

DECISION SHEET OF THE OIL AND GAS APPELLATE REFEREE

APPLICANT: WILLIFORD ENERGY COMPANY)

RELIEF SOUGHT: ESTABLISH 40-ACRE DRILLING)
AND SPACING UNITS)

LEGAL DESCRIPTION: NW/4 OF SECTION 19,)
TOWNSHIP 14 NORTH, RANGE)
11 EAST, OKMULGEE COUNTY,)
OKLAHOMA)

CAUSE CD NO.
201403091

FILED
MAR 15 2016

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CORPORATION COMMISSION
OF OKLAHOMA

APPLICANT: WILLIFORD ENERGY COMPANY)

RELIEF SOUGHT: POOLING)

LEGAL DESCRIPTION: NW/4 NW/4 OF SECTION 19,)
TOWNSHIP 14 NORTH, RANGE)
11 EAST, OKMULGEE COUNTY,)
OKLAHOMA)

CAUSE CD NO.
201403092

APPLICANT: WILLIFORD ENERGY COMPANY)

RELIEF SOUGHT: POOLING)

LEGAL DESCRIPTION: NE/4 NW/4 OF SECTION 19,)
TOWNSHIP 14 NORTH, RANGE)
11 EAST, OKMULGEE COUNTY,)
OKLAHOMA)

CAUSE CD NO.
201403093

APPLICANT: WILLIFORD ENERGY COMPANY)

RELIEF SOUGHT: POOLING)

LEGAL DESCRIPTION: SW/4 NW/4 OF SECTION 19,)
TOWNSHIP 14 NORTH, RANGE)
11 EAST, OKMULGEE COUNTY,)
OKLAHOMA)

CAUSE CD NO.
201403094

APPLICANT: WILLIFORD ENERGY COMPANY)

RELIEF SOUGHT: POOLING)

CAUSE CD NO.
201403095

LEGAL DESCRIPTION: SE/4 NW/4 OF SECTION 19,)
TOWNSHIP 14 NORTH, RANGE)
11 EAST, OKMULGEE COUNTY,)
OKLAHOMA)

APPLICANT: WFD OIL CORPORATION)
)

RELIEF SOUGHT: POOLING) CAUSE CD NO.
) 201500019
)

LEGAL DESCRIPTION: NE/4 NW/4 OF SECTION 19,)
TOWNSHIP 14 NORTH, RANGE)
11 EAST, OKMULGEE COUNTY,)
OKLAHOMA)

APPLICANT: WFD OIL CORPORATION)
)

RELIEF SOUGHT: POOLING) CAUSE CD NO.
) 201500020
)

LEGAL DESCRIPTION: NW/4 NW/4 OF SECTION 19,)
TOWNSHIP 14 NORTH, RANGE)
11 EAST, OKMULGEE COUNTY,)
OKLAHOMA)

APPLICANT: WFD OIL CORPORATION)
)

RELIEF SOUGHT: POOLING) CAUSE CD NO.
) 201500021
)

LEGAL DESCRIPTION: SW/4 NW/4 OF SECTION 19,)
TOWNSHIP 14 NORTH, RANGE)
11 EAST, OKMULGEE COUNTY,)
OKLAHOMA)

REPORT OF THE OIL AND GAS APPELLATE REFEREE ON A
MOTION TO STAY PROCEEDINGS

The Motion to Stay Proceedings came on for hearing before **David Leavitt**, Administrative Law Judge ("ALJ") for the Corporation Commission of

the State of Oklahoma, on the 16th day of February, 2016, , at 9:00 a.m. in the Commission's Courtroom, Jim Thorpe Building, Oklahoma City, Oklahoma, pursuant to notice given as required by law and the rules of the Commission for the purpose of taking testimony and reporting to the Commission.

APPEARANCES: **Richard K. Books**, attorney, appeared on behalf of applicant, Williford Energy Company ("Williford"); **Richard A. Grimes**, attorney, appeared on behalf of applicant, WFD Oil Corporation ("WFD"); **Gregory L. Mahaffey**, attorney, appeared on behalf of Keener Oil & Gas Company ("Keener"); and **James L. Myles**, Deputy General Counsel for Deliberations, filed notice of appearance.

The Administrative Law Judge ("ALJ") filed his Oral Report of the Administrative Law Judge on the 1st day of March, 2016, to which Exceptions were timely filed and proper notice given of the setting of the Exceptions.

The Appellate argument concerning the Exceptions was referred to Patricia D. MacGuigan, Oil and Gas Appellate Referee ("Referee"), on the 11th day of March, 2016. After considering the arguments of counsel and the record contained within this Cause, the Referee finds as follows:

STATEMENT OF THE CASE

Williford requests that the Commission stay proceedings in the captioned causes.

Williford filed Cause CD Nos. 201403091, 201403092, 201403093, 201403094 and 201403095 on April 28, 2014. WFD filed Cause CD Nos. 201500019, 201500020, and 201500021 on January 5, 2015. These causes involve a fight over operations.

The parties have for many months, and over the course of several continuances, continued these matters awaiting the results of a related District Court action in WFD Oil Corporation vs. Williford Energy Co., et al, in CJ-2014-90, before the District Court of Okmulgee County, which will determine ownership of a large percentage of the units involved.

Although Williford still believes the parties should await the outcome of the District Court action, WFD Oil Corporation now wishes to proceed to trial. In the interests of judicial economy, fairness, prevention of waste, and protection of correlative rights, these matters should be stayed pending the outcome of the District Court case described above.

Williford moves the Commission to stay the proceedings in the captioned matters until the related District Court case is resolved.

ORAL REPORT OF THE ADMINISTRATIVE LAW JUDGE

ALJ David Leavitt reported that this was a relatively uncomplicated matter. The parties have an ongoing matter in district court which is a quiet title action. Most quiet title actions are uncertain as to the time it takes to resolve them. Sometimes they go on quite a while. The ALJ based his decision to deny the Stay because he did not feel it would prevent waste to hold the action before the Commission pending the outcome of the district court action.

DECISION OF THE OIL & GAS APPELLATE REFEREE

- 1) The Referee finds the ALJ's Oral recommendation to deny the Williford Motion to Stay Proceedings should be affirmed as it is supported by law and protects correlative rights pursuant to 52 O.S. Section 87.1(e) by timely developing this unit. The Referee notes that by proceeding with this case the Commission is carrying out its mandate to prevent waste and protect correlative rights. *Tenneco Oil Company v. El Paso Natural Gas Company*, 687 P.2d 1049 (Okl. 1984).
- 2) The inherent authority of the Commission to consider a stay of a proceeding is discretionary. *State of Oklahoma Ex Rel Oklahoma Bar Association v. Gassaway*, 863 P.2d 1189 (Okl. 1993). The Referee would affirm the ALJ in the instant proceeding that the Commission use its discretion and deny the Motion to Stay. *Federal Deposit Insurance v. First National Bank & Trust*, 496 F.Supp. 291 (W.D. Okl. 1978).
- 3) Oklahoma's Conservation of Oil and Gas Act confers upon the Corporation Commission the authority to order force pooling to protect correlative rights and mineral interest owners within a spacing unit. 52 O.S. Section 87.1(e). The Corporation Commission has "the sole authority to adjust the equities and protect the correlative rights of interested parties." *Woods Petroleum Corporation v. Sledge*, 632 P.2d 393, 396 (Okl. 1981).
- 4) Williford and WFD have a private disagreement in a title action in district court and any controversy concerning a private rights dispute is not within the Commission's jurisdiction. *McDaniel v. Moyer*, 662 P.2d 309 (Okl. 1983). "(D)isputes over *private rights* are properly brought in the district court...the (C)ommission's jurisdiction is limited to protection of public rights in development and production of oil and gas." *Leck v. Continental Oil Company*, 800 P.2d 224, 226 (Okl. 1989).

5) Thus, the Oklahoma Corporation Commission has express jurisdiction to pool interests when owners cannot agree on terms regarding voluntary development pursuant to 52 O.S. Section 87.1(e), and also has jurisdiction to pool interests when owners dispute their ownership interest in district court. The district court case does not prevent the Commission from exercising its right and duty to proceed with these pooling applications. Prevention of waste and proper development of the unit is the question at the present time and the Referee sees no reason to delay said development because of the private quiet title dispute in district court. The Commission has the responsibility and the power to act to protect the correlative rights of WFD and Williford where a conflict exists between the two parties which affects their rights within a common source of supply and thus affects the public interest and the protection of production from that common source of supply.

6) Without a pooling order in place, this unit, due to the disagreements of Williford and WFD, cannot be properly developed. A pooling application is warranted if the parties cannot agree how to develop the unit. Thus, in the present causes, continuing with the pooling applications, and not awaiting the determination by the district court "actually affects (correlative) rights within a common source of supply and thus affects the public interest and the protection of production from that source as a whole". *Samson Resources Company v. Corporation Commission*, 702 P.2d 19 (Okl. 1985).

7) For the above stated reasons, the Referee finds the Oral Report of the ALJ should be affirmed and Williford and WFD should be allowed to proceed with their present applications.

RESPECTFULLY SUBMITTED THIS 15th day of March, 2016.


PATRICIA D. MACGUIGAN
OIL & GAS APPELLATE REFEREE

PM:ac

xc: Commissioner Anthony
Commissioner Murphy
Commissioner Hiett
James L. Myles
Richard A. Grimes
Richard Books
Gregory L. Mahaffey

ALJ David Leavitt
Michael L. Decker, OAP Director
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