

N.M. Oil Cons. Div-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		CONFIDENTIAL	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		7. If Unit or CA Agreement, Name and No.	
2. Name of Operator CHESAPEAKE OPERATING INC		8. Lease Name and Well No. DANA 3 FEDERAL 10	
3a. Address P O BOX 18496 OKLAHOMA CITY, OK 73154-0496		9. API Well No. 30-005-63707	
3b. Phone No. (include area code) Ph: 405.767.4275 Fx: 405.879.9583		10. Field and Pool, or Exploratory PECOS SLOPE, Abo	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface NENE 660FNL 1220FEL At proposed prod. zone (CA)		11. Sec., T., R., M., or Blk. and Survey or Area Sec 3 T9S R25E Mer NMP SME: FEE	
14. Distance in miles and direction from nearest town or post office* 10.2 MI ENE OF ROSWELL		12. County or Parish CHAVES	
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)		13. State NM	
16. No. of Acres in Lease		17. Spacing Unit dedicated to this well 160.00	
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.		20. BLM/BIA Bond No. on file	
19. Proposed Depth 4200 MD		23. Estimated duration	
21. Elevations (Show whether DF, KB, RT, GL, etc.) 3525 GL		22. Approximate date work will start	

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature (Electronic Submission)	Name (Printed/Typed) LINDA GOOD	Date 09/28/2004
Title AUTHORIZED REPRESENTATIVE		
Approved by (Signature) (Electronic Submission)	Name (Printed/Typed) LARRY D BRAY	Date 11/09/2004
Title ASST FIELD MANAGER		

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Additional Operator Remarks (see next page)

Electronic Submission #35821 verified by the BLM Well Information System
For CHESAPEAKE OPERATING INC, sent to the Roswell
Committed to AFMSS for processing by LINDA ASKWIG on 09/29/2004 (04LA0314AE)

** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM

CEMENT TO COVER ALL OIL,
GAS AND WATER BEARING
ZONES i.e., GIC 107C

Additional Operator Remarks:

Chesapeake Operating, Inc. proposes to drill a well to 4200' to test the Abo. If productive, casing will be run and the well will be completed. If dry, the well will be plugged and abandoned as per BLM and New Mexico Oil Conservation Division requirements.

Attached please find the Surface Use Plan, Drilling Plan, and attachments as required by Onshore Order No. 1. A general rig plat is attached as Exhibit D. A final rig plat will be submitted prior to spud once a rig is assigned.

Please be advised that Chesapeake Operating, Inc. is considered to be the operator of the above mentioned well. Chesapeake Operating, Inc. agrees to be responsible under the terms and conditions of the lease for the operations conducted upon the lease lands.

On September 22, 2004 Mike Whitefield with Chesapeake Operating, Inc. meet with the Surface Owner James Cliett and have reached a verbal agreement.

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Federal Well

WELL API NO. 30-005-63707	
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>	
6. State Oil & Gas Lease No.	
7. Lease Name or Unit Agreement Name Dana 3 Federal	
8. Well Number	10
9. OGRID Number	147179
10. Pool name or Wildcat Pecos Slope	

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type Steel Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☒ Other ☐

2. Name of Operator
Chesapeake Operating, Inc.

3. Address of Operator
P. O. Box 11050
Midland, TX 79702-8050

4. Well Location
Unit Letter A : 660 feet from the North line and 1220 feet from the East line
Section 3 Township 9S Range 25E NMPM County Chaves

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3525 GR

RECEIVED
NOV 19 2004
OCD-ARTESIA

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

We will be using a closed loop system while drilling this well.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Brenda Coffman TITLE Regulatory Analyst DATE 11/17/2004

Type or print name Brenda Coffman

E-mail address: bcoffman@chkenergy.com Telephone No. (432)685-4310

For State Use Only

TIM W. GUM
DISTRICT II SUPERVISOR

NOV 24 2004

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):

DISTRICT I
1825 N. French Dr., Hobbs, NM 86240
DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name DANA "3" FEDERAL	Well Number 10
OGRID No.	Operator Name CHESAPEAKE OPERATING INC.	Elevation 3525'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	3	9 S	25 E		660	NORTH	1220	EAST	CHAVES

Bottom Hole Location if Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

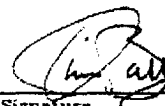
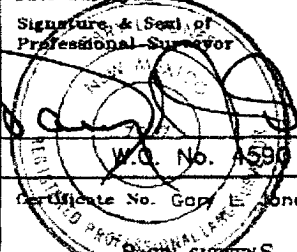
	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p> Signature JIM BALL Printed Name Senior LANDMAN Title 9/20/04 Date</p>
	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p>AUGUST 26, 2004 Date Surveyed</p>
	<p>Signature & Seal of Professional Surveyor</p> <p> W.O. No. A590 Certificate No. Gary E. Jones 7977 BASIN SURVEYS</p>

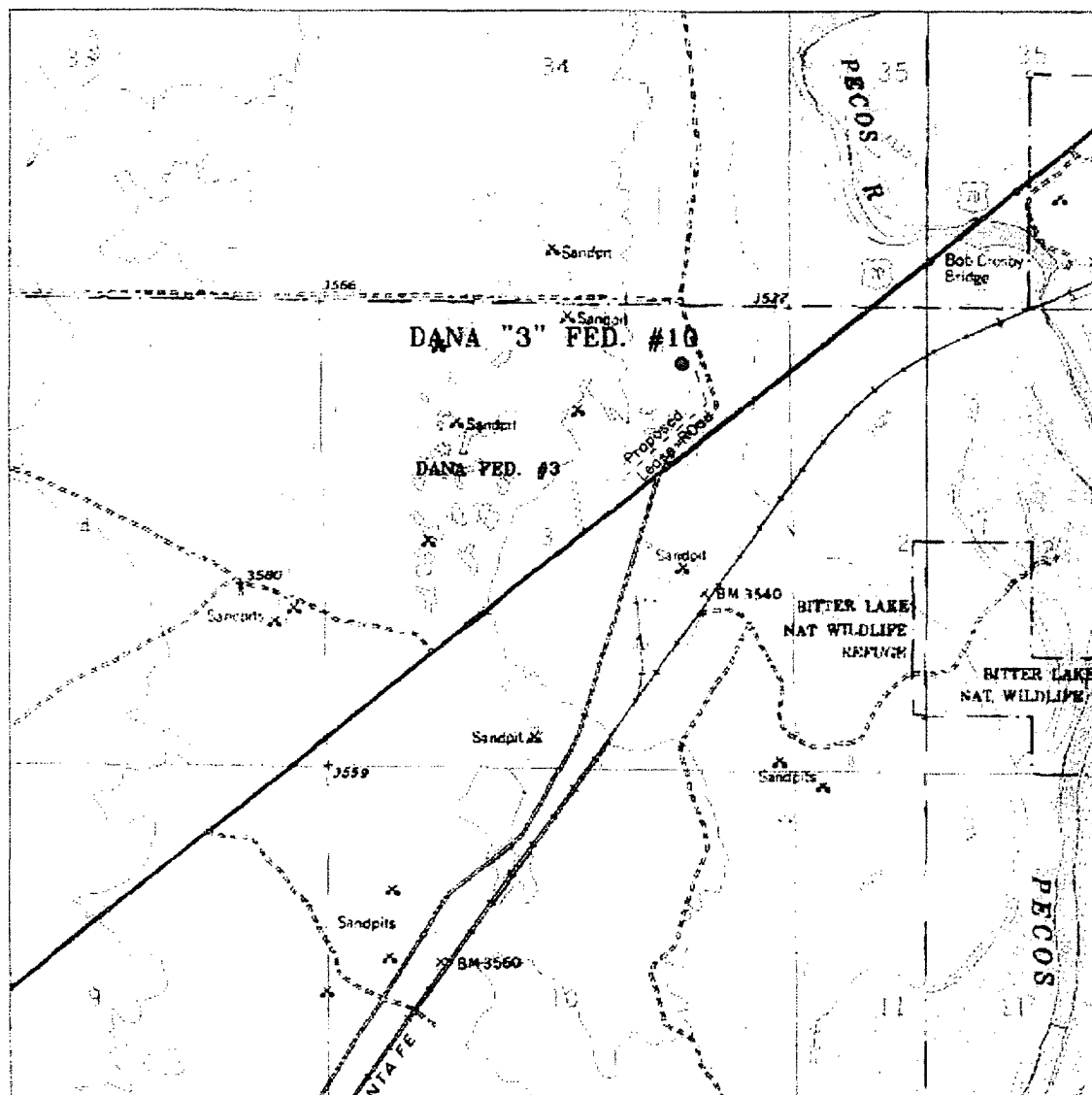
Exhibit A-1

NEW MEXICO.



Sheet 1 of 1 Sheets

Exhibit 12A3



DANA "3" FEDERAL #10

Located at 660' FNL and 1220' FEL
Section 3, Township 9 South, Range 25 East,
N.M.P.M., Chaves County, New Mexico.

Exhibit A-4



P.O. Box 1184
 1110 1st Street, N.W.
 Atlanta, Georgia 30304
 (404) 525-1184
 (404) 525-1074
 (404) 525-1075

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**CHESAPEAKE
OPERATING
INC.**

ONSHORE OIL & GAS ORDER NO. 1
Approval of Operations on Onshore
Federal and Indian Oil and Gas Leases

All lease and/or unit operations are to be conducted in such a manner that full compliance is made with the applicable laws, regulations (CFR 43, Part 3160) and the approved Application for Permit to Drill. The operator is considered fully responsible for the actions of his subcontractors. A copy of the approved APD must be on location during construction, drilling and completion operations.

Approval of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

1. FORMATION TOPS

The estimated tops of important geologic markers are as follows:

Formation	Depth	Subsea
San Andres	405	3130
Glorietta	1535	2000
Tubb	2955	580
Abo	3655	-120
Abo B	3760	-225
Abo C	3875	-340
Abo C Lower	3970	-435
Abo D	4050	-515
Total Depth	4200	-665

2. ESTIMATED DEPTH OF WATER, OIL GAS & OTHER MINERAL BEARING FORMATIONS

The estimated depths at which the top and bottom of the anticipated water, oil, gas or other mineral bearing formations are expected to be encountered are as follows:

Substance	Formation	Depth
Oil/Gas	Abo	3655 to 4100

All shows of fresh water and minerals will be reported and protected.

3. BOP EQUIPMENT: 3,000# System

Chesapeake Operating, Inc.'s minimum specifications for pressure control equipment are as follows:

I. BOP, Annular, Choke Manifold, Pressure Test

A. Equipment

1. The equipment to be tested includes all of the following that is installed on the well. See Exhibit F-1 to F-2.
 - (a) Ram-type and annular preventers,
 - (b) Choke manifolds and valves,
 - (c) Kill lines and valves, and
 - (d) Upper and lower kelly cock valves, inside BOP's and safety valves.

B. Test Frequency

1. All tests should be performed with clear water,
 - (a) when installed,
 - (b) before drilling out each casing string,
 - (c) at any time that there is a repair requiring a pressure seal to be broken in the assembly, and
 - (d) at least once every 30 days while drilling.

C. Test Pressure

1. In some drilling operations, the pressures to be used for low and high-pressure testing of preventers and casing may be different from those given below due to governmental regulations, or approved local practices.
2. If an individual component does not test at the low pressure, **do not**, test to the high pressure and then drop back down to the low pressure.
3. All valves located downstream of a valve being tested must be placed in the open position.
4. All equipment will be tested with an initial "low pressure" test at 250 psi.
5. The subsequent "high pressure" test will be conducted at the rated working pressure of the equipment for all equipment except the annular preventer.
6. The "high pressure" test for the annular preventer will be conducted at 70% of the rated working pressure.
7. A record of all pressures will be made on a pressure-recording chart.

D. Test Duration

1. In each case, the individual components should be monitored for leaks for 5 minutes, with no observable pressure decline, once the test pressure has been applied.

II. Accumulator Performance Test

A. Scope

1. The purpose of this test is to check the capabilities of the BOP control systems, and to detect deficiencies in the hydraulic oil volume and recharge time.

B. Test Frequency

DRILLING PROGRAM

Page 3

1. The accumulator is to be tested each time the BOP's are tested, or any time a major repair is performed.

C. Minimum Requirements

1. The accumulator should be of sufficient volume to supply 1.5 times the volume to close and hold all BOP equipment in sequence, **without recharging** and the **pump turned off**, and have remaining pressures of **200 PSI above the precharge pressure**.
2. Minimum precharge pressures for the various accumulator systems per **manufacturers recommended specifications** are as follows:

<u>System Operating Pressures</u>	<u>Precharge Pressure</u>
1,500 PSI	750 PSI
2,000 PSI	1,000 PSI
3,000 PSI	1,000 PSI

3. Closing times for the Hydril should be less than **20 seconds**, and for the ram-type preventers less than **10 seconds**.
4. System Recharge time should not exceed **10 minutes**.

D. Test Procedure

1. Shut accumulator pumps off and record accumulator pressure.
2. In sequence, close the annular and one set of properly sized pipe rams, and open the HCR valve.
3. Record time to close or open each element and the remaining accumulator pressure after each operation.
4. Record the remaining accumulator pressure at the end of the test sequence. Per the previous requirement, this pressure **should not be less** than the following pressures:

<u>System Pressure</u>	<u>Remaining Pressure At Conclusion of Test</u>
1,500 PSI	950 PSI
2,000 PSI	1,200 PSI
3,000 PSI	1,200 PSI

5. Turn the accumulator pumps on and record the recharge time. This time should not exceed **10 minutes**.
6. Open annular and ram-type preventers. Close HCR valve.

DRILLING PROGRAM

Page 4

7. Place all 4-way control valves in full open or full closed position. Do not leave in neutral position.

4. CASING AND CEMENTING PROGRAM

- a. The proposed casing program will be as follows:

<u>Purpose</u>	<u>Interval</u>	<u>Hole Size</u>	<u>Casing Size</u>	<u>Weight</u>	<u>Grade</u>	<u>Thread</u>	<u>Condition</u>
Surface	0-1,000'	11"	8-5/8"	24#	J-55	ST &C	New
Production	0-4,200'	7-7/8"	4-1/2"	11.6#	J-55	LT &C	New

- b. The cementing program will be as follows:

<u>Interval</u>	<u>Type</u>	<u>Amount</u>	<u>Yield</u>	<u>Washout</u>	<u>Excess</u>
Surface	Lead 65:35:6 + 6# Salt + 1/4# Flo-cel Tail: c + 2% CaCl	300sx 200sx	2.1 1.3	50%	100%
Production	50 :50 Poz H + additives	200sx	1.3	20%	30%

5. MUD PROGRAM

- a. The proposed circulating mediums to be used in drilling are as follows:

<u>Interval</u>	<u>Mud Type</u>	<u>Mud Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-1,000'	Water	8.4 – 9.0	28-40	NC
1,000' – 4,200'	Cut Brine	9.4 – 10.0	35-46	5 - 10

A steel pit will be utilized during the drilling of this well. All fluids and cuttings will be disposed of in accordance with New Mexico Oil Conversation Division rules and regulations.

A mud test shall be performed every 24 hours after mudding up to determine, as applicable: density, viscosity, gel strength, filtration, and pH.

6. TESTING, LOGGING AND CORING

The anticipated type and amount of testing, logging and coring are as follows:

- Drill stem tests are not planned.
- The logging program will consist of Natural GR, Density, Neutron and Pe from TD to surface casing, then GR and Neutron to surface; Dual Laterolog from TD to surface casing.
- Cores samples are not planned.

7. ABNORMAL PRESSURES AND HYDROGEN SULFIDE

- The estimated bottom hole pressures is 900 psi. No abnormal pressures or temperatures are anticipated.
- Hydrogen sulfide gas is not expected to be encountered.

ONSHORE OIL & GAS ORDER NO. 1
Approval of Operations on Onshore
Federal and Indian Oil and Gas Leases

1. EXISTING ROADS

- a. Existing county and lease roads will be used to enter proposed access road.
- b. Location, access and vicinity plats attached hereto. See Exhibit A-1 through A-4.

2. PLANNED ACCESS ROADS

- a. An access road will not be necessary, will use existing gravel road. See Exhibit A-2.
- b. No turnouts are expected.
- c. In order to level the location, cut and fill will be required. Please see attached Well location and Acreage Dedication Plat -Exhibit A-1 & A-2.
- d. A locking gate will be installed at the site entrance.
- e. Any fences cut will be repaired. Cattle guards will be installed, if needed.
- f. Surface disturbance and vehicular travel will be limited to the approved location and approved access route. Any additional area needed will be approved in advance.
- g. Driving direction: 2 Miles North of Roswell, N.M. on Hwy 285, Right on Hwy 70, 3 ½ miles to mile marker 346, North ¾ mile.

3. LOCATION OF EXISTING WELLS WITHIN A 1-MILE RADIUS OF THE PROPOSED LOCATION – see Exhibit B.

4. LOCATION OF PRODUCTION FACILITIES

It is anticipated that production facilities will be located on the well pad as product will be sold at the wellhead and/or tank battery. The proposed pipeline will require a ROW. – See Exhibit C.

5. LOCATION AND TYPE OF WATER SUPPLY

Water will be obtained from a private water source. Chesapeake Operating, Inc. will ensure all proper notifications and filings are made with the state.

6. CONSTRUCTION MATERIALS

All material (i.e. shale) will be acquired from private or commercial sources.

7. METHODS FOR HANDLING WASTE DISPOSAL

A closed system will be utilized consisting of above ground steel tanks. All wastes accumulated during drilling operations will be contained in a portable trash cage and removed from location and deposited in an approved sanitary landfill. Sanitary wastes will be contained in a chemical porta-toilet and then hauled to an approved sanitary landfill.

8. ANCILLARY FACILITIES

None.

9. WELLSITE LAYOUT

The proposed site layout plat is attached showing rig orientation and equipment location. See Exhibit D.

10. PLANS FOR RECLAMATION OF THE SURFACE

The location will be restored to as near as original condition as possible. Reclamation of the surface shall be done in strict compliance with the existing New Mexico Oil Conservation Division regulations.

Backfilling leveling, and contouring are planned as soon as the drilling rig and steel tanks are removed. Wastes and spoils materials will be buried immediately after drilling is completed. If production is obtained, the unused area will be restored as soon as possible. The rehabilitation will begin after the drilling rig is removed.

11. SURFACE OWNERSHIP

James Cliett
Nalion Living Trust
709-A La Fonda Dr.
Roswell, NM 88201

ONSHORE ORDER NO. 1
Chesapeake Operating, Inc.
DANA 3 FEDERAL 10
660 FNL 660 FEL
C NENE of Section 3-9S-25E
Chaves County, NM

CONFIDENTIAL – TIGHT HOLE

Lease No. NMNM 35925

SURFACE USE PLAN
Page 3

MINERAL OWNERSHIP

United States of America
Department of Interior
Bureau of Land Management

12. ADDITIONAL INFORMATION (This is presumed info, may need to revise)

A Class III cultural resource inventory report was prepared by Boone Archaeological Services, Carlsbad, New Mexico for the proposed location. A copy of the report has been sent to the BLM office under separate cover and is also attached for reference. See Exhibit E.

13. OPERATOR'S REPRESENTATIVES

Drilling and Completion Operations

Rob Jones
District Manager
P.O. Box 18496
Oklahoma City, OK 73154
405-810-2694 (OFFICE)
405-879-9573 (FAX)
rjones@chkenergy.com

Drilling Engineer

David DeLaO
P.O. Box 18496
Oklahoma City, OK 73154
405-767-4339 (OFFICE)
405-879-9573 (FAX)
405-990-8182 (MOBILE)
ddelao@chkenergy.com

Field Representative

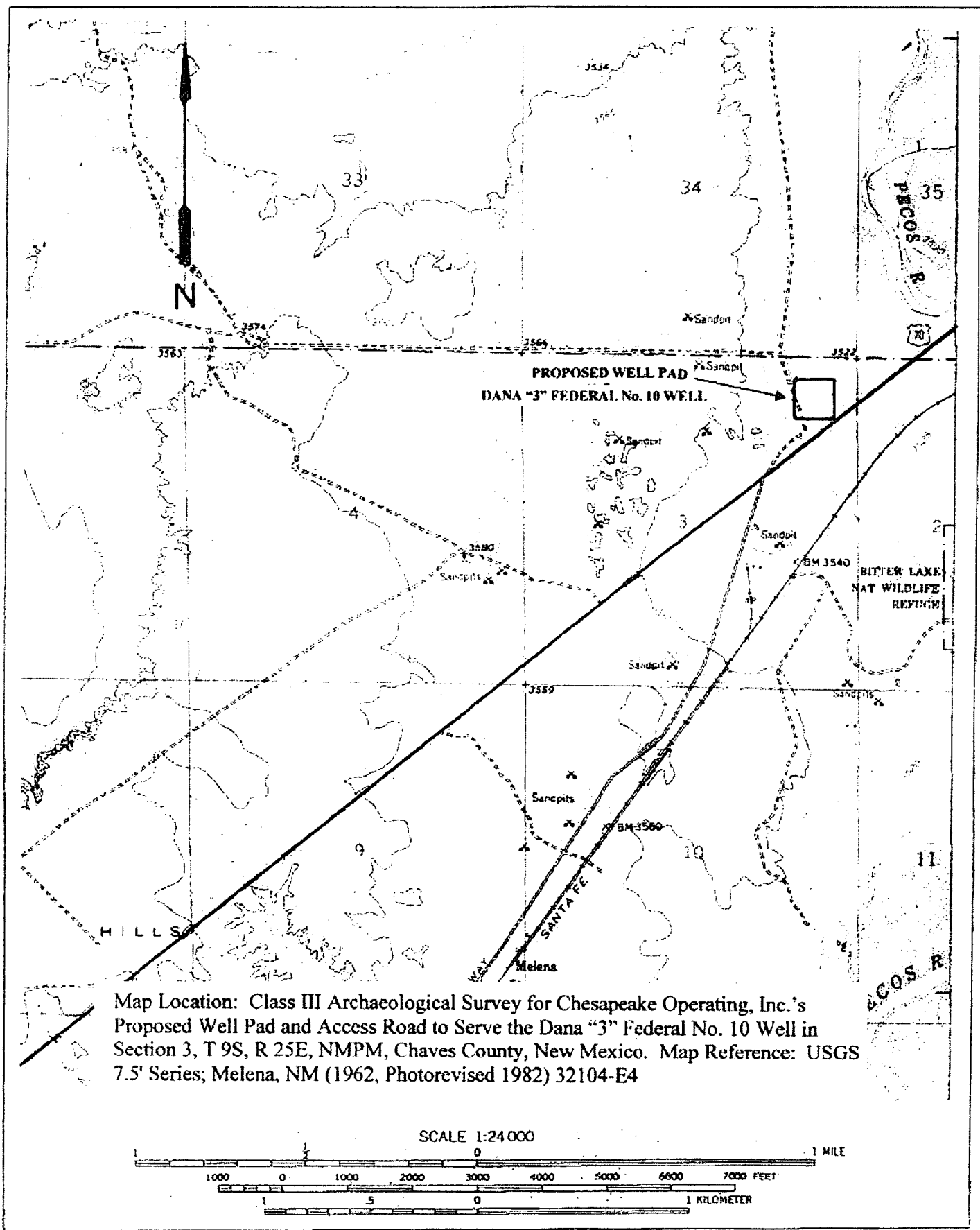
Mike Whitefield
550 West Texas Ave.
Midland, TX 79701
432-683-7443 (OFFICE)
432-685-4399 (FAX)
mwhitefield@chkenergy.com

Asset Manager

Andrew McCalmont
P.O. Box 18496
Oklahoma City, OK 73154-0496
405-848-8000 Ext. 852 (OFFICE)
405-879-7930 (FAX)
amccalmont@chkenergy.com

Regulatory Compliance

Linda Good
Regulatory Compliance Analyst
P.O. Box 18496
Oklahoma City, OK 73154
405-767-4275 (OFFICE)
405-879-7953 (FAX)
lgood@chkenergy.com



SIZE	PRESSURE	DESCRIPTION
2"	3,000#	Gate Valve
2"	3,000#	HCR Valve

CHOKE MANIFOLD SCHEMATIC

CHESAPEAKE OPERATING INC

WELL : Dana 3 Federal 10

FIELD : Pecos Slope

RIG : Unknown

COUNTY : Chaves

STATE: NM

OPERATION: 3M CHOKE MANIFOLD

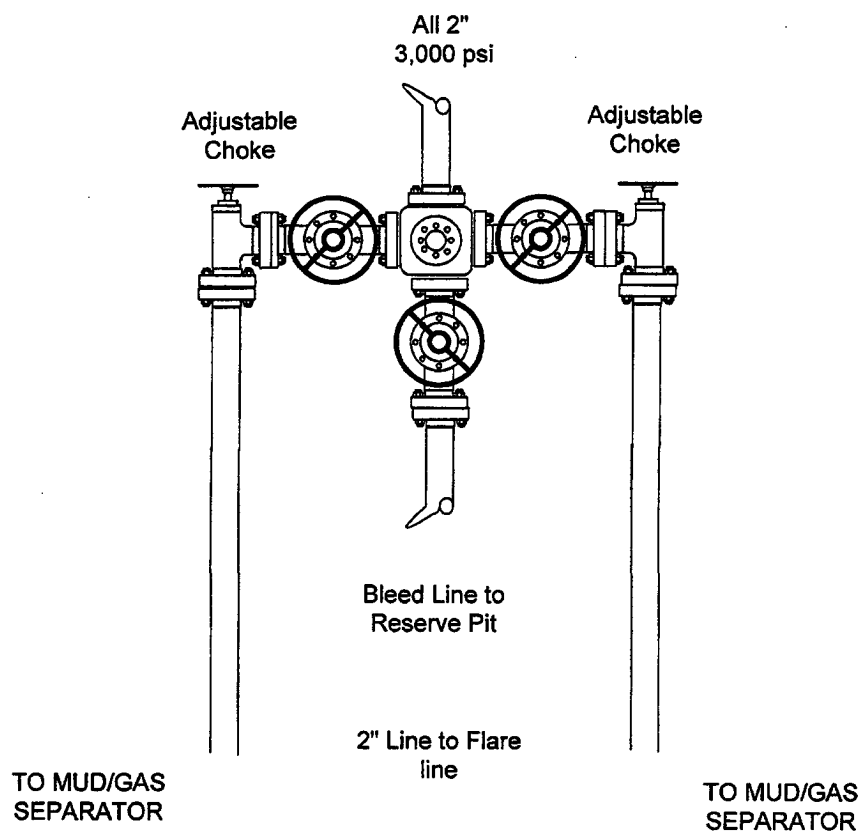


Exhibit F-2