



Justin Bond

Project Manager

December 2, 2011

Re: Natural gas production at the Reilly-Burleson padsite located at 358 NW Hillery Street,
Burleson, TX 76028

Dear Chesapeake Mineral Owner:

Chesapeake is pleased to bring you good news today. One or more wells at the padsite above has come online - which means it is now producing natural gas. While we can't yet confirm that your minerals will be included in this particular production unit, we are completing title research to verify this information as soon as possible. Once title is confirmed for all owners in this unit, Division Orders will be issued and then royalty payments can begin.

If you are confirmed to be in this unit, you will receive a document called a Division Order. A Division Order is a legal document that confirms your interest in a producing well and provides specific details about your ownership, including your proportionate interest in that well. You need to sign and return your Division Order to us before royalty payments can be made.

Division Orders are generally sent within 120 days after the end of the month of first sales of production. If your Division Order is not issued by then, we will pay you interest on any late payments caused by our delay in processing the Division Order. Once you have received and returned your Division Order, you will likely receive your first royalty payment within 30-60 days. The check will include royalties from the date your well started producing natural gas. If applicable, accumulated interest will be on your second check.

Please be patient until your Division Order arrives. We are working diligently to complete title work in this unit, and are as eager as you are to start the royalty payments. While we strive to timely confirm title in the unit, there are numerous factors which can delay this process. Some of our units in the Barnett Shale include hundreds of owners whose mineral title has never been examined. We cannot pay anyone until we have confirmed the size of the unit by survey and have studied the chain of title of each owner. If we did not verify everyone's title before making initial distribution of proceeds, there is a risk that we would overpay some owners and underpay others -- which would require us to request refunds from some residents in order to properly pay others. We're sure you'll agree that is more undesirable than delaying initial payments to get it right the first time.

In the meantime, for more information about Division Orders, or updates on the wells in your neighborhood, please visit www.AskChesapeake.com/Barnett. We look forward to producing clean-burning natural gas and providing royalties from this site for decades to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin Bond".

Justin Bond

Chesapeake Energy Corporation
100 Energy Way • Fort Worth, TX 76102
817-502-5000

16988



Division Orders Frequently Asked Questions

Q: What is a Division Order?

A: A Division Order is the document necessary to begin payment of natural gas royalties. This legally required document verifies a mineral owner's interest in a producing well and authorizes the operator to pay the owner based on that interest. Division Orders offer assurance that each stakeholder will be appropriately compensated for the production of his or her minerals. They represent an official understanding between the natural gas operator and mineral owner, and verify the following information:

- Legal description of the producing property
- The correct and legal mineral owner(s) who should be paid royalties
- The net revenue interest in the producing well
- The owner's taxpayer ID number (usually your Social Security Number)
- Indemnity for wrongful payment

Q: I thought that information was covered by my lease? Why the duplication?

A: While the legal description of your property may be covered in the lease, very few wells are drilled and produced based on a single lease. Division Orders document the size of the production unit and calculate your proportionate percentage of production based on the share the land covered by your lease bears to the entire unit acres. That information had not been determined when you signed the lease.

Division Orders also confirm that you still own your minerals and that your address and other personal information is still correct. Since the lease was signed, you may have gotten married or divorced, or inherited or sold your minerals. These actions, as well as others, could affect your title.

Q: When are Division Orders sent?

A: Pursuant to Texas Natural Resources Code 91.403, Division Orders are generally sent within 120 days after the end of the month of first sale of production. [This could take up to 150 days, depending on when first sales occurred. If Division Orders are not issued by then, the Code provides for the natural gas operator to pay the mineral owner interest for any delay beyond that time.

Q: It's been longer than 120 days and I haven't received my Division Order – what's causing the delay?

A: Meeting the 120-day goal can be challenging in an urban environment where there may be hundreds of mineral owners in any given unit, many of whose mineral title has never been verified. Processing Division Orders is a multi-step labor-intensive procedure that requires thorough title research.

Among the steps the operator must perform is title research – dating back to 1845 when Texas became a state – to make sure minerals weren't severed from the title or sold to someone else decades ago. This assures the rightful owners benefit from a well's production and are paid the royalties they deserve, based on their proportionate interest in the well. In other words, the operator must verify that each owner receives his "fair share of the pie."

Although time-consuming and arduous, it's important that we confirm this information up front so revenue adjustments, such as narrowing your slice of the pie, aren't needed later. No one wants to be paid prematurely only to be asked later for a refund when it is determined title was not as assumed or represented.

Q: Will I receive extra compensation if I don't receive my Division Order within 120 days?

A: You are entitled to interest if the delay is not due to unmarketable (i.e., disputed or unclear) title.

Mineral owners begin accruing interest after the 120+day window expires. Remember, this is calculated from 120 days after the end of the month in which first sales occurred. Interest is 2% over the prime rate, which is almost always better than you would receive in a savings account. Interest accrual is included in your second royalty check, unless your lease provides otherwise.

Q: Help me understand why title research is necessary for Division Orders. I thought you did that when I signed my lease?

A: When you signed your lease, a landman from Chesapeake performed cursory or superficial research of your title to see if your current deed discussed mineral retention or severing. The title research performed before a Division Order can be issued is conducted by actual title attorneys to review all deeds ever issued for the property. This is to make sure minerals weren't severed before you purchased your property or after you signed your lease and to confirm nothing has changed in your title since you leased. We do not charge royalty owners any part of this title examination, which can often cost thousands of dollars and uncover defects you may not know existed. This is a great benefit to you in the event you or your heirs ever wish to sell your property.

Q: What if there is a title dispute?

A: A number of factors could result in a title dispute, such as different people claiming ownership of the same minerals, clouded title, liens, divorce, incorrectly probated wills, and multiple heirs, among others.

Disputes are brought to the lease-signer's attention through a letter from Chesapeake within 30 days of the discrepancy being identified. If the dispute is resolved in favor of the lease signer, and the Division Order arrives after the 120+-day window, interest will be paid only through the date the notification-of-dispute letter was mailed.

Q: How long will I receive royalty payments?

A: Mineral owners are paid as long as natural gas is being produced from the unit including their well or wells. This could be 30 years or longer, although it should be noted that there can be a dramatic decline in production in the first year, with a more gradual decline after that. Checks are sent monthly if the amount is \$50 or more; otherwise, amounts are held in "suspense" and are mailed in the regular cycle when the total reaches \$50. Please note that all royalty income is subject to ordinary income tax.

Q: What does the law say about Division Orders?

A: The laws in this state are noted in the Texas Natural Resource Codes 91.402, 91.403 and 91.404. To review the full language of these statutes, visit:

- <http://law.onecle.com/texas/natural-resources/91.402.00.html>
- <http://law.onecle.com/texas/natural-resources/91.403.00.html>
- <http://law.onecle.com/texas/natural-resources/91.404.00.html>

Q: Where can I learn more about Division Orders?

A: Please visit Chesapeake's Owner Relations homepage. You can also visit the American Royalty Council for more information.