

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

API NUMBER: 083 24380

Approval Date: 04/03/2015
Expiration Date: 10/03/2015

Horizontal Hole Oil & Gas

PERMIT TO DRILL

WELL LOCATION: Sec: 21 Twp: 17N Rge: 2W

County: LOGAN

SPOT LOCATION: SE SW SW SW

FEET FROM QUARTER: FROM SOUTH FROM WEST

SECTION LINES: 300 601

Lease Name: DOLESE

Well No: 1-21MH

Well will be 300 feet from nearest unit or lease boundary.

Operator Name: BLUE DOLPHIN PRODUCTION LLC

Telephone: 4052855388

OTC/OCC Number: 20881 0

BLUE DOLPHIN PRODUCTION LLC
13120 N MACARTHUR BLVD
OKLAHOMA CITY, OK 73142-3017

DOLESE BROS. CO.
20 NW 13TH STREET
OKLAHOMA CITY OK 73103

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

| | Name | Depth | Name | Depth |
|---|----------------|-------|------|-------|
| 1 | MISSISSIPPIAN | 5350 | 6 | |
| 2 | WOODFORD | 5500 | 7 | |
| 3 | MISENER-HUNTON | 5580 | 8 | |
| 4 | SYLVAN | 5590 | 9 | |
| 5 | VIOLA | 5680 | 10 | |

Spacing Orders: 620462

Location Exception Orders:

Increased Density Orders:

Pending CD Numbers: 201500774

Special Orders:

Total Depth: 10418

Ground Elevation: 930

Surface Casing: 400

Depth to base of Treatable Water-Bearing FM: 300

Under Federal Jurisdiction: No

Fresh Water Supply Well Drilled: No

Surface Water used to Drill: Yes

PIT 1 INFORMATION

Approved Method for disposal of Drilling Fluids:

Type of Pit System: CLOSED Closed System Means Steel Pits

Type of Mud System: WATER BASED

Chlorides Max: 5000 Average: 3000

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: C

Liner not required for Category: C

Pit Location is AP/TE DEPOSIT

Pit Location Formation: TERRACE

D. One time land application -- (REQUIRES PERMIT) PERMIT NO: 15-29833
H. CLOSED SYSTEM=STEEL PITS (REQUIRED - CIMARRON RIVER)

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.

HORIZONTAL HOLE 1

Sec 21 Twp 17N Rge 2W County LOGAN

Spot Location of End Point: NE NE NW NW

Feet From: SOUTH 1/4 Section Line: 2475

Feet From: WEST 1/4 Section Line: 1200

Depth of Deviation: 5040

Radius of Turn: 530

Direction: 5

Total Length: 4545

Measured Total Depth: 10418

True Vertical Depth: 5680

End Point Location from Lease,
Unit, or Property Line: 165

Notes:

| Category | Description |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PENDING CD - 201500774 | 4/3/2015 - G75 - (E.O.) 21-17N-2W X620462 MSSP, WDFD, MSRH, SLVN, VIOL SHL NCT 300 FSL, NCT 600 FWL COMPL. INT. (VIOL) NCT 330 FSL, NCT 330 FNL, NCT 330 FWL COMPL. INT. (OTHERS) NCT 330 FSL, NCT 165 FNL, NCT 330 FWL BHL NCT 0 FNL, NCT 330 FWL NO OP. NAMED REC 3-31-2015 (DECKER) |
| SPACING - 620462 | 4/3/2015 - G75 - (640) 21-17N-2W EST (VER) OTHERS EXT (HOR) 614840 MSSP, WDFD EST (HOR) MSRH, SLVN, VIOL POE TO BHL (WDFD) NLT 330' FB POE TO BHL (OTHERS) NLT 660' FB |