

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

API NUMBER: 047 24673

Approval Date: 01/25/2013
Expiration Date: 07/25/2013

Straight Hole Oil & Gas

PERMIT TO DRILL

WELL LOCATION: Sec: 12 Twp: 20N Rge: 4W County: GARFIELD
SPOT LOCATION: FEET FROM QUARTER: FROM SOUTH FROM WEST
SECTION LINES: 925 1650

Lease Name: MAY Well No: 2-12 Well will be 330 feet from nearest unit or lease boundary.

Operator Name: WELLCO ENERGY INC Telephone: 4054540555 OTC/OCC Number: 18064 0

WELLCO ENERGY INC
P.O. Box 14130
OKLAHOMA CITY, OK 73113-0130

DLM FARMS, LLC
324 DONNA AVE.
GUTHRIE OK 73044

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

Name	Depth	Name	Depth
1 TRUE LAYTON	4794	6 SIMPSON DOLOMITE	5915
2 CLEVELAND	5071	7 1ST WILCOX	5932
3 OSWEGO	5128	8 2ND WILCOX	6030
4 MISSISSIPPIAN	5477	9 ARBUCKLE	6396
5 VIOLA	5854	10	

Spacing Orders: 606849

Location Exception Orders:

Increased Density Orders:

Pending CD Numbers:

Special Orders:

Total Depth: 6500

Ground Elevation: 1066

Surface Casing: 340

Depth to base of Treatable Water-Bearing FM: 270

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: 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: 2

Liner not required for Category: 2

Pit Location is BED AQUIFER

Pit Location Formation: GARBER

Approved Method for disposal of Drilling Fluids:

A. Evaporation/dewater and backfilling of reserve pit.

Notes:

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.

047 24673 MAY 2-12

Category

Description

SPACING - 606849

1/15/2013 - G75 - (80) NW4 12-20N-4W SU NW/SE
AMD 286045 CHANGING MISS TO MSSP, LD TO SU UNITS
EXT 269087 LYTN, OSWG, SMPSD, WLCX1, WLCX2, OTHERS S2 NW4, CHANGE LYTN TO
LYTNT, SU NW/SE
EXT 367213 ABCK N2 NW4, SU NW/SE
EST CLVD, OTHERS
EXT 215390 VIOL, OTHER

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.

OKLAHOMA

Corporation Commission

101 S. 6th/P.O. Box 1107
Kingfisher, OK 73750-1107

Telephone: (405)375-5570
FAX: (405)375-5576

OIL & GAS CONSERVATION DIVISION



Tony Cupp, Manager

23 Jul 13

Wellco Energy, Inc.
Attn: S. DeLong, President
P.O. Box 14130
Oklahoma City, OK 73113

RE: **Exception to Rule 165: 10-7-16. Use of noncommercial pits.** (d) Operation & Maintenance requirements, (2) Reserve/circulation pits. **Limit pit contents to 1 well.**
Pit Location: **MAY 2-12, S/2, Nw, Se, Nw, 12-20N-4W, Garfield County**
Second well: INEZ 3-11, Sw, Ne, Ne, 11, 20N-4W, Garfield County

Mr. DeLong:

I am in receipt of request for an Exception to Rule 165:10-7-16. Use of Noncommercial Pits. Para (d) Operation and maintenance requirements. Sub-Para (2) Reserve/circulation pits provide as follows: **"The operator of any reserve/circulation pit shall limit its contents to the fluids and cuttings from a single well, unless authorized by the District Manager"**.

I am **APPROVING THE EXCEPTION** for the "second" referenced well, for the **"water based"** fluids and cuttings (only) from such wells to be placed in the **single Category 2 pit at the initial pit legal**, with the following stipulations. All other pit requirements appearing in Commission rules, to include any **liner requirements**, that may be applicable, shall be followed and conformed to for a Category 2 pit, water based only. The Intent to Drill, (for May 2-12) indicates a **Category 2 pit**. Any oil based drilling waste materials shall be placed in either 'GEO-LINED' pit or steel half pits only or used a closed system. This material shall be disposed as specified in the rules.

The initial pit should be constructed large enough to contain the cuttings and fluids from the two wells. At all times **fluid level in the pit shall be maintained a minimum of 24 inches or more below the lowest point in the berm of wall**. All pits shall be constructed, operated, and maintained so as to prevent pollution. Pit shall be constructed and maintained so that runoff water shall not enter the pit. A pit that requires a liner, or constructed on a fill shall be constructed so that the **maximum level of solids contents will be a minimum of 3 ft. below the natural ground level**. No pit should be built in a flood plain. (Operator is responsible to check for this with County FEMA department.)

Wellco Energy, Inc
Ltr. Pg 2
Attn: S. DeLong

On closure of any pit, the operator shall give the Field inspector a minimum of 48 hrs. notice prior to commencing closure. For all lined pits, **trenching, stirring, or other similar practice SHALL BE PROHIBITED.** No equipment shall be allowed in **any lined pit.** Extreme care shall be taken to preserve the integrity of any liner, (geomembrane or soil compacted) at all times.

All free fluids (liquid) shall be removed before chemically solidifying the remaining solids content with no hazardous materials. There should be a minimum of "at least 3 foot" of soil cover over any remaining pit contents, with the stockpiled topsoil being applied last. The area shall be configured to provide runoff, but prevent any erosion of the covered pit area.

If there are any questions, please contact me at this office. Thank you.

Tony Cupp
District Manager
Kingfisher, OK

Encl: 3

XC: Bill Julian, Garfield County Inspector
Brad Ice, Garfield County Inspector
Dennis Niskern, Manager-Documents Handling, OCC, Oklahoma City, OK
File