Form 3160-3
(December 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

SUBMIT IN TRIPLICATE (See other instructions on reverse side)

Form approved.

CONFIDENTIAL – TIGHT HOLE

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK: DRILL ☒ DEEPEN ☐

b. TYPE OF WELL: OIL WELL ☐ GAS WELL ☒ Other ____ SINGLE ZONE ☐ MULTIPLE ZONE ☐

2. NAME OF OPERATOR
CHESAPEAKE OPERATING, INC. Attn. Sharon Dries

3. ADDRESS AND TELEPHONE NO.
P.O. BOX 18496 OKLAHOMA CITY, OK 73154 405-879-7985

4. LOCATION OF WELL (*Report location clearly and in accordance with any State requirements*)*
At surface 1980 FSL & 660 FWL SWSE

At top proposed prod. zone

5. LEASE DESIGNATION AND SERIAL NO.
NMNM 35925

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.
DANA FEDERA 9

9. API WELL NO.
30-005-63583

10. FIELD AND POOL, OR WILDCAT
Pecos Slope Abo

11. SEC., T., R., M., OR BLOCK AND SURVEY OR AREA
Section 4-T9S-R25E

JUL 2003 RECEIVED OCD - ARTESIA

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*	12. COUNTY OR PARISH	13. STATE
13.1 MILES N29 DEGREES EAST OF ROSWELL NM	CHAVES	NM

15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
660	160	

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	19. PROPOSED DEPTH	20. ROTARY OR CABLE TOOLS*
	4300	ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.)	22. APPROX. DATE WORK WILL START*
3616'	

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
"	"	#	'	+/-
"	"	#	'	+/-
	"	#	'	+/-

Chesapeake Operating, Inc. proposes to drill a well to 4300' to test the ABO formation. If productive, casing will be run and the well completed. If dry, the well will be plugged and abandoned as per BLM and New Mexico OCD requirements.

Attached please find the Surface Use Plan and Drilling Plan as required by Onshore Order No. 1.

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.

Bond coverage for this well is provided by Chesapeake Operating, Inc. under their Nationwide Bond No. NM2634.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.
24.

SIGNED J. Mark Lester J. Mark Lester TITLE Sr. Vice President Exploration DATE July 2, 2003

*(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval 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.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY /S/LARRY D. BRAY TITLE Assistant Field Manager, Lands And Minerals DATE JUL 17 2003

See Instructions On Reverse Side

APPROVED FOR 1 YEAR

Title 18 U.S.C. Section 1001, makes 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

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name

Property Code	Property Name	Well Number
	DANA FEDERAL	9
OGRID No.	Operator Name	Elevation
	CHESAPEAKE OPERATING, INC.	3616'

Surface Location

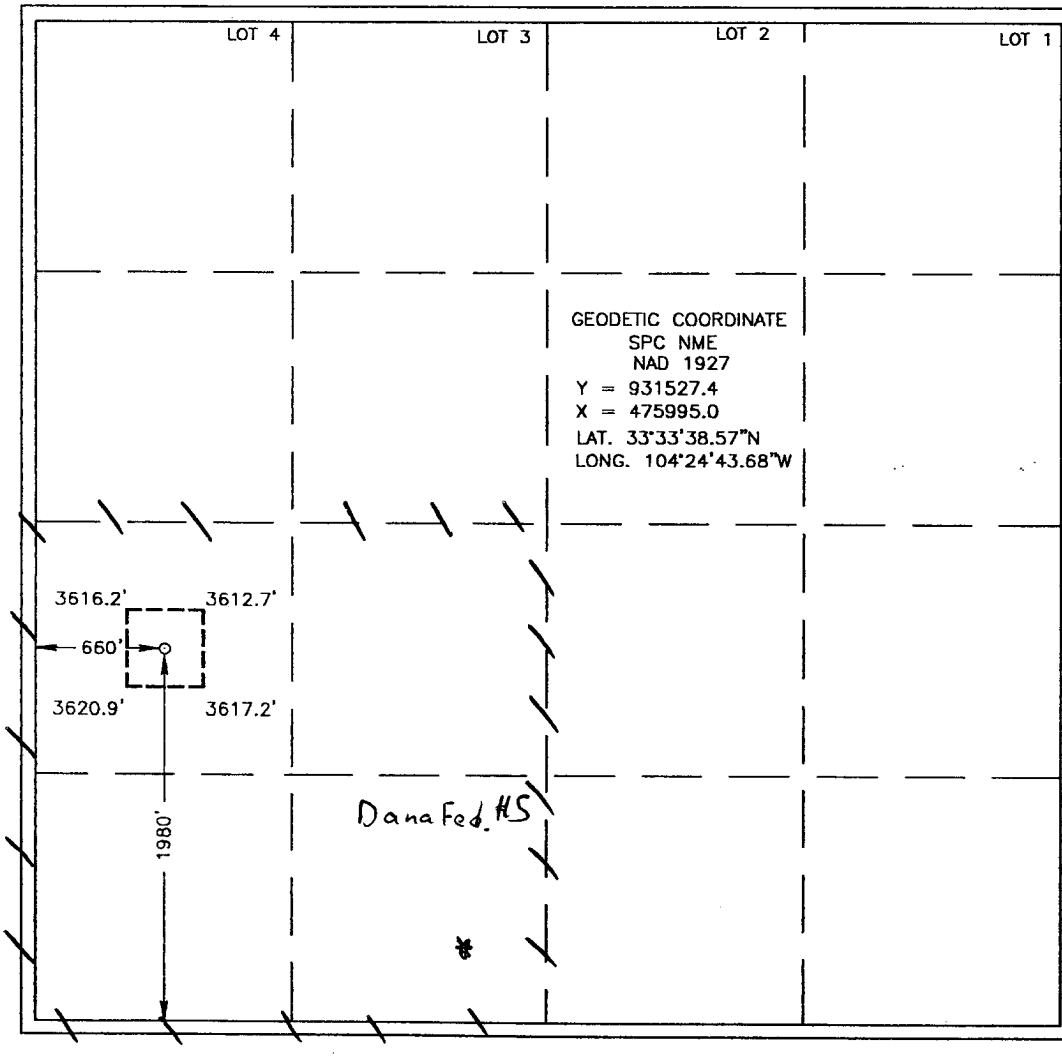
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	4	9-S	25-E		1980'	SOUTH	660'	WEST	CHAVES

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	Joint or Infill	Consolidation Code	Order No.
160			

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



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

William F Chatham
Signature

William F. Chatham
Printed Name

LANDMAN
Title

3/12/03
Date

SURVEYOR CERTIFICATION

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 supervison, and that the same is true and correct to the best of my belief.

FEBRUARY 13, 2003
Date Surveyed AWB

Signature & Seal of Professional Surveyor

Gary L. Edson 2/17/03

03.11.0178

Certificate No. RONALD J. EIDSON 3239
GARY EIDSON 12641

Exhibit A-1

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

Per Phone call on March 21, 2003, from Mr. Pat Flannary, BLM Roswell Field Office this well does not need a Class III Cultural Resource Inventory.

13. OPERATOR'S REPRESENTATIVES

Drilling and Completion Operations
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Regulatory Compliance
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Regulatory Compliance Analyst
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405-879-7953 (FAX)
sdries@chkenergy.com

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	375	3250
Glorietta	1490	2135
Tubb	2920	705
Abo	3650	-25
Abo B	3750	-125
Abo C	3860	-235
Abo C Lower	3970	-345
Abo D	4040	-415
Total Depth	**4300**	

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
Gas	Abo	3650
Gas	Abo B	3750
Gas	Abo C	3860
Gas	Abo C Lower	3970
Gas	Abo D	4040

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 E.
   (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 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
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:

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 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:

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.

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:

Purpose	Interval	Hole Size	Casing Size	Weight	Grade	Thread	Condition
Surface	0-1,000'	12-1/4"	8-5/8"	32#	J-55	ST&C	NEW
Production	0-4,300'	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:

Interval	Type	Amount	Yield	Washout	Excess
Surface	Lead: 65:35:6 "C" + 6# Salt + ¼# Flocell Tail: "C" + 2% CC	355 sx 375 sx	2.1 1.32	50%	100%
Production	50:50 "H" + 4#KCL + 0.4% Haladd-322 + 2% Gel	325 sx	1.34	20%	30%

5. MUD PROGRAM

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

Interval	Mud Type	Mud Weight	Viscosity	Fluid Loss
0-1,000'	Water Based	8.5-9.5	34-36	NC
1,000'-4,300'	Water Based	10.0-10.2	28-30	15-20

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 550 psi. No abnormal pressures or temperatures are anticipated.
   b. Hydrogen sulfide gas is not expected to be encountered.

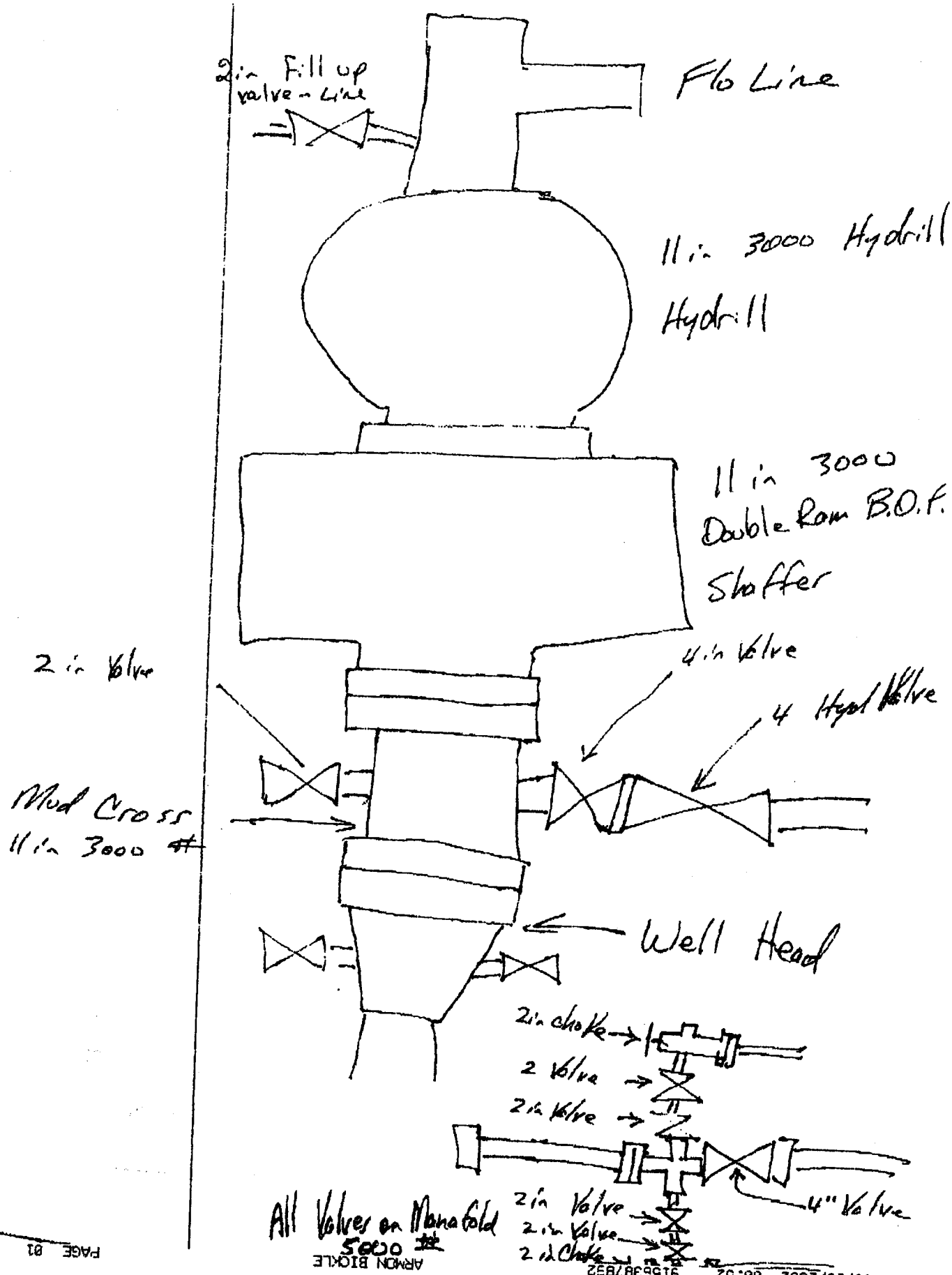

Exhibit E