

OKLAHOMA CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
P.O. BOX 52000
OKLAHOMA CITY, OK 73152-2000
(Rule 165:10-3-1)

API NUMBER: 149 21671

Approval Date: 11/08/2012
Expiration Date: 05/08/2013

Horizontal Hole Oil & Gas

PERMIT TO DRILL

WELL LOCATION: Sec: 10 Twp: 11N Rge: 16W County: WASHITA
SPOT LOCATION: E2 SW SE SE FEET FROM QUARTER: FROM SOUTH FROM EAST
SECTION LINES: 330 970

Lease Name: PENNER FARMS 10-11-16 USA Well No: 1H Well will be 330 feet from nearest unit or lease boundary.
Operator Name: CHESAPEAKE OPERATING INC Telephone: 4059357853 OTC/OCC Number: 17441 0

CHESAPEAKE OPERATING INC
P.O. Box 18496
OKLAHOMA CITY, OK 73154-0496

PENNER FARMS, LLC
221 RED FORK
CLINTON OK 73601

Formation(s) (Permit Valid for Listed Formations Only):

Name	Depth	Name	Depth
1 DES MOINES	11989	6	
2		7	
3		8	
4		9	
5		10	

Spacing Orders: 167057

Location Exception Orders: 598185

Increased Density Orders: 598338

Pending CD Numbers:

Special Orders:

Total Depth: 16900

Ground Elevation: 1527

Surface Casing: 1500

Depth to base of Treatable Water-Bearing FM: 340

Under Federal Jurisdiction: No

Fresh Water Supply Well Drilled: No

Surface Water used to Drill: No

PIT 1 INFORMATION

Type of Pit System: ON SITE

Type of Mud System: WATER BASED

Chlorides Max: 25000 Average: 5000

Is depth to top of ground water greater than 10ft below base of pit? Y

Within 1 mile of municipal water well? N

Wellhead Protection Area? N

Pit is located in a Hydrologically Sensitive Area.

Category of Pit: 1B

Liner required for Category: 1B

Pit Location is BED AQUIFER

Pit Location Formation: CLOUD CHIEF

Approved Method for disposal of Drilling Fluids:

A. Evaporation/dewater and backfilling of reserve pit.

D. One time land application -- (REQUIRES PERMIT)

H. SEE MEMO

PERMIT NO: 12-21841

This permit does not address the right of entry or settlement of surface damages.

The duration of this permit is SIX MONTHS, except as otherwise provided by Rule 165: 10-3-1.

Rule 165: 10-3-4 (c) (7) (e) - The Operator shall give 24 Hours notice by telephone to the appropriate District Office of the Conservation Division as to when Surface Casing will be run.

PIT 2 INFORMATION

Type of Pit System: ON SITE
Type of Mud System: OIL BASED
Chlorides Max: 300000 Average: 200000
Is depth to top of ground water greater than 10ft below base of pit? Y
Within 1 mile of municipal water well? N
Wellhead Protection Area? N
Pit is located in a Hydrologically Sensitive Area.

Category of Pit: 3
Liner required for Category: 3
Pit Location is BED AQUIFER
Pit Location Formation: CLOUD CHIEF

HORIZONTAL HOLE 1

Sec 10 Twp 11N Rge 16W County WASHITA
Spot Location of End Point: N2 N2 NE NE
Feet From: NORTH 1/4 Section Line: 200
Feet From: EAST 1/4 Section Line: 660
Depth of Deviation: 11622
Radius of Turn: 428
Direction: 10
Total Length: 4606
Measured Total Depth: 16900
True Vertical Depth: 12050
End Point Location from Lease,
Unit, or Property Line: 200

Notes:

Table with 2 columns: Category, Description. Rows include DEEP SURFACE CASING, INCREASED DENSITY - 598338, LOCATION EXCEPTION - 598185, PITS 1 & 2, SPACING - 167057, WATERSHED STRUCTURE.

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