

Division of Reclamation
402 W. Washington St., Rm. 293
Indianapolis, IN 46204
Phone 317-232-4055
Fax 317-232-1550

**NOTICE OF INFORMAL HEARING ON APPLICATION FOR FORCED INTEGRATION
FILED BY CENTAUR PETROLEUM CORPORATION
PLAINVILLE WATERFLOOD UNIT
SECTION 2, TOWNSHIP 4 NORTH, RANGE 7 WEST IN DAVIESS COUNTY, INDIANA**

CAUSE NO. DOG-02-2022

Purpose Of This Notice

You are being provided with this notice because a petition has been submitted to our office on behalf of Centaur Petroleum Corporation ("Petitioner"), requesting that certain interests owned by the following be unitized to form a unit designated as the Plainville Waterflood Unit, Daviess County, Indiana,

Property Owner Address Owner Type of Billing(WI) Revenue(NRI)/State Interest

Please See Exhibit D.

Lease Names and tracts:

TRACT 1	WM M NOWLING	(CM 51384)
2	RALPH A KILLION COMM	(CM 51385)
3	RALPH KILLION	(CM 51386)
4	MUERER-PROCTOR COMM	(CM 51387)
5	McBRIDE-FOUST COMM	(CM 51388)
6	LOCKIE MEURER	(CM 51389)
7	AH KILLION-PROCTOR COMM	(CM 51390)
8	E KILLION-SCHOLL COMM	(CM 51391)
9	EARL MEURER	(CM 51392)
10	EE KILLION ETAL COMM	(CM 51393)
11	AH KILLION ETAL COMM	(CM 51394)

Unit Description:

Please See Exhibit A.

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 there under, 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 Daviess County, Indiana records. Furthermore, Petitioner has represented through Division of Interest Statements identified as Exhibit D in their petition, your interest under the aforementioned lease. 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 Plainville 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 Plainville Waterflood Unit.

A copy of the petition can be viewed from our website at <https://www.in.gov/dnr/oil-and-gas/informal-hearing-schedule-and-final-orders>, cause number (DOG-02-2022).

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 Eleven (11) 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 Plainville 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-02-2022

An informal hearing to be conducted via teleconference to consider the petition and receive comments from interested persons is scheduled for Thursday, June 2, 2022, at 11:00 a.m. (Eastern), 10:00 am (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 **June 2, 2022**;

(3) by fax to (317) 232-1550 no later than **4:00 PM (Eastern)** on, **June 2, 2022**; or
(4) by email no later than **4:00 PM (Eastern)** on, **June 2, 2022**, to rretherford@dnr.in.gov:

Russell Retherford, Deputy Director
Division of Reclamation
Department of Natural Resources
Cause No. OG-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 Centaur Petroleum Corporation in a written order that will be subject to administrative review under Indiana Code 4-21.5.

April 28, 2022
DATED



Russell Retherford
Deputy Director
Indiana Division of Reclamation