

Gas Drilling Update - as of September 21, 2010

Chesapeake starting drilling the first well at the Valkyrie pad site (West Cleburne Road and McCart) about August 20. That well has been completed and by now they have probably more than half finished drilling the second well there. Those two wells will be "fraced" as soon as drilling is finished and the drilling rig will be moved to the Pear pad site (Sycamore School Road and McCart) where they are currently planning to drill only one well initially.

The wells at both of these two drill sites will ultimately be connected to an existing pipeline in the vicinity of Sycamore School Road and Crowley road. Chesapeake recently stated that the connecting pipeline will not be built until probably early next summer. That means that you may not receive your first royalty payment until late summer or early fall because they must first achieve a commercial level of gas production and they can not do that until a pipeline is in place. Further, the first payment normally is not paid until 120 days after they achieve the commercial level of production.

There could be a bright side to this delay. Maybe the price of gas will be higher by that time!