

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

API NUMBER: 071 24727

Approval Date: 02/03/2014
Expiration Date: 08/03/2014

Straight Hole Oil & Gas

PERMIT TO DRILL

WELL LOCATION: Sec: 32 Twp: 29N Rge: 1E County: KAY
SPOT LOCATION: C SW NE NE FEET FROM QUARTER: FROM SOUTH FROM WEST
SECTION LINES: 1650 1650

Lease Name: DOWNS Well No: 1 Well will be 990 feet from nearest unit or lease boundary.
Operator Name: DEMCO OIL & GAS COMPANY Telephone: 5803634223 OTC/OCC Number: 7223 0

DEMCO OIL & GAS COMPANY
1335 S 6TH ST
BLACKWELL, OK 74631-4203

MARY F. DOWNS
6027 LOMACK CT.
ALEXANDRIA VA 22312

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

Name	Depth	Name	Depth
1 HOTSON	630	6 CLEVELAND	2980
2 NEWKIRK SD	1420	7 BARTLESVILLE	3280
3 HOOVER	1925	8 MISSISSIPPI CHAT	3315
4 TONKAWA	2250	9 MISSISSIPPI LIME	3365
5 LAYTON	2660	10 WILCOX	3420

Spacing Orders: No Spacing

Location Exception Orders:

Increased Density Orders:

Pending CD Numbers:

Special Orders:

Total Depth: 3500 Ground Elevation: 1072 **Surface Casing: 260** Depth to base of Treatable Water-Bearing FM: 210

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: 2500 Average: 2000

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: WELLINGTON

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.

Category	Description
FRAC FOCUS	1/30/2014 - G71 - THE REQUIREMENT FOR CHEMICAL DISCLOSURE OF HYDRAULIC FRACTURING INGREDIENTS WILL BE EXTENDED TO INCLUDE ALL NON-HORIZONTAL WELLS FOR HYDRAULIC FRACTURING OPERATIONS BEGINNING JANUARY 1, 2014. REFER TO OCC RULE 165:10-3-10 FOR COMPLIANCE REQUIREMENTS. PLEASE REPORT DIRECTLY TO FRACFOCUS USING THE FOLLOWING LINK HTTP://FRACFOCUS.ORG/ OR FOR OCC ASSISTANCE CONTACT DENNIS NISKERN AT 405-522-2977 OR D.NISKERN@OCCEMAIL.COM
SPACING	2/3/2014 - G75 - FORMATIONS UNSPACED; 160-ACRE LEASE (NE4)

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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.