Form 3160-3 (August 1999)

N.M. Oil Cons. DIV-Dist. 2 UNITED STATES W. Grand Avenue

DEPARTMENT OF THE ATTESIA, NM 88210 BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

5.	Lease Serial No.	
	NIN ANIA ACCECCOCO	

6. If Indian, Allottee or Tribe Name

Lease Serial No. NMNM055999	93	

1a. Type of Work: DRILL REENTER	CONFID	ENTIAL	7. If Unit or CA Agreement	, Name and No.
lb. Type of Well: ☐ Oil Well Gas Well ☐ Oth	ner 🔀 Sing	gle Zone	Lease Name and Well No. MM 25 FEDERAL 12).
	LINDA GOOD E-Mail: lgood@chkenerg	•	9. API Well No.	63712
3a. Address P O BOX 18496 OKLAHOMA CITY, OK 73154-0496	3b. Phone No. (inclued Ph: 405.767.427; Fx: 405.879.9583	5	10. Field and Pool, or Explo PECOS SLOPE	A b
4. Location of Well (Report location clearly and in accorded	ance with any State requ	uirements.*)	11. Sec., T., R., M., or Blk.	and Survey or Area
At surface SWSW 860FSL 660FWL At proposed prod. zone		RECEIVED	Sec 25 T9S R25E N SME: BLM	ler NMP
14. Distance in miles and direction from nearest town or post 14.1 MI ENE OF ROSWELL		OCT - 1 2004	12. County or Parish CHAVES	13. State NM
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of Acres in L	case B-ARTESIA	17. Spacing Unit dedicated 160.00	to this well
 Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. 	19. Proposed Depth 4450 MD		20. BLM/BIA Bond No. on	file
21. Elevations (Show whether DF, KB, RT, GL, etc. 3595 GL	22. Approximate date	e work will start	23. Estimated duration	
	24. Att	achments		
The following, completed in accordance with the requirements of	f Onshore Oil and Gas (Order No. 1, shall be attached to	this form:	
 Well plat certified by a registered surveyor. A Drilling Plan. A Surface Use Plan (if the location is on National Forest Syst SUPO shall be filed with the appropriate Forest Service Off 		4. Bond to cover the operation Item 20 above). 5. Operator certification 6. Such other site specific infauthorized officer.	ons unless covered by an existing formation and/or plans as may	,
25. Signature (Electronic Submission)	Name (Printed/Typed LINDA GOOD)		Date 08/25/2004
Title AUTHORIZED REPRESENTATIVE				
(COPRICE SCIENTIFICAVID) FI. GLASS	Name (Printed/Typed (OPI	G. SGD.) DAVID R. C	slass se	Pate 2 7 2004
Title Assistant Field Manager,	Office		APPROVED	POR 1 YEAR
Application approval does not warrant or certify the applicant ho	ROSWELL	FIELD OFFICE	• •	
operations thereon. Conditions of approval, if any, are attached.				partition to tolianot
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, States any false, fictitious or fraudulent statements or representat	make it a crime for any tions as to any matter wi	person knowingly and willfully to thin its jurisdiction.	o make to any department or ag	gency of the United

Additional Operator Remarks (see next page)

Electronic Submission #35148 verified by the BLM Well Information System For CHESAPEAKE OPERATING INC, sent to the Roswell Committed to AFMSS for processing by LINDA ASKWIG on 08/25/2004 (04LA0284AE)

CEMENT TO COVER ALL OIL, GAS AND WATER BEARING ZONES Le, Glorietz

Additional Operator Remarks:

Chesapeake Operating, Inc. proposes to drill a well to 4550' to test the Abo formation. 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 Cheaspeake 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.

Submit 3 Copies To Appropriate District Office	State of New M		Form C-103 A
<u>District I</u> 1625 N. French Dr., Hobbs, NM 88240	Energy, Minerals and Na	aturai Resources	WELL API NO.
District II 1301 W. Grand Ave., Artesia, NM 88210	OIL CONSERVATION	N DIVISION	5 Indicate Temp of Lago
District III 1000 Rio Brazos Rd., Aztec, NM 87410	1220 South St. Fr	rancis Dr.	5. Indicate Type of Lease STATE ☐ FEE ☐
District IV	Santa Fe, NM	87505	6. State Oil & Gas Lease No.
1220 S. St. Francis Dr., Santa Fe, NM 87505	Federal W	2	
SUNDRY NOT (DO NOT USE THIS FORM FOR PROPO DIFFERENT RESERVOIR. USE "APPLI PROPOSALS.)		PLUG BACK TO A	7. Lease Name or Unit Agreement Name MM 25 Federal
1. Type of Well: Oil Well	Gas Well X Other	RECEIVED	8. Well Number 12
2. Name of Operator Chesapeake	Operating, Inc.	NOV 1 6 2004	9. OGRID Number 147179
3. Address of Operator P. O. Box		OCP:ARTERIA	10. Pool name or Wildcat Pecos Slope
4. Well Location			1
	feet from the South		
Section 25	Township 9S 11. Elevation (Show whether I	Range 25E	NMPM CountyChaves
	3594 GR	-1	
Pit or Below-grade Tank Application X Pit type Drilling Depth to Groundw	or Closure	ts	ance from nearest surface water 1000+
Pit Liner Thickness: 12 mil			nstruction Material Synthetic
	Appropriate Box to Indicate		
	• •		•
NOTICE OF IN	NTENTION TO: PLUG AND ABANDON	SUB:	SEQUENT REPORT OF: K
TEMPORARILY ABANDON	CHANGE PLANS	COMMENCE DRI	<u> </u>
PULL OR ALTER CASING	MULTIPLE COMPL	CASING/CEMENT	T JOB
OTHER:		OTHER:	
			I give pertinent dates, including estimated date tach wellbore diagram of proposed completion
Chesapeake, respectfully, requests	tht the attached procedure be app	roved for the drilling p	oit for this well Chesapeake, hereby, agrees
to close the pit according to NMO	CD guidelines per item #3 in Rule	50.	
	٦,		
I hereby certify that the information grade tank has been will be constructed or	above is true and complete to the	e best of my knowledge es X, a general permit	e and belief. I further certify that any pit or below- or an (attached) alternative OCD-approved plan .
SIGNATURE NOMBA	TITLE	Regulatory Analyst	DATE 11/12/2004
Type or print name Brenda Coffma For State Use Only		address: bcoffman@ch	nkenergy.com Telephone No. (432)685-4310
APPROVED BY: DISTI Conditions of Approval (if any):	TIM W. GUM RICT II SUPERVISORLE		DATE NOV 2 4 2004

discharge Flow stag,4 bbls. 18800 ft3 Single Pit LEGATY ! Berr 130 20, Chesapeake Energy 30,

Side View

Top View

End Cross Section

12 mil. woven plastic

DISTRICT I 1825 M. French Dr., Hobbs, NM 58249 DISTRICT II 811 South First, Artesia, NM 88210 State of New Mexico
Racrgy, 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

DISTRICT III 1000 Rio Brazon Rd., Artec, NM 87410

DISTRICT IV 2040 South Pacheco, Santa Fe. NM 87505

OIL CONSERVATION DIVISION

2040 South Pacheco

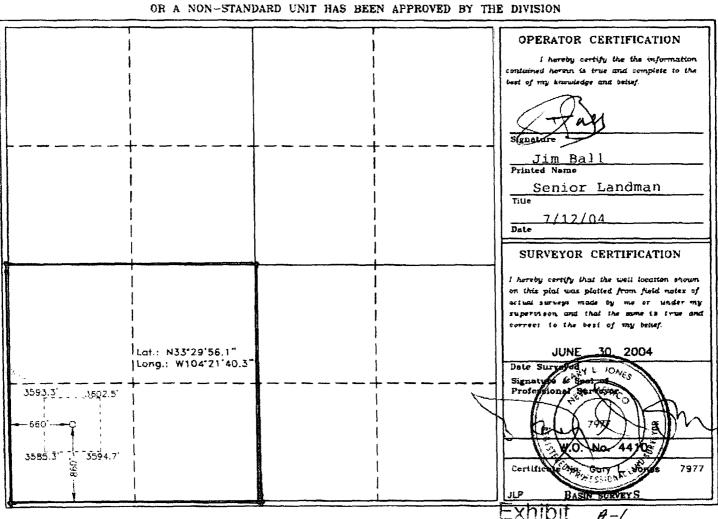
Santa Fe, New Mexico 87504-2088

C AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API	Number		1	Pool Code		Pool Name				
Property	Code				Property Nam	• •			Well Number	
OGRID No.			Operator Name CHESAPEAKE OPERATING INC.					erator Name Slevation		
					Surface Loc	ation				
UL or lat No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County	
M	25	95	25 E		860	SOUTH	660	WEST	CHAVES	
			Bottom	Hole Loc	ation If Diffe	rent From Sur	face			
UL or lot No.	Section	Township	Range	lot ldn	Peet from the	North/South line	Feet from the	Enst/West line	County	
Dedicated Acre	3 Joint 6	or infill Co.	nsolidation	Code Ord	der No.					
NO ALL	OWABLE 1	WILL BE AS	SIGNED	TO THIS	COMPLETION I	INTIL ALL INTER	RESTS HAVE BI	EEN CONSOLID	ATED	

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



e. .

CONFIDENTIAL - TIGHT HOLE

Lease No. NMNM 55993

SURFACE USE PLAN Page 1

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. A new access road 200.7' in length and 14' in travel width with a maximum disturbance area of 30' will be built coming off the existing county road in an easterly direction. See Exhibit A-2. The road will be built in accordance with guidelines set forth in the BLM Onshore Orders.
- 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 directions: From Roswell head East 10 miles on Hwy 360 to mile marker 165, turn North on Alamo Rd for 2 miles turn East .5 miles, then North .5 miles, Keep right at "Y" then continue 2.2 miles to cross in road, stay North for 3.1 miles, turn west .1 miles to location.
- 3. <u>LOCATION OF EXISTING WELLS WITHIN A 1-MILE RADIUS OF THE PROPOSED LOCATION</u> 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. A 6" steel pipeline will be laid along the lease road and gas meter will be on location. . — See Exhibit C & A-2.

CONFIDENTIAL - TIGHT HOLE

ONSHORE ORDER NO. 1 Chesapeake Operating, Inc. MM 25 FEDERAL 12 860 FSL 660 FWL N2 SWSW of Section 25-9S-25E Chaves County, NM

Lease No. NMNM 55993 SURFACE USE PLAN

Page 2

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

Drill cuttings will be contained and buried in an earthen reserve pit after the drilling fluids have evaporated. 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-toliet and then hauled to an approved sanitary landfill.

8. <u>ANCILLARY FACILITIES</u> 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 & MINERAL OWNERSHIP

United States of America
Department of Interior
Bureau of Land Management

CONFIDENTIAL - TIGHT HOLE

Lease No. NMNM 55993

SURFACE USE PLAN
Page 3

MINERAL OWNERSHIP
United States of America
Department of Interior
Bureau of Land Management

12. <u>ADDITIONAL INFORMATION</u> (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

Field Representative

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

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

CONFIDENTIAL - TIGHT HOLE

Lease No. NMNM 55993

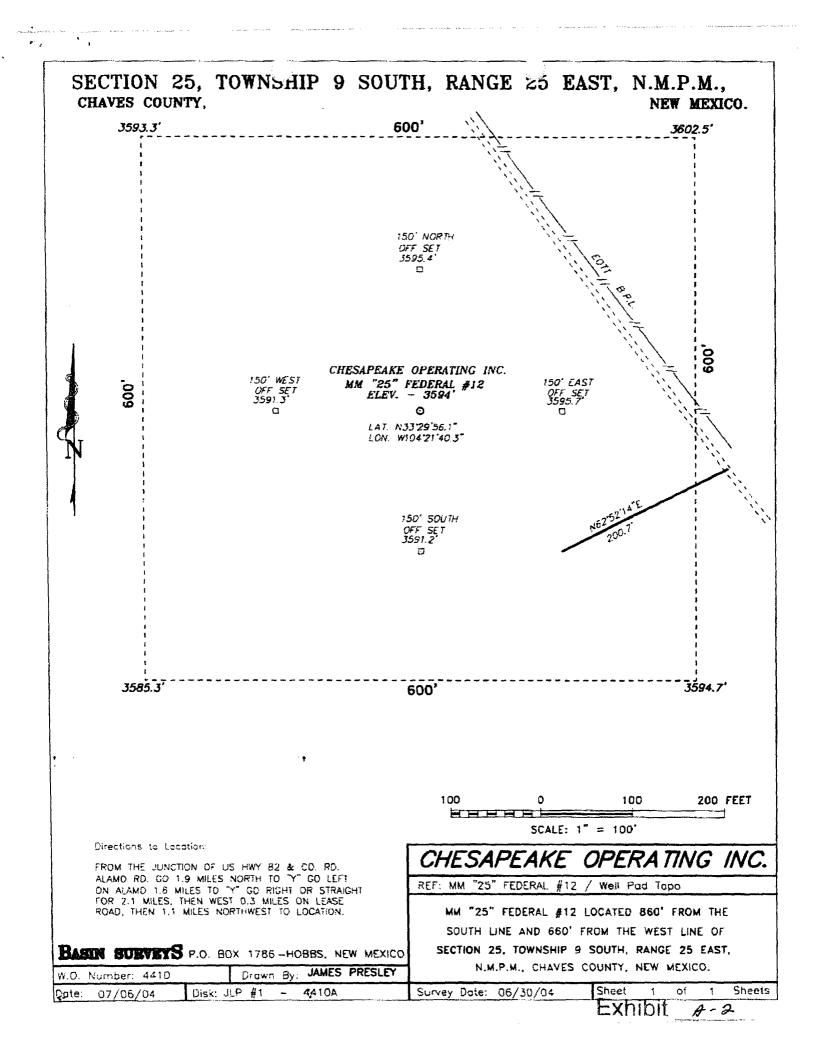
SURFACE USE PLAN
Page 4

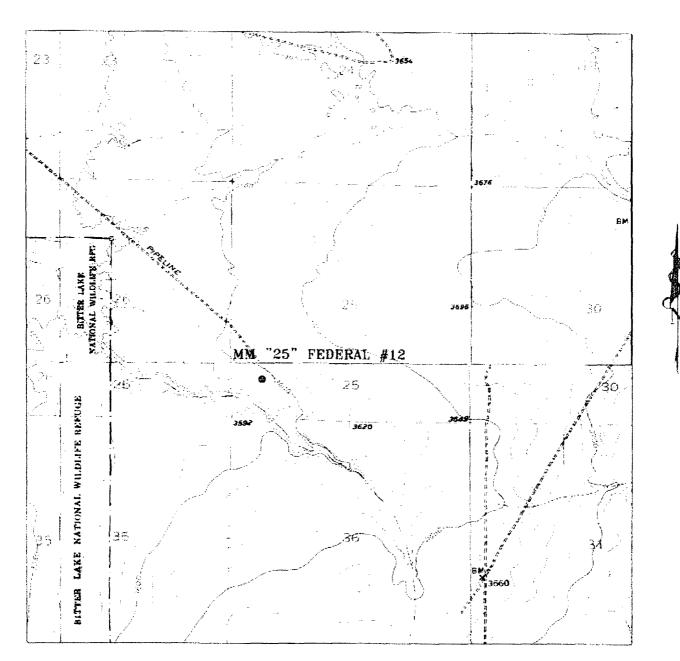
14. CERTIFICATION

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this surface use plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed will be performed by operator (including contractors and subcontractors) submitting the APD, in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

By:

Date: 8/25/04





MM "25" FEDERAL #12

Located at 860' FSL and 660' FWL Section 25. Township 9 South, Range 25 East, N.M.P.M., Chaves County, New Mexico.



Art. Bas (786) 1420 H. West Doursy Ro Hoods, New Mexico 85241 (505) 393-3374 - 20 (505) 292-3074 - 20 (505) 5000-0000 1500

Arthur Market	មេខ និង ហ្គ្រែង	> 3,8° \$1
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	THE RESERVE	
3000 97	314 Mgs	•

CHESAPEAKE OPERATING INC.

Exhibit A-4

CONFIDENTIAL – TIGHT HOLE Lease Contract No. NMNM 55993

DRILLING PROGRAM

Page 1

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	530	3200
Glorietta	1685	2430
Tubb	3105	990
Abo	3850	300
Abo B	3960	190
Abo C	4060	70
Abo C Lower	4160	-30
Abo D	4260	-110
Total Depth	4450	-280

2. <u>ESTIMATED DEPTH OF WATER, OIL GAS & OTHER MINERAL BEARING</u> 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:

<u>Substance</u>	<u>Formation</u>	<u>Depth</u>
Oil/Gas	Abo	3850 to 4350

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:

CONFIDENTIAL – TIGHT HOLE Lease Contract No. NMNM 55993

DRILLING PROGRAM

Page 2

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 <u>5</u> minutes, with no observable pressure decline, once the test pressure as 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

+ 20 4 1

CONFIDENTIAL - TIGHT HOLE Lease Contract No. NMNM 55993

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, <u>without recharging</u> and the <u>pump turned off</u>, and have remaining pressures of <u>200 PSI above the precharge pressure</u>.
- 2. Minimum precharge pressures for the various accumulator systems per manufacturers recommended specifications are as follows:

System Operating Pressures	Precharge Pressure
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 ramtype 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 <u>should not be less</u> than the following pressures:

System Pressure	Remaining Pressure At Conclusion of
	Test
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.

CONFIDENTIAL – TIGHT HOLE Lease Contract No. NMNM 55993

DRILLING PROGRAM

Page 4

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

4. CASING AND CEMENTING PROGRAM

a. The proposed casing program will be as follows:

Purpose	Interval	Hole Size	Casing Size	Weight	<u>Grade</u>	Thread	Condition
Surface	0-1,000'	11"	8-5/8"	24#	J-55	ST &C	New
Production	0-4,450'	7-7/8"	4-1/2"	11.6#	J-55	LT &C	New

- b. Casing design subject to revision based on geologic conditions encountered.
- c. The cementing program will be as follows:

<u>Interval</u>	<u>Type</u>	Amount	Yield	Washout	Excess
Surface	Lead 65:35:6 + 6# Salt + 1/4# Flo-cel	300sx	2.1	50%	100%
	Tail: c + 2% CaCl	200sx	1.3		
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>	Mud Type	Mud Weight	<u>Viscosity</u>	Fluid Loss
0-1,000'	Water	8.4 – 9.0	28-40	NC
1,000' - 4,450'	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:

- a. Drill stem tests are not planned.
- b. 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.
- c. Cores samples are not planned.

7. ABNORMAL PRESSURES AND HYDROGEN SULFIDE

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

BLOWOUT PREVENTOR SCHEMATIC CHESAPEAKE OPERATING INC

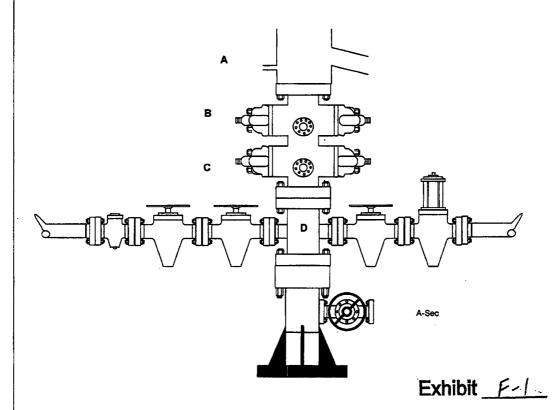
WELL : MM 25 Federal 12 FIELD : Pecos Slope

RIG : United #23

COUNTY : Chaves STATE: New Mexico

OPERATION: Drill out below 8-5/8" Casing

	SIZE	PRESSURE	DESCRIPTION
Α			Flow Line
В	11"	3,000#	Pipe Rams
С	11"	3,000#	Blind Rams
D	11"	3,000#	Mud Cross
A-Sec 8-5/8" \$		8-5/8"	SOW x 11" 3M



Kill Line

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

Choke Line

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

CHOKE MANIFOLD SCHEMATIC CHESAPEAKE OPERATING INC

WELL

: MM 25 Federal 12

FIELD

: Pecos Slope

RIG

: Unknown

COUNTY

: Chaves

STATE: NM

OPERATION: 3M CHOKE MANIFOLD

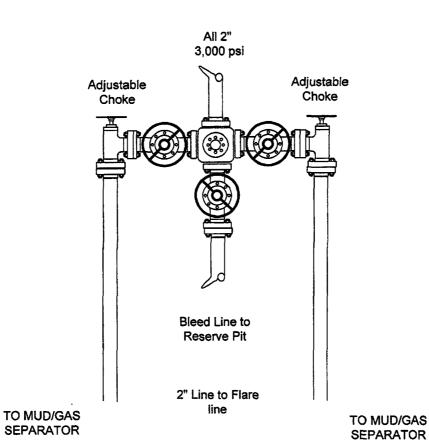
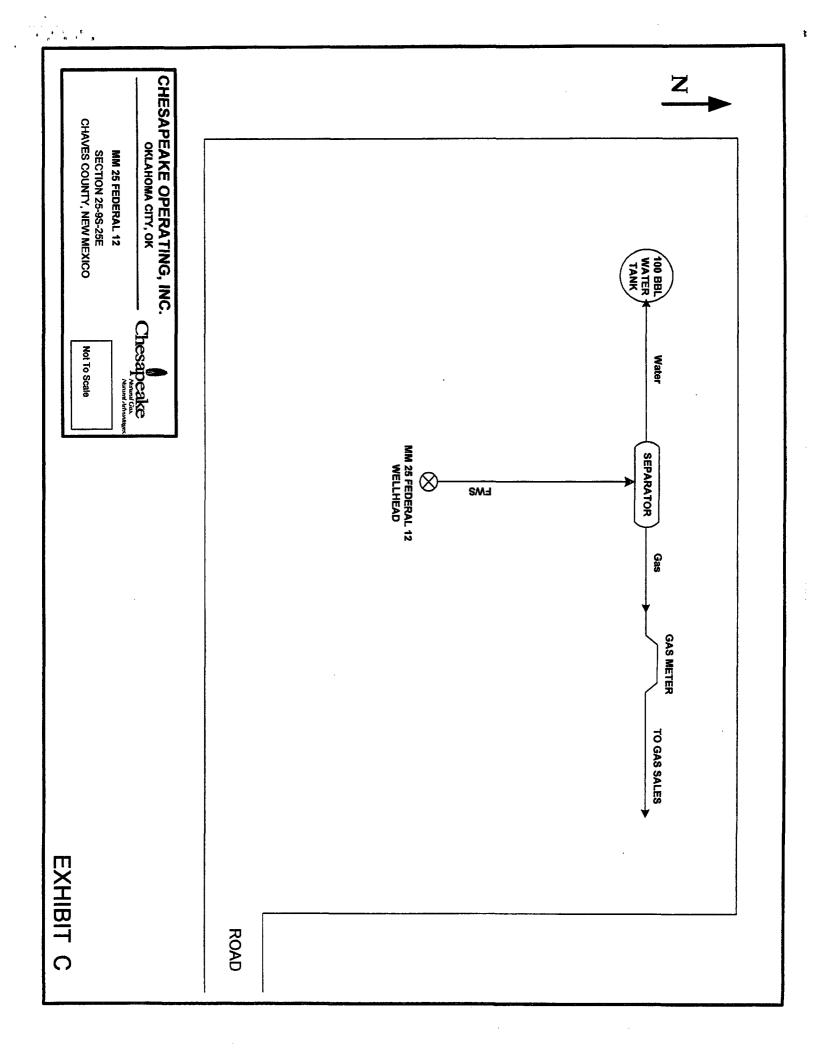
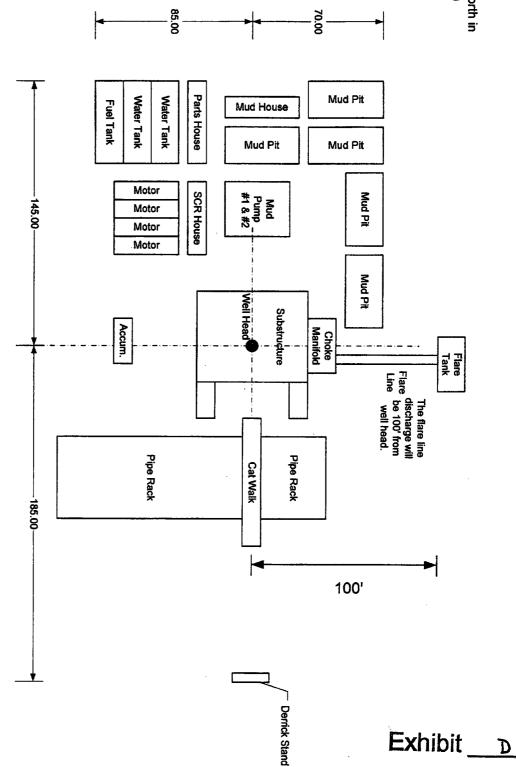


Exhibit F-12



Prevailing Winds from the North in Winter and from the South in Summer.



SCALE SIZE Chesapeake Operating, Inc Not to Scale FSCM NO **General Rig Layout** OW DWG SHEET 1 OF 1 REV