



FILED IN DISTRICT COURT
OKLAHOMA COUNTY

IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

SEP 23 2015

OKLAHOMA DEPARTMENT OF)
SECURITIES, *ex rel.* IRVING L. FAUGHT,)
ADMINISTRATOR,)

TIM RHODES
COURT CLERK
31 *[Signature]*

Plaintiff,)

vs.)

Case No. CJ-2013-5023

JASMINE, INC., *et al.*)

ORDER

The above-captioned case comes on for hearing before the Court on September 17, 2015, on the Receiver's Application for Approval to Submit an Authorization for Expenditure to Working Interest Owners in the Mackenzie Well ("Application").

The Court finds that the Application was served by regular mail to all investors in the Mackenzie Well. The Court further finds that while no objections or responses had been filed with the Court, several responses had been emailed to the Court. The Receiver appears in support of the Application. Robert Campbell, President of Magnum Energy, Inc. and the Court approved operator of the Mackenzie and Jamie SWD wells also appears in support of the Application. Mackenzie investor Wade Odom and Coy Talbot, the representative for claimed Mackenzie interest owner Mike Robinson, appear in opposition to the Application. Upon review of the Application, the statements of counsel and parties present, and the testimony of the witness, the Court finds that it is in the best interest of all the interested parties to the Receivership Estate that the Application should be granted.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED that the Application is
GRANTED

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IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the proposed Authorization for Expenditure ("AFE") for \$57,420.00 is approved. The court acknowledges that the AFE is only an estimate and that unforeseen problems may arise necessitating further expenditures in respect to the proposed workover of the Jamie SWD Well, as described in the Application, the cost of which are estimated in the AFE. That it may not be economical or feasible for the Operator to stop work and obtain further approval from the Court of such additional expenditures. The Court finds that Magnum Energy, Inc., the operator of the Mackenzie and Jamie SWD wells, is an experienced operator with expertise in regard to the contemplated workover. To the extent such excess expenditures are deemed prudent and necessary in the opinion of Magnum Energy, Inc., such excess expenditures need not be pre-approved by this Court and will be subject to the provisions of this Order, including the election provisions delineated below.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the AFE's accompanying election options for the working interest owners are as follows:

1. Option 1: Participate. Verified working interest owners electing to participate must (a) pay all joint billing indebtedness accumulated to date associated with the Mackenzie/Jamie SWD Wells that is owed to Magnum Energy, Inc.; (b) affirmatively elect to participate in the workover of the Jamie SWD well; and (c) prepay the prorated amount of the AFE costs attributable to his/her/it's working interest, all within twenty (20) days of the Receiver's mailing of the election letter and AFE;

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2. Option 2: Non-Consent. Verified working interest owners electing "non-consent" will keep his/her/it's full working interest, subject to a 400% non consent penalty recovery of all costs of the proposed operation (including the owner's pro rata share of joint interest billings accrued or accruing).
3. Option 3: Abandon Interest/Default Election. Parties electing this Option and/or who fail to respond to the election letter from the Receiver, will have all outstanding account receivables forgiven and will be released from plugging and restoration cost liability for the Mackenzie and Jamie SWD Wells.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that should any party elect Option 3, his/her/it's working interest in the Mackenzie and Jamie SWD Wells, including all associated oil and gas leasehold interests, shall be deemed abandoned and transferred to the Receiver, on behalf of the Gates Oil & Gas, LLC receivership estate.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that should any party fail to make an affirmative election for Option 1 or Option 2, described above, and/or elects Option 1 but fails to timely pay amounts associated with the election of Option 1, then said party will be deemed to have elected Option 3. In this event, all working interests so abandoned shall revert to Receiver, on behalf of the Gates Oil & Gas, LLC receivership estate.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Receiver is authorized to and shall:

1. Pay Gates' proportionate share of the AFE out of its operating account, including those amounts that Gates may owe as a result of investors electing Options 2 and 3, described above;

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2. Submit the attached AFE and election options to all identified and approved Mackenzie working interest owners via regular U.S. Mail, postage prepaid, to the last known address of said investors (should the mail be returned, the Receiver is to perform due diligence to determine the investor's whereabouts). This submission to the investors shall include:

- a. An explanation of why the AFE is necessary;
- b. An explanation of the three (3) election options and the consequences to the investors associated with each such election;
- c. A deadline to submit payment, to be set no sooner than twenty (20) days from the date of the mailing; and
- d. A copy of this Order approving the AFE.

Submit the approved AFE to all other investors and working interest owners identified by the Receiver that may be claiming an interest in the Mackenzie Well, but have not submitted verification of ownership to the Receiver. This submission shall be sent via regular U.S. Mail, postage prepaid, to the last known address of said investors or claimants (should the mail be returned, the Receiver is to perform due diligence to determine a better address for such investor or claimant) and shall include with the submitted AFE:

- e. A cover letter explaining that the Receiver must receive the necessary documentation¹ to verify the party's interest in the Mackenzie, if any;
- f. An explanation of why the AFE is necessary;
- g. An explanation of the three (3) election options and the result should they fail to elect;

¹ A copy of the Subscription Agreement as well as a proof of payment confirmation.

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5. Take action commensurate with this Court's decision at the hearing on the Receiver's Application for Judicial Determination of Interests in the Mackenzie PPM and the Mackenzie Well with respect to the nine (9) parties claiming an interest in the Mackenzie that did not actually pay any funds for the claimed interest.

6. Post the AFE and the requirements associated therewith along with this Order to the "Recent Developments" tab on www.gatesoil.com; and

7. Use his best judgment to "carry" any non-consent working interest owners (through Gates' operating account), or permit Magnum Operating, Inc., to "carry" any portion or all of such non-consent working interest owners as well as any parties that have not proven their working interest ownership.

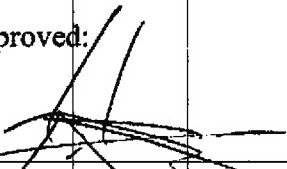
IT IS SO ORDERED

Dated this 22nd day of September, 2015.



Honorable Barbara G. Swinton
District Judge

Approved:



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