chad Volk	Y	10.678	2.29172%	45-00083.000	Wayne	Belmont	Ohio	0.022917
TOTAL UNCOMMITTED WI				45.546	9.77512%					
TOTAL UNIT ACRES				465.938						

END OF EXHIBIT "A-4"

**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: February 17, 2016
: Supplement Date: June 1, 2016
Neal West Unit :

**PREPARED TESTIMONY OF DANNY WATSON, P.E.
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: June 1, 2016

PREPARED DIRECT TESTIMONY OF DANNY WATSON, P.E.

1 **Q1. Please introduce yourself.**

2 A1. My name is Danny Watson and my business address is 14313 N. May, Oklahoma City,
3 Oklahoma 73134. I am Resource Development Manager for Gulfport Energy
4 Corporation.

5 **Q2. What is the purpose of your testimony today?**

6 A2. I am testifying in support of the Application of Gulfport Energy Corporation for Unit
7 Operation filed with respect to the Neal West Unit, consisting of forty-five (45) separate
8 tracts of land totaling approximately 465.938 acres in Belmont County, Ohio. My
9 testimony addresses the following: (1) unit operations for the Neal West Unit are
10 reasonably necessary to increase substantially the recovery of oil and gas and (2) the
11 value of the estimated additional recovery due to unit operations exceeds the estimated
12 additional costs.

13 **Q3. Can you summarize your educational experience for me?**

14 A3. I hold a Bachelors of Science in Petroleum Engineering from West Virginia University.

15 **Q4. Are you a member of any professional associations?**

16 A4. I am a member of The Society of Petroleum Engineers.

17 **Q5. Do you hold a professional licensure?**

18 A5. I am a registered Professional Engineer in the state of Oklahoma.

19 **Q6. How long have you been a Reservoir Engineer for Gulfport?**

20 A6. Two years.

21 **Q7. What other work experiences have you had?**

22 A7. With 7 years of experience, I have worked for Marshall Miller & Associates as a
23 Reservoir Engineer, Chesapeake Energy as a Completions/Production Engineer, and
24 Gulfport Energy as a Reservoir Engineer as well as in my current role as Resource
25 Development Manager.

26 **Q8. What does being a reservoir engineer entail?**

27 A8. I perform reserve evaluations estimating reserves and recoveries. I analyze the economics
28 and risk assessment of developmental wells and projects. I calculate how many
29 hydrocarbons are believed to exist or remain on Gulfport properties as well as how much
30 we can economically expect to produce.

31 **Q9. How do you do that?**

1 A9. There are several methods available such as volumetric analysis, utilizing analogous
2 offset production, and decline-curve analysis that can be used to make projections about
3 how much hydrocarbon exists and how much can be produced. Geologic data, drilling
4 and fracturing techniques, and costs are considered to estimate economics.

5 **Q10. Did you perform any calculations to support Gulfport's application for unitization**
6 **for the proposed Neal West Unit?**

7 A10. Yes, I did.

8 **Q11. And did you perform those calculations yourself, or did someone assist you?**

9 A11. I performed the calculations myself.

10 **Q12. What sort of calculations were you asked to perform?**

11 A12. Under the current un-unitized acreage, Gulfport would be able to drill 2 horizontal wells
12 (approximately 6,355' average lateral length) when considering the 500 feet limit of the
13 unleased parcels. If the acreage were approved for full development, Gulfport would be
14 able to drill 2 horizontal wells (approximately 8,836' average lateral length) from a single
15 pad in the unit. I estimated the reserves for each scenario in this two-well unit.

16 **Q13. Why horizontal wells?**

17 A13. The vast majority of unconventional shale reservoirs cannot be produced at economic
18 flow rates and do not produce economic volumes of oil and gas without the use of
19 horizontal drilling and the assistance of stimulation treatments like hydraulic fracturing.
20 This largely explains why Utica Shale exploration and production in Ohio is a recent
21 development. The permeability of shale formations, including the Utica formation, is
22 extremely low. In order for hydrocarbons found in the shale reservoir to flow at economic
23 rates, the surface area open to flow must be maximized. Thus far, horizontal multi-stage,
24 hydraulically-fractured wells are the most efficient way that the oil and gas industry has
25 been able to maximize the surface area exposed to the reservoir for flow purposes.

26 **Q14. How are horizontal wells drilled?**

27 A14. Horizontal drilling is the process of drilling down vertically to a point commonly
28 referred to as the kickoff point, and then gradually turning the wellbore to drill and place
29 the wellbore in the desired hydrocarbon bearing formation – in this case, the Utica shale –
30 horizontally in order to maximize the areal contact of the reservoir. This technology,
31 along with hydraulically fracturing the formation, is required to economically develop

1 unconventional resources like shale gas formations.

2 **Q15. How deep is the kickoff point that you are referring to?**

3 A15. It depends on the well being drilled, but for the proposed Neal West Unit, it is likely to
4 be approximately 9,050' TVD (true vertical depth) based on data gathered from an offset
5 that was recently drilled.

6 **Q16. Is horizontal drilling common in the oil and gas industry?**

7 A16. Yes. The oil and gas industry has been drilling horizontal wells for many years. Also,
8 hydraulic fracturing has been used in the oil and gas industry for more than seventy years.
9 The combination of hydraulic fracturing and horizontal drilling is what is allowing shale
10 formations like the Utica to finally be developed.

11 **Q17. Is it fair to say, then, that horizontal wells are the predominant method used to
12 develop shale formations like the Utica today?**

13 A17. Yes.

14 **Q18. Turning specifically to the Neal West Unit, have you made an estimate of the
15 production you anticipate from the proposed unit's operations?**

16 A18. Yes, I have evaluated and estimated the production potential from the Utica formation in
17 the Neal West Unit and believe that the gross production from unitized operations, as
18 proposed in this application, if successful, could be as much as 39 BCF of gas.

19 **Q19. How did you make those estimates?**

20 A19. From analogy of offset Utica horizontal wells and from decline-curve analysis. There are
21 horizontal Utica wells located within approximately one mile of the proposed unit that I
22 believe have similar characteristics in terms of fluid type and production profile;
23 therefore, data from those wells were used in my calculations.

24 **Q20. Once you had that data from the other Utica shale wells, what did you do with it?**

25 A20. I used actual production data from those wells to develop an average Utica production
26 profile or "type curve" using decline-curve analysis. With all wells, production and
27 pressure is highest at the onset and gradually decreases to a point where production
28 cannot be sustained without some degree of additional stimulation. These declines can be
29 plotted and, for wells within the same formation, tend to exhibit similar characteristics.
30 In the type curve process, data from the first day of production for all the wells are all
31 aligned, and the production volumes are then averaged. This will produce the average

1 production profile of the wells included in the type curve. A mathematical expression is
2 then used to match the existing production and forecast the future production that is
3 expected to be produced from the well. This is referred to as "decline-curve analysis."
4 Type curves are routinely used in the industry to estimate reserves.

5 **Q21. I see that you've qualified your calculations as an estimate. Does that mean that you**
6 **cannot calculate the production from these wells ahead of time with mathematical**
7 **certainty?**

8 A21. Yes, that is correct. The ultimate recovery of a well cannot be known until it has
9 produced its last drop, which will not be for many years. However, we have established
10 production and test data in the area.

11 **Q22. In your professional opinion, would it be economic to develop the Neal West Unit**
12 **using traditional vertical drilling?**

13 A22. No. These unconventional reservoirs cannot be produced at economic flow rates or do
14 not produce economic volumes of oil and gas without the use of horizontal drilling and
15 the assistance of stimulation treatments. This largely explains why the Utica Shale had
16 not been developed prior to the recent horizontal activity in Ohio.

17 **Q23. Are the estimates that you made based on good engineering practices and accepted**
18 **methods in the industry?**

19 A23. Yes

20 **Q24. Do you have the calculations you performed?**

21 A24. Yes. The summary of my calculations are attached to this prepared testimony as Exhibit
22 "DW-1"

23 **Q25. Can you summarize what your calculations show?**

24 A25. First, I looked at the economics of non-unitization. In this case, Gulfport has to avoid the
25 unleased parcels and, as a result, will have to abandon a significant portion of both
26 laterals. The Neal West A and B laterals would measure approximately 6,636' and
27 6,073', respectively.

28 **Q26. Did you also estimate what could be recovered if operations in this area are unitized,**
29 **as is being proposed by this application?**

30 A26. Yes. In that case, Gulfport does not have to avoid the unleased parcels, and Gulfport is
31 able to fully develop the unit with two horizontal laterals. The Neal West A and B laterals

1 would measure approximately 8,848' and 8,823', respectively.

2 **Q27. Can you summarize what those calculations show?**

3 A27. Yes. If Gulfport develops the acreage under the non-unitized scenario with two
4 horizontal laterals, I project that it will produce approximately 28 BCF of gas over the
5 combined productive life of the wells. If unitization occurs, Gulfport will be able to
6 produce approximate 39 BCF of gas over the productive life of the two wells.

7 **Q28. Is the unitized recovery due solely to being able to drill beneath the currently
8 unleased parcels?**

9 A28. No. The oil and gas from those unleased parcels accounts for part of the increase, but the
10 majority of the increase is from what would otherwise be stranded reserves that would
11 not be produced unless the Division approves the unitization application for full unit
12 operation. That oil and gas would forever be left behind if not produced through unit
13 operation by these wells. Drilling an additional well or wells to try to recover those
14 stranded reserves is simply not economically feasible.

15 **Q29. Let's shift our focus to the economic calculations for this project. Have you made
16 an estimate of the economics of the proposed development of the Neal West Unit?**

17 A29. Yes

18 **Q30. Would you walk us through your economic evaluation, beginning with your
19 estimate of the anticipated revenue stream from the Neal West Unit development?**

20 A30. During the reserve estimation process, not only were the ultimate reserve numbers
21 estimated, but the production profile of the reservoir hydrocarbons over time was also
22 developed. The production profile and a price scenario were used to develop the
23 revenues that are expected from the proposed unit's development.

24 **Q31. What do you mean when you say "production profile over time of the reservoir
25 hydrocarbons," and why is it important?**

26 A31. I am referring to the actual production we expect on a daily or monthly basis for the
27 well's entire life. This is important when doing an economic evaluation in which revenue
28 from future production is discounted in order to obtain the net present value and rate of
29 return for the specific project.

30 **Q32. What price scenario did you use?**

31 A32. A six-year forward strip price for May 31, 2016 was used. This is the market's current

1 view of what gas and oil prices will be in the future and are not guaranteed to be the price
2 received for the produced hydrocarbons from the Neal West Unit. I have attached those
3 figures as Exhibit "DW-2".

4 **Q33. What about anticipated capital and operating expenses?**

5 A33. Capital and operating expenses were incorporated as well. The total estimated capital is
6 based on the anticipated capital costs for both the drilling and completion processes. The
7 basis for this estimate comes from recent costs we have experienced with our Utica
8 formation development in the state of Ohio. These costs were adjusted to correspond to
9 the respective lateral length of each lateral within the proposed unit. Incorporated in the
10 analysis are both fixed and variable cost estimates.

11 **Q34. Based on this information and your professional judgment, does the value of the**
12 **estimated recovery from the operations proposed for the Neal West Unit exceed its**
13 **estimated costs?**

14 A34. Yes. The total estimated cost of developing the Neal West Unit is approximately \$20.2
15 million. Undiscounted Net Cash Flow is \$37.6 million and using a 10% discount rate, the
16 net present value is approximately \$14.1 million.

17 **Q35. In your professional opinion, do you believe that the proposed unit operations for**
18 **the Neal West Unit are reasonably necessary to increase substantially the ultimate**
19 **recovery of oil and gas from the unit area?**

20 A35. Yes. It is my professional opinion that unit operations are reasonably necessary to
21 increase substantially the ultimate recovery of oil and gas from the unit area. This area
22 would not be able to be developed without unit operations. Further, unit operation will
23 protect the correlative rights of all of the mineral owners by effectively and efficiently
24 draining all of the reserves, eliminating any waste of mineral resources associated with
25 stranded reserves. There is no doubt in my mind that unit operation will substantially
26 increase the ultimate recovery of oil and gas from this unit area.

27 **Q36. In your professional opinion, does the value of increased recovery attributable to**
28 **unit operations exceed the estimated additional costs of unit operation?**

29 A36. Yes. To increase the exposure to the reservoir and produce the maximum amount of
30 hydrocarbons, placing horizontal wells across the entire proposed unit is ideal. This limits
31 the capital cost by limiting the number of required surface locations and wells and

1 maximizes the production from the proposed unit's operations. Without the proposed
2 unit operations, we would not be able to develop this area. As indicated above, the
3 estimated development of the proposed unit would require \$20.2 million in capital, and
4 would have an undiscounted net cash flow of \$37.6 million and a net present value
5 discounted at 10% per annum of approximately \$14.1 million. Thus, the value of the
6 increased recovery significantly outweighs the increased cost of unitized operation.
7 Financially, it makes sense to operate as a unit.

8 **Q37. And your opinions are based on your education and professional experience?**

9 A37. Yes

10 **Q38. Does this conclude your testimony?**

11 A38. Yes.

EXHIBIT "DW-1"

NEAL WEST UNIT

Lateral Length and Capital				
Well Name	Unit Lateral Length (ft)	Unit Dev. Cost (M\$)	Non-Unit Lat. Length (ft)	Non-Unit Dev. Cost (M\$)
NEAL WEST A	8,848	10,126	6,636	8,652
NEAL WEST B	8,823	10,109	6,073	8,212
TOTAL	17,671	20,235	12,709	16,864

Reserve and Economic Summary		
	Full Dev. Totals	Partial Dev. Totals
Gross Condensate (MBbls.)	0	0
Gross Residue Gas (Bcf)	39	28
Equivalent EUR (Bcfe)	39	28
Undis. Net Cash Flow (M\$)	37,576	20,830
PV 10% (M\$)	14,117	8,417

EXHIBIT "DW-2"

STRIP PRICES AS OF MAY 31, 2016

DATE	OIL PRICE <u>\$/BBL.</u>	GAS PRICE <u>\$/MCF</u>
July-Dec 2016	50.80	2.53
Jan-Dec 2017	51.90	3.00
Jan-Dec 2018	52.68	3.03
Jan-Dec 2019	53.98	3.05
Jan-Dec 2020	55.29	3.13
Jan-Dec 2021	56.45	3.27
To Life	58.35	3.60

**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: February 17, 2016
 : Supplement Date: June 1, 2016
Neal West Unit :

**PREPARED TESTIMONY OF JENAE C. ALLERT
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: June 1, 2016

PREPARED DIRECT TESTIMONY OF JENAE C, ALLERT

1 **INTRODUCTION.**

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

3 A1. My name is Jenae C. Allert and my business address is 14313 North May Ave., Suite
4 100, 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 Coordinator – Land & Legal.

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 Science specializing in Leadership Development from Texas
17 A&M University in May of 2005. In May of 2009, I graduated with a Juris Doctor
18 from Texas A&M University School of Law. I was admitted to the State Bar of
19 Texas in November 2009.

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

21 A6. In May of 2006 I started my career in the oil and gas industry working for Dale
22 Resources, LLC. I started in the Title Department and ultimately became the
23 Curative Manager. While in the Title Department at Dale Resources, LLC, I
24 managed a team of 6-10 curative agents who worked to cure title defects for clients
25 operating wells in the Barnett Shale located in Fort Worth, Texas. I stayed with Dale
26 Resources, LLC until April of 2010 when I accepted an Operational Landman
27 position with Chesapeake Energy Corporation ("Chesapeake"). My primary role as
28 an Operational Landman for Chesapeake Energy Corporation was to ready wells to
29 drill according to their drilling program in the Barnett Shale. In November 2011 I
30 transferred to Chesapeake's Utica group operated at Chesapeake's headquarters in

1 Oklahoma City. My primary role in the Utica group was to ready wells to drill
2 according to their drilling program in the Utica Shale. My area of responsibility
3 included Ohio. In December 2013 I accepted a position at Vantage Energy, LLC
4 (“Vantage”) as Operational Land Manager – PA. My primary role was to oversee
5 the Appalachia Land Department so that Vantage could develop their Marcellus
6 Shale asset primarily located in Southwestern Pennsylvania. In April 2015, I joined
7 Gulfport where I have been working to develop our assets in Ohio and West Virginia.

8 **Q7. What do you do as Coordinator – Land & Legal?**

9 A7. My responsibilities as a Coordinator – Land & Legal consist of acquiring,
10 developing, and maintaining Gulfport’s leasehold position in various counties in
11 Ohio and West Virginia. I work hand-in-hand with Gulfport’s Engineering and
12 Geology departments to create production Units that we believe will produce the
13 minerals in a way that will protect the correlative rights of all parties involved. Once
14 we have determined the Unit boundaries, I interface with lease brokers, title
15 attorneys, and surveyors to determine the ownership of each parcel within the
16 proposed Unit and subsequently acquire the mineral rights to as much of the Unit as
17 possible. If there are other operators who have a leasehold presence within the
18 boundary lines, I work with them to negotiate trade agreements, term assignments,
19 and various other commitment agreements. If there are unleased mineral owners
20 within the Unit, I work on securing Oil and Gas Leases from the unleased mineral
21 owners. Additionally, I oversee the surface development and permitting process for
22 these wells as well as any other tasks that are necessary in preparing Gulfport to
23 successfully drill horizontal Utica/Point Pleasant wells.

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

25 A8. Yes, I am a member of the American Association of Professional Landmen and the
26 Oklahoma City Association of Professional Landmen.

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

29 A9. Yes, I have been accepted as an expert witness by the Texas Railroad Commission
30 in regard to Rule 37 spacing matters in Texas for horizontal development in the
31 Barnett Shale formation.

1 **Q10. Were you involved in the preparation of Gulfport Energy Corporation's**
2 **Application for Unitization with respect to the Neal West Unit?**

3 A10. Yes, after our initial lease acquisition covering the relevant land, I have assisted in
4 the formation of the Neal West Unit in its present configuration and have been
5 involved with the preparation of this application for Unitization.

6 **Q11. Can you generally describe the Neal West Unit?**

7 A11. Sure. The Neal West Unit consists of forty-five (45) distinct parcels of land totaling
8 approximately 465.938 acres of land in Wayne Township, Belmont County, State of
9 Ohio.

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

11 **Q12. The Application submitted by Gulfport indicates that it holds the oil and gas**
12 **operational rights to 420.39200 acres of the proposed 465.938 acre Unit. Would**
13 **you describe how Gulfport acquired its rights?**

14 A12. Gulfport Energy Corporation began acquiring these leasehold rights in 2013 through
15 its own leasing efforts as well as a Joint Venture with Rice Drilling D LLC, ("Rice")
16 headquartered in Canonsburg, PA.

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

19 A13. 86.0506%

20 **Q14. Have other working interest owners in the Neal 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 and Rice, the parties agree that Gulfport is to be the applicant and operator
24 for units within Wayne Township and that the applicant shall have the authority to
25 execute all necessary documents associated with the unitization on behalf of both
26 Parties' oil and gas interest with the unitized area. As a result, the Application is
27 brought on behalf of 90.2238% of the owners within the Neal West Unit, which is
28 well above the 65% threshold required by the statute.

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

31 A15. Gulfport has been working a trade agreement covering tracts 8, 9, 10, and 22 as

1 depicted on Exhibit JM-1.1 with Eclipse Resources – Ohio, LLC and Eclipse
2 Resources I, LP (“ECR”) since August of 2013. Unit Tracts 8, 9, 10 and 22 are
3 composed of 45.546 net acres and represents an undivided 9.77512% of the Neal
4 West Unit. Gulfport has been in constant communication with ECR, and we are
5 working as diligently as we can to come to terms of a mutually acceptable trade
6 agreement. One thing of note as to the ECR tracts: While Gulfport shows ECR to
7 own the oil and gas rights under the respective tracts, they are the subject of either
8 litigation or an affidavit filed in the county records of Belmont County by ECR as
9 successor-in-interest to Oxford Oil Company. Depending on the outcome of this
10 litigation, Gulfport may own the oil and gas rights. In other words, Gulfport has
11 taken a lease for the interest should the subject litigation ruling be unfavorable to
12 ECR.

13 Further, there is a partially unleased tract within the Unit (Tract 31). Gulfport has
14 been working to lease Tract 31 since April of 2015.

15 **Q16. Have you prepared a log detailing Gulfport’s efforts to obtain an agreement**
16 **from the uncommitted working interest owners in the proposed Unit?**

17 A16. Yes. I have outlined Gulfport’s communications in Exhibits JM-1.1 – 1.3.

18 **Q17. Could you describe the location of the leased and unleased tracts within the Neal**
19 **West Unit?**

20 A17. Yes. Exhibit JM-2, JM-3, and JM-4 are attached hereto, with plats showing each of
21 the tracts in the Neal West Unit.

22 **Q18. Are there other operators that have an interest within the Neal West Unit?**

23 A18. No.

24 **UNIT PLAN PROVISIONS.**

25 **Q19. Would you describe generally the development plan for the Neal West Unit?**

26 A19. Gulfport plans to develop the Neal West Unit from a northern pad site that is an
27 estimated 1,027 feet off the northern Unit boundary line and an estimated 2,112 feet
28 from the eastern Unit boundary line and 1,836 feet from the western Unit boundary
29 line. The pad will be adequately built to drill multiple horizontal wells with a
30 southeasterly orientation in the Unit. The Unit is currently configured to include
31 multiple horizontal wellbores, with projected lateral lengths of approximately 8,823

1 feet to 8,848 feet.

2 **Q20. Can you describe the location of the proposed wellbores within the Neal West**
3 **Unit?**

4 A20. Yes. I have attached as Exhibit JM-3 & JM-4 to my testimony a plat showing the
5 configuration of the wellbores. It shows the pad site located just inside the northern
6 boundary of the Neal West Unit with four wellbores configured to be drilled parallel
7 in a southeasterly direction spaced 827 feet apart on an approximate 30 degree angle.
8 Gulfport has not permitted any units which lie adjacent to the Neal West Unit.

9 **Q21. Do you know where the drilling and completion equipment will be located on**
10 **the pad?**

11 A21. Yes, we have been in contact with the surface owner of the parcel of our proposed
12 pad site and plan to develop our surface location pursuant to the terms of our agree-
13 ment. We have acquired a surface use agreement with the surface owner of said par-
14 cel.

15 **Q22.** A22.

16 **Q23. If the Division were to issue an order authorizing the proposed Unit, and if**
17 **Gulfport agreed with the terms and conditions of that order, how long**
18 **thereafter would Gulfport drill the exploratory well contemplated by the**
19 **petition?**

20 A23. We plan to drill the initial well in the first quarter of 2017.

21 **Q24. Does Gulfport have a specific timeline for drilling the additional well in the Neal**
22 **West Unit?**

23 A24. Subsequent wells will be drilled at some indeterminate time following the drilling of
24 the initial well.

25 **Q25. What are the benefits to this type of Unit development?**

26 A25. Developing the Neal West Unit in the manner previously described protects the
27 correlative rights of the Unit participants while also providing for substantial
28 environmental and economic benefits. Drilling, completing and producing multiple
29 horizontal wells from a single pad site significantly reduces the environmental
30 impact by allowing Gulfport to build a single access road rather than many, reduce
31 traffic, and allow for the development of acreage that might not otherwise be

1 available for development due to various surface limitations (terrain, residences,
2 etc.). Developing the Utica Shale via the drilling of vertical wells is not practicable,
3 as this reservoir cannot be produced at economic flow rates or volumes with vertical
4 drilling, and due to the fact that even if economically feasible, surface limitations set
5 out above would prevent the practical well spacing necessary too efficiently and
6 effectively produce the reservoir. Horizontal drilling negates these issues by
7 allowing for a central pad location to develop mineral acreage underlying otherwise
8 inaccessible lands with a minimum of surface disturbance.

9 **Q26. So is it fair to say that the benefits of this type of development are substantial?**

10 A26. Yes, the type of development planned by Gulfport for the Neal West Unit offers
11 significant benefits not only to the operator, but also to the landowners in the Unit
12 and the surrounding area.

13 **Q27. Are you familiar with the Unit Plan proposed by Gulfport for the Neal West**
14 **Unit?**

15 A27. Yes. The Unit Plan proposed by Gulfport is set out in two documents attached to the
16 Application. The first, the Unit Agreement, establishes the non-operating
17 relationship between the parties in the Unit. The second, the Unit Operating
18 Agreement, establishes how the Unit will be explored, developed, and produced.

19 **Q27a. Let's turn first to the Unit Agreement, marked as Exhibit 1 to the Application.**
20 **Would you describe briefly what it does?**

21 A27a. Yes. The Unit Agreement in effect combines the oil and gas rights in the Neal West
22 Unit so that they can be developed as if they were part of a single oil and gas lease.

23 **Q28. Are mineral rights to all geological formations combined under the Unit**
24 **Agreement?**

25 A28. No. The Unit Agreement only Unitizes the oil and gas rights located fifty feet above
26 the top of the Utica Shale to fifty feet below the base of the Point Pleasant formation,
27 defined in the Agreement as the "Unitized Formation," to allow development of the
28 Utica Shale formation.

29 **Q29. How will production proceeds from the Neal West Unit be allocated among**
30 **royalty interest owners and working interest owners in the Unit?**

31 A29. On a surface-acreage basis. Under Article 4 of the Unit Agreement, every tract is

1 assigned a tract participation percentage based on surface acreage and shown on
2 Exhibits A-2, A-3, and A-4 to the Unit Operating Agreement. Article 5 of the Unit
3 Agreement allocates production based on each individual's proportionate ownership
4 of that tract participation.

5 **Q30. Why use a surface-acreage basis as the method of allocation?**

6 A30. Based on the testimony of Michael Buckner attached to the Application as Exhibit 3,
7 a surface-acreage basis is an appropriate method of allocation because the formation
8 thickness and reservoir quality of the Unitized Formation is expected to be consistent
9 across the Neal West Unit.

10 **Q31. Would you go through an example from Exhibit A-2 to the Unit Operating**
11 **Agreement to illustrate how a surface-acreage allocation would be applied to**
12 **the Neal West Unit?**

13 A31. Yes. The fifth column on Exhibit A-2 to the Unit Operating Agreement, entitled
14 "Surface Acres in Unit," shows the number of surface acres in each tract of land
15 within the Neal West Unit. Column 6 on Exhibit A-2 shows the related tract
16 participation of each tract, which is calculated by taking the total number of surface
17 acres in the tract and dividing it by the total number of surface acres in the Unit. So,
18 for example, if you look at Tract Number 1 on Exhibit A-2, it shows that the M.E.
19 Church tract comprises .060 surface acres in the 465.938 acre Neal West Unit, which
20 equates to a tract participation of approximately 0.01288% (.060/465.938).

21 **Q32. What does that mean in terms of production allocated to that particular M.E.**
22 **Church tract?**

23 A32. It would mean that roughly 0.01288% of all production from the Neal West Unit
24 would be allocated to the M.E. Church tract, and would be distributed based on the
25 terms of the lease or other pertinent documents affecting the ownership to production
26 proceeds from the tract.

27 **Q33. In your experience, is that a customary way to allocate production in a Unit?**

28 A33. In my experience, surface-acreage allocation is both fair and customary for
29 horizontal shale development.

30 **Q34. How are Unit expenses allocated?**

31 A34. Similarly to production, Unit expenses are allocated on a surface-acreage basis.

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

5 **Q35. Who pays the Unit expenses?**

6 A35. Working interest owners.

7 **Q36. Do the royalty owners pay any part of the Unit expenses?**

8 A36. No. Royalty interest owners are responsible only for their proportionate share of
9 taxes and post-production costs, which are deducted from their share of the proceeds
10 from sales of production of hydrocarbons from the Unit area.

11 **Q37. Let's turn to the Unit Operating Agreement, marked as Exhibit 2 to the**
12 **Application. It appears to be based upon a form document. Could you please**
13 **identify that form document?**

14 A37. Yes. The Unit Operating Agreement is based upon *A.A.P.L. Form 610 – Model Form*
15 *Operating Agreement – 1982*, which we typically use when we enter into joint
16 operating agreements with other parties.

17 **Q38. Are you familiar with the custom and usage of the Form 610 and other similar**
18 **agreements in the industry?**

19 A38. Yes. The Form 610, together with its exhibits, is commonly used in the industry and
20 is frequently modified to address the development objectives of the parties. As a
21 landman, I have been involved in negotiating and modifying versions of A.A.P.L.
22 operating agreements.

23 **Q39. Turning to the Unit Operating Agreement in particular, does it address how**
24 **Unit expenses are determined and paid?**

25 A39. Yes. Article III of the Unit Operating Agreement provides that all costs and liabilities
26 incurred in operations shall be borne and paid by the working interest owners, in
27 accordance with their Unit Participation percentages. Those percentages can be
28 found in Exhibits A-2, A-3, and A-4 to the Unit Operating Agreement. Also, the
29 Unit Operating Agreement has attached to it an accounting procedure identified as
30 Exhibit C.

31 **Q40. What is the purpose of the document marked as Exhibit C in connection with**

1 **the Neal West Unit Operating Agreement?**

2 A40. The document presents information concerning how Unit expenses are determined
3 and paid.

4 **Q41. At the top of each page of Exhibit C, there appears a label that reads: “COPAS
5 2005 Accounting Procedure, Recommended by COPAS, Inc.” Are you familiar
6 with this society?**

7 A41. Yes, COPAS stands for the Council of Petroleum Accountants Societies.

8 **Q42. Is this COPAS document used in oil and gas operations across the country?**

9 A42. Yes. It is commonly used in the industry.

10 **Q43. In your opinion, is this COPAS document generally accepted in the industry?**

11 A43. Yes. This was drafted by an organization whose membership encompasses various
12 companies and sectors across the industry, and, as a result, is designed to be fair.

13 **Q44. Will there be in-kind contributions made by owners in the Unit area for Unit
14 operations, such as contributions of equipment?**

15 A44. No, Gulfport Energy does not anticipate in-kind contributions for the Unit Opera-
16 tions.

17 **Q45. Are there times when a working interest owner in the Unit chooses not to – or
18 cannot – pay their allocated share of the Unit expenses?**

19 A45. Yes. Joint Operating Agreements account for such occurrences, which are not
20 uncommon. The agreements allow working interest owners the flexibility to decline
21 to participate in an operation that they may not believe will be a profitable venture
22 or that they cannot afford. The remaining parties can then proceed at their own risk
23 and expense.

24 **Q46. Generally, how is the working interest accounted for when an owner chooses
25 not to participate in an operation?**

26 A46. A working interest owner who cannot or chooses not to participate in an operation is
27 considered a non-consenting party. If the remaining working interest owners decide
28 to proceed with the operation, the consenting parties bear the full cost and expense
29 of the operation. A non-consenting party is deemed to have relinquished its interest
30 in that operation until the well revenues pay out the costs that would have been
31 attributed to that party, plus a prescribed risk penalty or non-consent penalty.

1 **Q47. What is a risk penalty or non-consent penalty, and why are they included in the**
2 **agreement?**

3 A47. A risk penalty or non-consent penalty is a means to compensate consenting parties
4 for the financial risks of proceeding with a well that may be a non-producer when
5 one or more working interest owners do not consent to pay their share of the costs of
6 drilling said well. A non-consent penalty can also serve as a means to allow a
7 working interest owner to finance participation in a well when unable to advance its
8 share of drilling costs.

9 **Q48. Can a working interest owner choose to go non-consent in the initial well in the**
10 **Neal West Unit?**

11 A48. Yes. If a working interest owner chooses not to participate in the Unit's initial well,
12 Article VI.A of the Unit Operating Agreement provides that the working interest
13 owner shall be deemed to have relinquished to the other parties its working interest
14 in the Unit with a back-in provision with a risk factor of 300%.

15 **Q49. Does the Unit Operating Agreement treat the initial well and subsequent**
16 **operations differently in terms of going non-consent, and if so, why?**

17 A49. Yes. Subsequent operations have a smaller risk factor of 200%. A lack of
18 information as to whether the well will be economic makes participation in the initial
19 well a riskier endeavor than subsequent operations, when information gained from
20 the initial well reduces the risk factor going forward. Therefore, it is common for
21 joint operating agreements to distinguish risk factors between initial and subsequent
22 operations.

23 **Q50. But if the working interest owner still has a royalty interest in the Unit, that**
24 **royalty interest would remain in place and be paid?**

25 A50. Yes. The royalty interest would still be paid even if the working interest is being
26 used to pay off a risk factor.

27 **Q51. What is the risk factor for subsequent operations set out in the Unit Operating**
28 **Agreement?**

29 A51. 200%, as set out in Article VI.B of the Unit Operating Agreement.

30 **Q52. Are the percentages included in the Unit Operating Agreement unusual?**

31 A52. No, not for joint operating agreements used in horizontal drilling programs. Because

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

6 **Q53. Have you seen risk factor levels of 200% to 300% in other parts of the country**
7 **that you've worked in and are familiar with?**

8 A53. Yes. Those numbers are not unusual, and in fact higher numbers are sometimes seen
9 in the early stages of a play's development due to the relative lack of information and
10 the corresponding risk.

11 **Q54. How are decisions made regarding Unit operations?**

12 A54. Article V of the Unit Operating Agreement designates Gulfport as the Unit Operator,
13 with full operational authority for the supervision and conduct of operations of the
14 Unit. Additionally, except where otherwise provided, Article XV of the Unit
15 Operating agreement sets forth a voting procedure for any decision, determination or
16 action to be taken by the Unit participants. Under the voting procedure, each Unit
17 participant has a vote that corresponds in value to that participant's allocated
18 responsibility for the payment of Unit expenses.

19 **Q55. I believe you've already described generally the documents in Exhibits A and C**
20 **to the Unit Operating Agreement. Let's turn therefore to Exhibit B of the Unit**
21 **Operating Agreement. What is it?**

22 A55. Exhibit B is Gulfport's standard oil and gas lease form, which we attached to the
23 joint operating agreement to govern any unleased interests owned by the parties.
24 Article III.A of the Unit Operating Agreement provides that if any party owns or
25 acquires an oil and gas interest in the Contract Area, then that interest shall be treated
26 for all purposes of the Unit Operating Agreement as if it were covered by the form
27 of lease attached as Exhibit B.

28 **Q56. Does this oil and gas lease contain standard provisions that Gulfport uses in**
29 **connection with its drilling operations in Ohio and elsewhere?**

30 A56. Yes.

31 **Q57. Moving on to Exhibit D of the Unit Operating Agreement, would you describe**

1 **what it is?**

2 A57. Exhibit D is the insurance exhibit to the joint operating agreement. It outlines
3 coverage amounts and limitations, and the insurance terms for operations conducted
4 under the Unit Operating Agreement.

5 **Q58. Are the terms of insurance contained in Exhibit D substantially similar to those**
6 **employed in connection with Gulfport’s other Unitized projects in the State of**
7 **Ohio?**

8 A58. Yes.

9 **Q59. Based upon your education and professional experience, do you view the terms**
10 **of Exhibit D as reasonable?**

11 A59. Yes.

12 **Q60. Would you next describe Exhibit E of the Unit Operating Agreement?**

13 A60. Exhibit E is the Gas Balancing Agreement, which sets out the rights and obligations
14 of the parties with respect to marketing and selling any production from the Contract
15 Area.

16 **Q61. Would you give me an example of how Exhibit E might come into play?**

17 A61. Yes. Assuming that Company A is the operator of a well, and Company B is the
18 non-operator, the fact that Company A will drill, complete, and secure pipeline to the
19 well, does not preclude Company B from negotiating its own marketing agreements.
20 In the event that Company B wishes to do so, the Gas Balancing Agreement would
21 provide protection for both companies on volumes, underproduction, failure to take
22 production, maintaining the leases, etc.

23 **Q62. Are the terms contained in Exhibit E substantially similar to those employed in**
24 **connection with Gulfport’s other Unitized projects in the State of Ohio?**

25 A62. Yes.

26 **Q63. Has Gulfport documented which of the working interest owners included within**
27 **the Neal West Unit have given their consent to the proposed Unitization?**

28 A63. Yes. Exhibit 6.1 to the application documents the approvals for the Unit Plan
29 received from working interest owners included with the Neal West Unit up to the
30 time the Application was filed.

31 **Q64. Does the Application contain a list of those mineral owners who have not**

1 **previously agreed to enter into any oil and gas lease with respect to the tracts**
2 **they own within the Neal West Unit?**

3 A64. Yes, Exhibit A-3 to the Unit Operating Agreement lists the “Unitized parties,” being
4 the fee mineral owners who remain unleased.

5 **Q65. In your professional opinion, given your education and experience, are Unit**
6 **operations for the proposed Neal West Unit reasonably necessary to increase**
7 **substantially the ultimate recovery of oil and gas?**

8 A65. Yes. Unit operations for the Neal West Unit will minimize waste and allow for the
9 most efficient recovery of oil and gas. By drilling horizontally, Gulfport can develop
10 a larger area with a much smaller surface disturbance than through the drilling of
11 vertical wells. Without Unit operations, we would not be able to develop the Unit
12 area, so it’s fair to say that Unit operations are necessary to increase substantially the
13 recovery of oil and gas. I believe that the Neal West Unit represents a reasonable
14 and efficient means to develop the Utica Shale.

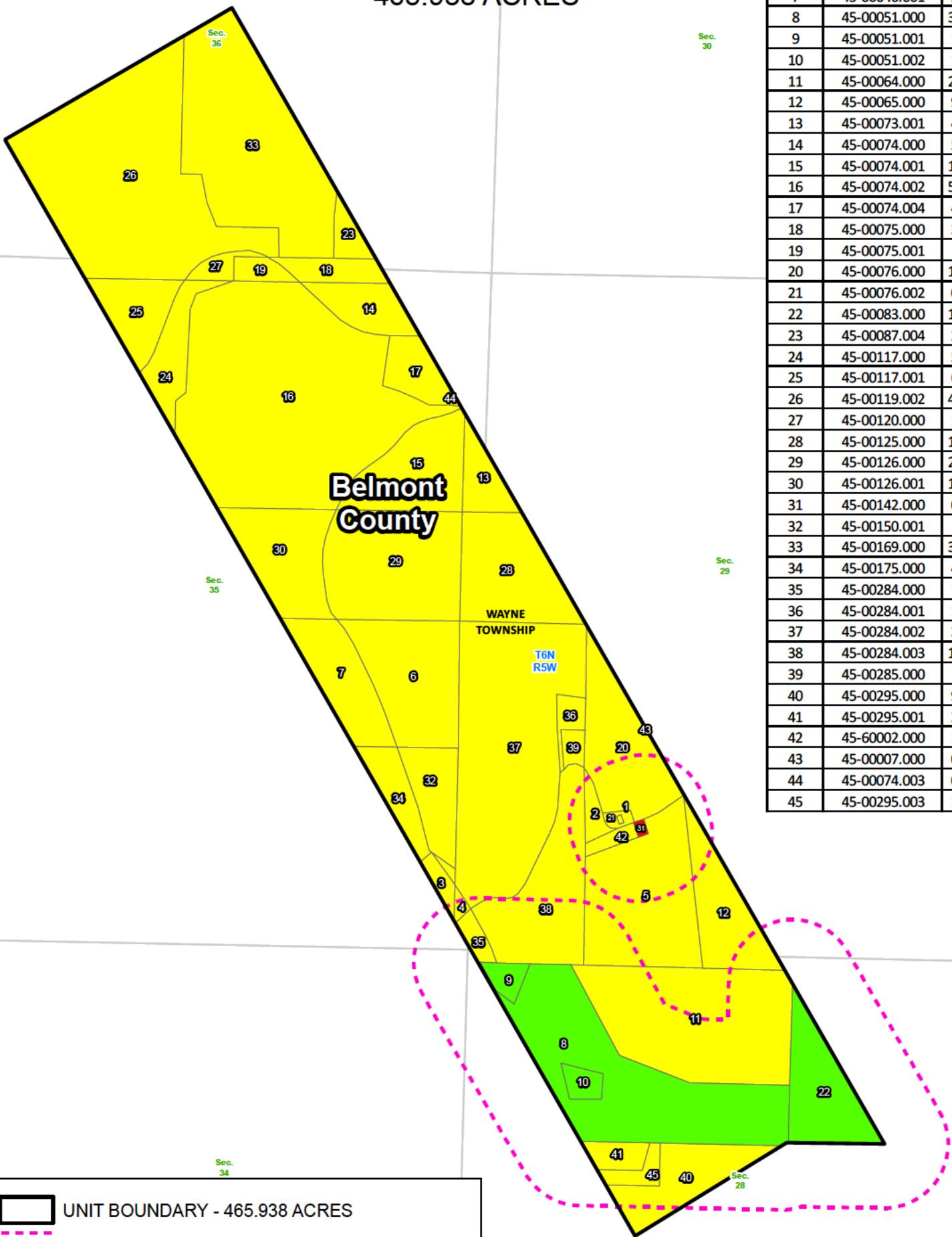
15 **Q66. Does this conclude your testimony?**

16 A66. Yes.

EXHIBIT "JM-2"

GULFPORT ENERGY CORPORATION NEAL WEST UNIT BELMONT COUNTY, OHIO 465.938 ACRES

MAP ID	PARCEL NUMBER	ACRES
1	45-00000.000	0.06
2	45-00008.000	1.45
3	45-00026.000	1.332
4	45-00026.000	0.449
5	45-00044.000	21.051
6	45-00046.000	15.677
7	45-00046.001	9.581
8	45-00051.000	31.667
9	45-00051.001	1.637
10	45-00051.002	1.564
11	45-00064.000	29.447
12	45-00065.000	9.921
13	45-00073.001	4.124
14	45-00074.000	5.489
15	45-00074.001	11.903
16	45-00074.002	58.369
17	45-00074.004	4.501
18	45-00075.000	3.349
19	45-00075.001	1.75
20	45-00076.000	13.479
21	45-00076.002	0.519
22	45-00083.000	10.678
23	45-00087.004	2.075
24	45-00117.000	5.835
25	45-00117.001	6.733
26	45-00119.002	45.636
27	45-00120.000	1.577
28	45-00125.000	14.283
29	45-00126.000	20.506
30	45-00126.001	12.027
31	45-00142.000	0.228
32	45-00150.001	6.49
33	45-00169.000	33.327
34	45-00175.000	4.826
35	45-00284.000	1.461
36	45-00284.001	1.588
37	45-00284.002	39.35
38	45-00284.003	16.493
39	45-00285.000	1.1
40	45-00295.000	9.129
41	45-00295.001	2.247
42	45-60002.000	1.102
43	45-00007.000	0.029
44	45-00074.003	0.136
45	45-00295.003	1.763



	UNIT BOUNDARY - 465.938 ACRES
	500 FT BUFFER
	UNLEASED
	UNCOMMITTED WORKING INTEREST OWNERS
	LEASED

NEAL WEST
WAYNE TOWNSHIP BELMONT COUNTY, OHIO

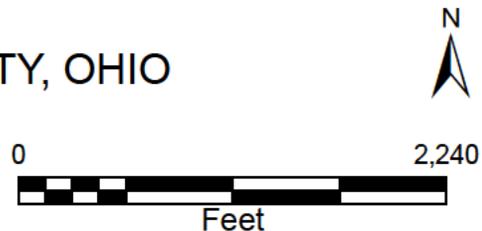


EXHIBIT "JM-3"

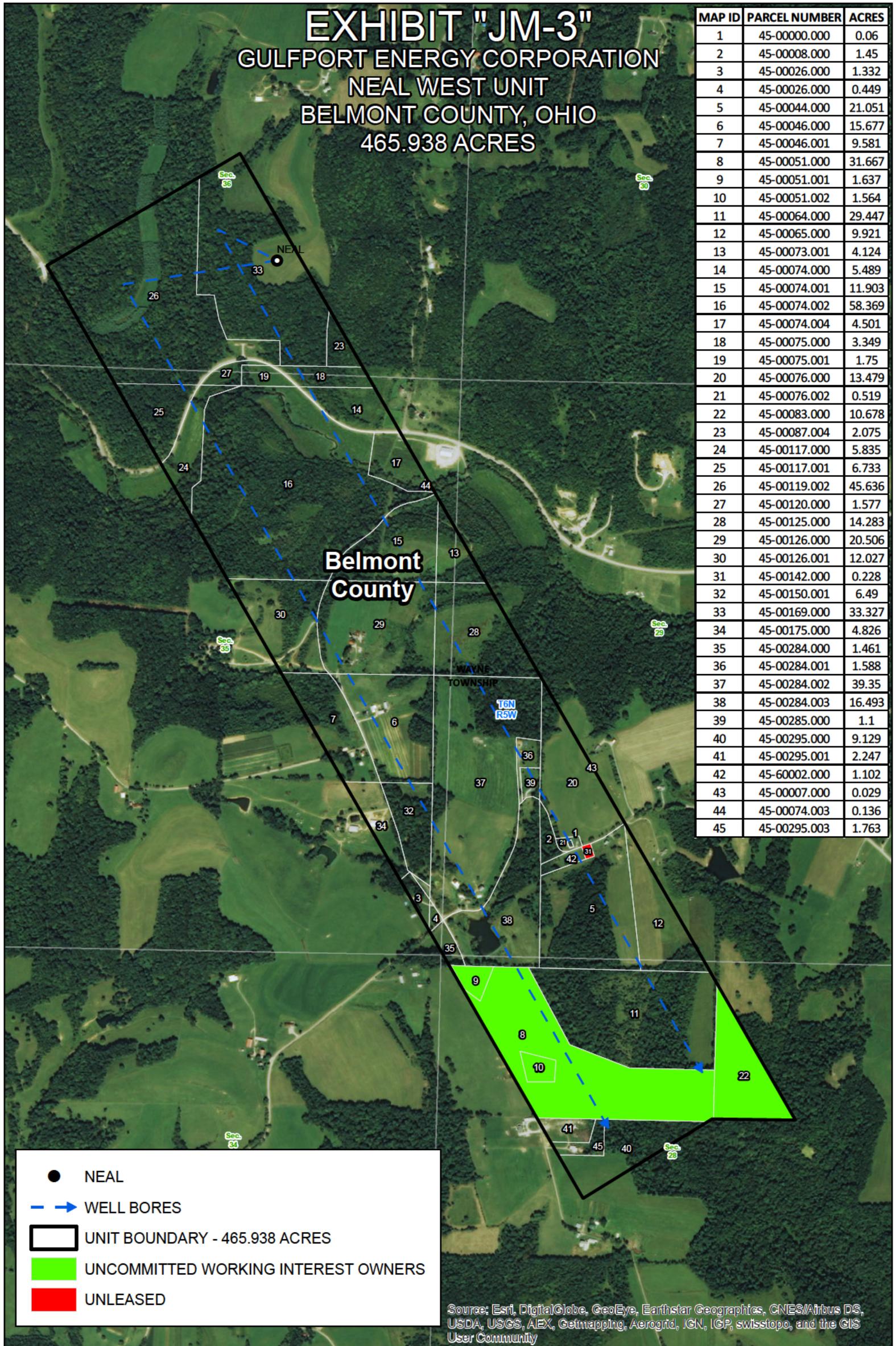
GULFPORT ENERGY CORPORATION

NEAL WEST UNIT

BELMONT COUNTY, OHIO

465.938 ACRES

MAP ID	PARCEL NUMBER	ACRES
1	45-00000.000	0.06
2	45-00008.000	1.45
3	45-00026.000	1.332
4	45-00026.000	0.449
5	45-00044.000	21.051
6	45-00046.000	15.677
7	45-00046.001	9.581
8	45-00051.000	31.667
9	45-00051.001	1.637
10	45-00051.002	1.564
11	45-00064.000	29.447
12	45-00065.000	9.921
13	45-00073.001	4.124
14	45-00074.000	5.489
15	45-00074.001	11.903
16	45-00074.002	58.369
17	45-00074.004	4.501
18	45-00075.000	3.349
19	45-00075.001	1.75
20	45-00076.000	13.479
21	45-00076.002	0.519
22	45-00083.000	10.678
23	45-00087.004	2.075
24	45-00117.000	5.835
25	45-00117.001	6.733
26	45-00119.002	45.636
27	45-00120.000	1.577
28	45-00125.000	14.283
29	45-00126.000	20.506
30	45-00126.001	12.027
31	45-00142.000	0.228
32	45-00150.001	6.49
33	45-00169.000	33.327
34	45-00175.000	4.826
35	45-00284.000	1.461
36	45-00284.001	1.588
37	45-00284.002	39.35
38	45-00284.003	16.493
39	45-00285.000	1.1
40	45-00295.000	9.129
41	45-00295.001	2.247
42	45-60002.000	1.102
43	45-00007.000	0.029
44	45-00074.003	0.136
45	45-00295.003	1.763



- NEAL
- WELL BORES
- ▭ UNIT BOUNDARY - 465.938 ACRES
- ▭ UNCOMMITTED WORKING INTEREST OWNERS
- ▭ UNLEASED

Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AEX, Getmapping, Aerogrid, IGN, IGP, swisstopo, and the GIS User Community

NEAL WEST
WAYNE TOWNSHIP BELMONT COUNTY, OHIO

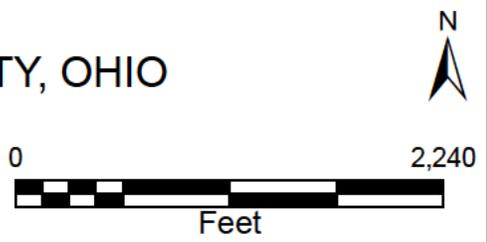
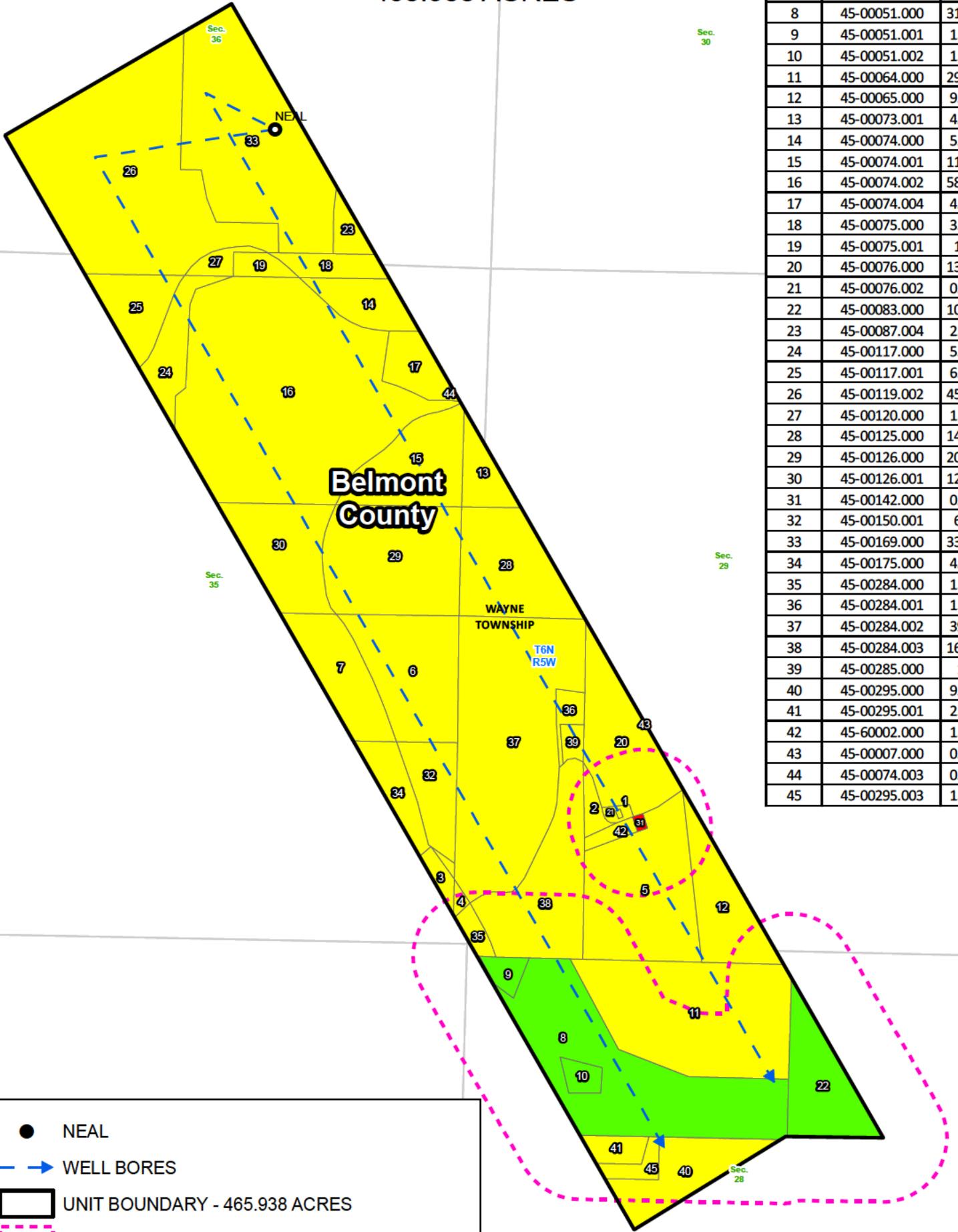


EXHIBIT "JM-4"

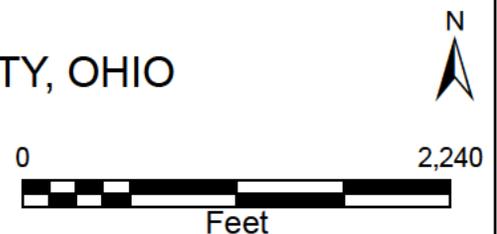
GULFPORT ENERGY CORPORATION NEAL WEST UNIT BELMONT COUNTY, OHIO 465.938 ACRES

MAP ID	PARCEL NUMBER	ACRES
1	45-00000.000	0.06
2	45-00008.000	1.45
3	45-00026.000	1.332
4	45-00026.000	0.449
5	45-00044.000	21.051
6	45-00046.000	15.677
7	45-00046.001	9.581
8	45-00051.000	31.667
9	45-00051.001	1.637
10	45-00051.002	1.564
11	45-00064.000	29.447
12	45-00065.000	9.921
13	45-00073.001	4.124
14	45-00074.000	5.489
15	45-00074.001	11.903
16	45-00074.002	58.369
17	45-00074.004	4.501
18	45-00075.000	3.349
19	45-00075.001	1.75
20	45-00076.000	13.479
21	45-00076.002	0.519
22	45-00083.000	10.678
23	45-00087.004	2.075
24	45-00117.000	5.835
25	45-00117.001	6.733
26	45-00119.002	45.636
27	45-00120.000	1.577
28	45-00125.000	14.283
29	45-00126.000	20.506
30	45-00126.001	12.027
31	45-00142.000	0.228
32	45-00150.001	6.49
33	45-00169.000	33.327
34	45-00175.000	4.826
35	45-00284.000	1.461
36	45-00284.001	1.588
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42	45-60002.000	1.102
43	45-00007.000	0.029
44	45-00074.003	0.136
45	45-00295.003	1.763



- NEAL
- WELL BORES
- ▭ UNIT BOUNDARY - 465.938 ACRES
- - - 500 FT BUFFER
- UNLEASED
- UNCOMMITTED WORKING INTEREST OWNERS
- LEASED

NEAL WEST
WAYNE TOWNSHIP BELMONT COUNTY, OHIO



AFFIDAVIT OF FACT

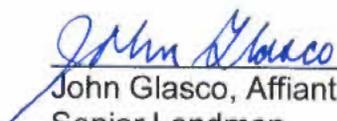
STATE OF OKLAHOMA)
) SS
COUNTY OF OKLAHOMA)

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

1. Affiant, John Glasco, is employed by Gulfport Energy Corporation ("Gulfport") as Senior Landman. Affiant's job responsibilities include negotiating acreage trade agreements with other operators throughout the state of 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 that certain development agreement between Gulfport and Rice Drilling D LLC ("Rice"), executed on October 14, 2013 (the "Rice Development Agreement").
3. The Affiant states that Tracts 1, 21, 33, 39, 42 ("Rice Tracts"), as referenced in the Neal West Unitization Application, are subject to the Rice Development Agreement.
4. The Affiant further states that the Rice Development Agreement grants Gulfport the authorization to drill and develop the Rice Tracts and further that when a unitization application is deemed necessary, Gulfport shall have the authority to execute all necessary documents associated with the unitization application and subsequent unitization order on behalf of both Parties' oil and gas interest within the unitized area (here, the Rice Tracts).
5. Pursuant to its rights under the Rice Development Agreement, Gulfport has the necessary rights to commit the respective interest of the Rice Tracts to the Neal West Unitization Application.

Further Affiant sayeth naught.

Dated this 3rd day of June,
2016.



John Glasco, Affiant
Senior Landman
Gulfport Energy Corporation

ACKNOWLEDGEMENT

STATE OF OKLAHOMA)
) SS
COUNTY OF Oklahoma)

The foregoing instrument was sworn to before me, a Notary Public in and for the State of Oklahoma, and subscribed in my presence this 3rd day of June, 2016, by John Glasco, known to me or satisfactorily proven to be the Affiant in the foregoing instrument, who acknowledged the above statements to be true as Affiant verily believes.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires:

08/14/17

Kristin Heath
Notary Public

Kristin Heath
Printed Name of Notary

(SEAL)

