

Division of Reclamation
14619 West State Road 48
Jasonville, IN 47438
Phone: 812-665-2207
Toll free (within Indiana): 800-772-6463
Fax: 812-665-5041

**NOTICE OF INFORMAL HEARING ON APPLICATION FOR FORCED INTEGRATION
FILED BY COUNTRYMARK ENERGY RESOURCES, LLC
REO WATERFLOOD UNIT
SECTION 33, TOWNSHIP 6 SOUTH, RANGE 6 WEST IN SPENCER COUNTY, INDIANA
CAUSE NO. DOG-01-2022**

Purpose Of This Notice

You are being provided with this notice because a petition has been submitted to our office on behalf of CountryMark Energy Resources, LLC, requesting that certain interests owned by the following be unitized to form a unit designated as the Reo Waterflood Unit, Spencer County, Indiana,

<u>Property Owner Address</u>	<u>Type of Billing(WI) Revenue(NRI)/State Interest</u>
Gertrude E. Bingle R1 Rockport, IN 47635-9801 (last known address)	625000 NRI RI Tract 1 (1/2 royalty in Tract 1)
John Branson 12 Valley St., Apt. 215 Everett, MA 02149	0.00683600 NRI ORRI all Tracts
Julie Bumpus 2566 County Road 231 Cape Girardeau, MO 63701	03125000 NRI RI Tract 4 (1/4 royalty in Tract 4)
Shannon Tolbert 2421 Newberry Ln. Mount Juliet, TN 37122	03125000 NRI RI Tract 4 (1/4 royalty in Tract 4)
Mark Bradfield RR 2 Box 2545 Sedgewickville, MO 63781	03125000 NRI RI Tract 4 (1/4 royalty in Tract 4)

Eugene Brashear
Address Unknown

.01562500 NRI RI Tract 4 (1/8 royalty in Tract 4)

Faye Tobaben
Address Unknown

.01562500 NRI RI Tract 4 (1/8 royalty in Tract 4)

This unit is being established for the purpose of implementing a waterflood or other secondary or enhanced recovery operations. The unitized formation is that portion of the Aux Vases Limestone formation located between a measured depth of 1470' and 1625', as located at a measured depth of 1566' to 1599' in the electric log of the certain well known as the Schulte #1 (Permit Number 45991), as said formation underlies the Unit properties outlined on the plat attached hereto and marked "Exhibit A".

Lease Names and tracts:

Unit Description:

The South Half (S/2) of the Southwest Quarter (SW/4) of the Northeast Quarter (NE/4), the East Half (E/2) of the Southwest Quarter (SW/4) and the West Half (W/2) of the Southeast Quarter (SE/4), all in Section 33, Township 6 South, Range 6 West, Spencer County, Indiana.

Tract 1

Lease name: Nichols-Bingle-Lord Unit #1

Tract Description: THE SOUTH HALF (S/2) OF THE SOUTHWEST QUARTER (SW/4) OF THE NORTHEAST QUARTER (NE/4) OF SECTION 33, TOWNSHIP 6 SOUTH, RANGE 6 WEST, SPENCER COUNTY, INDIANA, AND CONTAINING 20 ACRES, MORE OR LESS.

Tract 2

Lease name: Wilson Nichols Unit #1

Tract Description: THE NORTHWEST QUARTER (NW/4) OF THE SOUTHEAST QUARTER (SE/4) OF SECTION 33, TOWNSHIP 6 SOUTH, RANGE 6 WEST, SPENCER COUNTY, INDIANA, CONTAINING 40 ACRES, MORE OR LESS.

Tract 3

Lease name: A. P. Schulte #1

Tract Description: THE SOUTHWEST QUARTER (SW/4) OF THE SOUTHEAST QUARTER (SE/4) OF SECTION 33, TOWNSHIP 6 SOUTH, RANGE 6 WEST, SPENCER COUNTY, INDIANA, CONTAINING 40 ACRES, MORE OR LESS.

Tract 4

Lease name: Sylvester Brashear

Tract Description: THE SOUTH HALF (S/2) OF THE SOUTHEAST QUARTER . (SE/4) OF THE SOUTHWEST QUARTER (SW/4) OF SECTION 33, TOWNSHIP 6 SOUTH, RANGE 6 WEST, SPENCER COUNTY, INDIANA, CONTAINING 20 ACRES, MORE OR LESS.

Tract 5

Lease name: Chester Real

Tract Description: THE NORTHEAST QUARTER (NE/4) OF THE SOUTHWEST QUARTER (SW/4); ALSO 10 ACRES OFF THE NORTH END OF THE SOUTHEAST QUARTER (SE/4) OF THE SOUTHWEST QUARTER (SW/4); ALSO 3 ACRES OFF THE WEST END OF THE SOUTH HALF (S/2) OF THE NORTH HALF (N/2) OF THE SOUTHEAST QUARTER (SE/4) OF THE SOUTHWEST QUARTER (SW/4); ALSO 2 ACRES OFF THE EAST END OF THE WEST HALF (W/2) OF THE SOUTH HALF (S/2) OF THE NORTH HALF (N/2) OF THE SOUTHEAST QUARTER (SE/4) OF THE SOUTHWEST QUARTER (SW/4); ALSO THE EAST HALF (E/2) OF THE SOUTH HALF (S/2) OF THE NORTH HALF (N/2) OF THE SOUTHEAST QUARTER (SE/4) OF THE SOUTHWEST QUARTER (SW/4), CONTAINING 5 ACRES, MORE OR LESS, ALL IN SECTION 33, TOWNSHIP 6 SOUTH, RANGE 6 WEST, SPENCER COUNTY, INDIANA, CONTAINING 60 ACRES, MORE OR LESS.

Background Information

Indiana law requires the protection of what are known as "correlative rights." This means that a property owner's opportunity to receive the benefits of the oil, gas and other hydrocarbons located beneath their acreage cannot be unreasonably taken away. Any owner of oil and gas interests is entitled to share in the production of oil and gas produced from their property. This may result either from the drilling of a well by the owner or by conveying their oil and gas interests to another party who would then drill a well and allocate a proportionate share of the proceeds from the production to the owner. Most owners choose to lease their oil and gas interests to another party rather than assume the risk, expense, and liability associated with the drilling of their own well.

In order to prevent waste of oil or natural gas and the drilling of unnecessary wells, Indiana regulations also establish requirements for an operator proposing to drill a well for oil and gas purposes. According to 312 IAC 29-2-49, 312 IAC 29-2-105, 312 IAC 29-2-106, 312 IAC 29-2-132 and 312 IAC 29-3-3, operators are required to form a drilling unit, also known as a spacing unit, of sufficient size, so as to effectively and economically drain all of the oil or gas resources thereunder, while minimizing the environmental impact.

Indiana Law, at IC 14-37-9, spells out the requirements for the voluntary and involuntary integrating of oil and gas interests among different owners within an established drilling unit. Integration occurs voluntarily when all property owners within a spacing unit execute an oil and gas lease containing a pooling clause in favor of a single developer or well operator. The law also allows for the integration of interests in instances where not all of the oil and gas interest owners have executed a lease, or as in this case, have not consented to the pooling of your interests to allow the operator to develop the oil resource in a manner which avoids waste and the drilling of unnecessary wells. This process is sometimes referred to as “forced pooling”.

Accordingly, a well operator may submit a petition for involuntary integration to the Division of Reclamation whenever the integration of interests is necessary to prevent the stated statutory purposes of avoiding waste and preventing the drilling of unnecessary wells. Prior to submitting a petition, a well operator is required to obtain a substantial majority of the interests within the drilling unit and must also have made a diligent and reasonable attempt to obtain the consent of all owners of oil and gas interests within the drilling unit.

Petitioner has represented that your interests within this proposed unit are already the subject of a lease and are recorded in the Office of the Recorder of Spencer County, Indiana records. Furthermore, Petitioner has represented through Division of Interest Statements identified as Exhibit D in their petition, your interest under the aforementioned leases. Where owners voluntarily sign an oil and gas lease, the lease agreement establishes the specific terms and payments to be made from production. If an owner has chosen not to negotiate the terms of exploration and production, the compulsory integration process is intended to safeguard their correlative rights.

While most oil and gas leases contain a clause granting the operator the right to pool or unitize acreage, the above referenced leases did not include such a clause. Accordingly, Petitioner has sought to obtain consent to the pooling of interests from each of the owners of interest in that lease. Petitioner has indicated that most of the other interest owners within the proposed Reo Waterflood Unit, have consented to the pooling of their interests and that they have made a diligent and reasonable attempt to obtain your consent to the pooling of your oil and gas in the proposed Reo Waterflood Unit.

A copy of the petition is included for your review. Copies may also be viewed from our website at <https://www.in.gov/dnr/oil-and-gas/informal-hearing-schedule-and-final-orders>. A hyperlink to the petition can be viewed by selecting the ([View Petition](#)) hyperlink for this cause number (DOG-01-2022).

In considering the petition the Division of Reclamation must ensure that owners receive an equitable share of the crude oil and natural gas produced from the integrated drilling unit. For primary production, owners usually are assigned a percentage share based upon the ratio of the acreage you own and the total acreage within the unit. Petitioner is proposing that the participation factors for production on this lease be allocated equally among the leaseholds as described in the Petition.

Your Options

It is important to understand that, at any time, should you decide to voluntarily sign a mutually acceptable pooling clause with the petitioners, there will be no need to proceed further with this process to integrate your interests.

Since your interests are located within a drilling unit to be duly established under Indiana regulations, and that integration terms have not been agreed upon through the execution of a pooling agreement, the likely outcome of forced pooling or integration procedure will be to integrate your interests in proportionately into the proposed Reo Waterflood Unit. Your interest shall then share in the total production from the pooled unit in proportion to that which your interest bears to the entirety of the unit.

Notice of Informal Hearing – Cause No. DOG-01-2022

An informal hearing to be conducted to consider the petition and receive comments from interested persons is scheduled for Tuesday, February 22, 2022, at 11:00 p.m. (Eastern), 10:00 pm (Central) at the Jasonville Office of the Division of Reclamation, located at 14619 West State Road 48, Jasonville, IN 47438. This informal hearing is being conducted as required by IC 14-37-3-16(4) and 312 IAC 29-3-4.

Again, you are reminded that at any time prior to the integration hearing, you may voluntarily enter into a pooling agreement regarding the development of your oil and gas resources. If you have entered into a pooling agreement, please disregard this notice.

If you have questions pertaining to the petition, the informal hearing process, or any of your options described above, please contact me at 317-232-4058 or by e-mail at rretherford@dnr.in.gov. Comments concerning the petition may be submitted:

- (1) in person during the informal hearing;
- (2) in writing to the address below provided they are postmarked no later than **February 22, 2022**; by fax to (317) 232-1550 no later than **4:00 PM (Eastern)** on , **February 22, 2022**; or
- (3) by email no later than **4:00 PM (Eastern)** on, **February 22, 2022** to rretherford@dnr.in.gov:

Russell Retherford, Deputy Director
Division of Reclamation
Department of Natural Resources
Cause No. DOG-01-2021
14619 West State Road 48,
Jasonville, IN 47438

All comments will be taken into consideration whether or not the commenter attends the informal hearing. After reviewing all oral and written comments received, the Division will either approve or deny the Petition for Integration of Interests filed by CountryMark Energy in a written order that will be subject to administrative review under Indiana Code 4-21.5.

02/14/2022
DATED



Russell Retherford
Deputy Director
Indiana Division of Reclamation