

Division of Reclamation
402 W. Washington St, W 293
Indianapolis, IN 46204-2748
PH: 317/232-4055
FAX: 317/232-1550

June 28, 2022

**STATE OF INDIANA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF RECLAMATION**

IN RE: REO WATERFLOOD UNIT

PETITION OF COUNTRYMARK ENERGY RESOURCES, LLC FOR THE
INTEGRATION OF LEASEHOLD INTERESTS LOCATED IN SECTION 33,
TOWNSHIP 6 SOUTH, RANGE 6 WEST IN SPENCER COUNTY, INDIANA

**FINDINGS OF FACT, LEGAL CONCLUSIONS, AND DECISION ON
INFORMAL HEARING UNDER 312 IAC 29-3-4**

As provided in Indiana Code ("IC") 14-37-9-1(a), 312 Indiana Administrative Code ("IAC") 29-19 concerning integration of oil and gas interests, and 312 IAC 29-3-4 concerning informal hearings, an informal hearing was held in this matter on Tuesday, February 22, 2022, beginning at 11:00 A.M., Eastern Time, before the Indiana Department of Natural Resources, Division of Reclamation (the "Division"), at the Jasonville Office of the Division of Reclamation located at 14619 IN-48, Jasonville, Indiana 47438. The purpose of the informal hearing was to consider the Petition for Integration of Oil and Gas Interests ("Petition") for the parcels specifically identified in the Petition dated August 21, 2019, prepared by William C. Illingworth, on behalf of CountryMark Energy Resources, LLC, hereinafter referred to as "Applicant."

Having reviewed the entire record in this matter, and being duly advised, the Deputy Director of the Division makes the following Findings of Fact, Conclusions of Law and Order of Integration in this matter:

FINDINGS OF FACT

1. Applicant is an Indiana limited liability company, with offices located at the time of the filing of the Petition at 7116 Eagle Crest Blvd., Evansville, IN 47715. The current office of the Applicant is located at 330 N. Cross Pointe Blvd., Evansville, IN 47715.

2. Applicant has represented that it is the operator of certain oil and gas leases covering the following properties located in Spencer County, Indiana:

Tract 1:

Lease Name: Nichols-Bingle-Lord Unit
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

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

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.

3. Applicant is currently operating certain wells on the lands which are the subject of the Petition and has produced those wells by primary production. Applicant believes that such primary production has resulted in the delineation of a pool suitable for secondary recovery within the meaning of IC 14-37-9-1 and that, in order to prevent waste and avoid the drilling of unnecessary wells, Applicant desires to pool the lands for purposes of secondary recovery operations and integrating the use of facilities of the lands of the proposed unit.

4. The Division finds that the lands subject to the Application are suitable for secondary recovery from the Aux Vases Lime formation, as located between a measured depth of 1470' and 1625' as shown at a

measured depth of 1566' to 1599' in the electric log of that certain well known as the Schulte #1 (Permit # 45991), as said formation underlies the proposed Unit.

5. Applicant has proposed the voluntary establishment of a waterflood unit agreement covering the secondary recovery pool to be known as the Reo Waterflood Unit, hereinafter the "Unit."

6. Applicant has been successful in securing agreements for the pooling of interests from all working interest owners, royalty interest owners and overriding royalty owners of the oil and gas interests of the Unit, with the exception of the following:

<u>Name:</u>	<u>Percent of Interest:</u>
Gertrude E. Bingle R 1 Rockport, IN 47635-9801 (last known address)	.0625000 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)

7. The proposed Pooling Agreement for the Reo Waterflood Unit would treat all royalty, working interest and overriding royalty interest owners fairly and equitably with each such interest sharing in the total production from the pooled unit in proportion to which their interest bears to the entirety of the unit. Proposed participation factors are as follows:

		Participation Factor
Tract 1	Nichols- Bingle- Lord Unit	3.68%
Tract 2	Wilson Nichols	35.84%
Tract 3	A.P. Schulte	22.68%
Tract 4	Sylvester Brashear	30.54%
Tract 5	Chester Real	7.26%

8. Except for the interests of the parties listed in Finding No. 6, above, all other owners of oil and gas

interests within the proposed pooled Unit have voluntarily agreed to integrate their interests in the production that will result from secondary recovery operations within the unit according to tract participation factors proposed by the Applicant.

9. The Applicant represents that it utilized generally accepted petroleum engineering principles when it developed proposed tract participation factors regarding the allocation of production from secondary recovery production operations to be conducted within the Unit. The methodology used to calculate the allocation among the tracts is a weighted calculation of the cumulative historical production (15%), the current production (35%), the pore volume (25%) and the pore volume recovery (25%). Such methods are supported by geological and engineering data. The Applicant represents that the proposed tract participation would treat all royalty, working interest and overriding royalty interest owners fairly and equitably.

10. IC 14-37-9-1 requires that, where owners of separate tracts within a pool or part of a pool suitable for secondary recovery methods do not agree to integrate their interests, the IDNR shall require the owners to integrate their interest in order to prevent waste or the drilling of unnecessary wells and to develop the land as a drilling unit.

11. IC 14-37-9-2 requires that an order for integration must be based upon reasonable terms that give the owner of each tract an equitable share of oil and natural gas in the unit or pool.

12. The Petition filed in this matter by the Applicant seeks, pursuant to IC 14-37-9, the issuance of an integration order whereby the interests of all owners of separate tracts within the proposed waterflood unit are integrated and the combined leases developed as a consolidated production unit.

13. The Applicant attached the following documents to its Petition:

- a. Exhibit A - Description of Oil and Gas Leases within proposed Unit.
- b. Exhibit B - Copies of Oil and Gas Leases within proposed Unit.
- c. Exhibit C - Plat of proposed Unit.
- d. Exhibit D - Statement showing Division of Interest for each Oil and Gas Lease within the proposed Unit.
- e. Exhibit E - Unit Pooling Agreement for proposed Unit.
- f. Exhibit F - Summary of attempt to contact parties for Unit Agreement.
- g. Exhibit G - Calculations of proposed allocation of production among tracts in the proposed Unit.

14. A notice of the informal hearing on this matter was sent via first class mail to the addresses indicated in Finding No. 6, above.

15. The following persons were present at or participated in the informal hearing:

- a. Steve Weinzapfel - Director of Division of Reclamation
- b. Russell Retherford - Deputy Director of Division of Reclamation
- c. Charles E. Venditti - Manager, Regulatory Compliance of Applicant
- d. William Illingworth - Attorney for Applicant

16. As of the date of this Order, the Division of Reclamation has not been contacted by any interest owners noted in Finding No. 6, above.

17. Applicant has additionally requested approval of the drilling of wells at greater density than otherwise permissible and off standard spacing under pursuant to 312 IAC 29-13-7.

CONCLUSIONS OF LAW AND ORDER OF INTEGRATION

1. IC 14-37-9 and any rules promulgated there under apply and are pertinent to the subject matter of the Petition filed herein.

2. There has been full compliance with all notice requirements provided by law, and all interested parties have been afforded an opportunity to be heard.

3. The IDNR and the Division have jurisdiction to hear this matter and authority, as delegated by the Natural Resources Commission, to order the integration of interests in accordance with IC 14-37-9-1(b).

4. The Petition, herein referenced, contains the elements required by law.

5. The integration of the Reo Waterflood Unit is approved, such unit consisting of the following lands and formations:

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, as to the Aux Vases Lime formation, as located between a measured depth of 1470' and 1625' as shown at a measured depth of 1566' to 1599' in the electric log of that certain well known as the Schulte #1 (Permit # 45991), as said formation underlies said Unit.

6. The royalty interests held by parties listed in Finding No. 6, above, in tracts of the proposed Unit, are hereby ordered to be integrated into the Reo Waterflood Unit as proposed by Applicant.

7. It is reasonable, fair, and equitable, as required by IC 14-37-9-2, that such division of interest in the Reo Waterflood Unit be accomplished so that unit operations may be conducted as if the unit area had been included in a single lease executed by all owners of oil and gas interests within said unit. As the unit is a waterflood unit and treated as a single lease, Applicant is exempt from spacing requirement and is permitted to drill wells at greater density than otherwise permissible and off standard spacing under pursuant to 312 IAC 29-13-7.

8. As provided in IC 14-37-9-2, the portion of the production allocated to the owner of any tract within the Reo Waterflood Unit shall be according to the allocation provided in Finding No. 7, above.

9. This order is a final administrative action of the IDNR and, as such, is subject to administrative review under IC 4-21.5-3-7 and may be placed of record by the Applicant in the appropriate public record of Spencer County, Indiana.

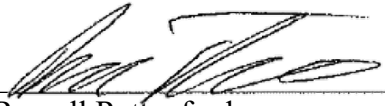
RIGHT TO ADMINISTRATIVE REVIEW

The above Findings of Fact, Legal Conclusions, and Decision on Informal Hearing under 312 IAC 29-3-4 are subject to administrative review pursuant to I.C. 4-21.5 and 312 IAC 3-1. In order to qualify for administrative review, a person must file a request for review in writing stating facts that demonstrate the petitioner is:

- (A) a person to whom the order is specifically directed;
- (B) aggrieved or adversely affected by the order; or
- (C) entitled to review under any law.

In order to be timely, any petition for administrative review must be filed with the Division of Hearings, Natural Resources Commission, Indiana Government Center North, 10 N. Senate Avenue, N103, Indianapolis, IN 46204 within fifteen (15) days after notice is served or within eighteen (18) days if service is by U.S. mail.

Dated: 6/28/2022



Russell Retherford,
Deputy Director of Division of Reclamation