

COCD-HOBBS

C-06-11
4/6/06
SECRETARY'S POTASH

Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT ✓

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

5a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No.	
5b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		8. Lease Name and Well No. <33187> LIVESTOCK FEDERAL #3	
2. Name of Operator CHESAPEAKE OPERATING, INC. ATTN: LINDA GOOD (147179)		9. API Well No. 30-025-38013	
3a. Address P.O. BOX 18496, OKLAHOMA CITY, OK 73154-0496	3b. Phone No. (include area code) 405-767-4275	10. Field and Pool, or Exploratory DAGGER LAKE, DELAWARE	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1980 FNL 1980 FWL SE NW At proposed prod. zone SAME Unit F		11. Sec., T. R. M. or Blk. and Survey or Area 9-22S-33E	
14. Distance in miles and direction from nearest town or post office* APPROX. 35 MILES SW OF HOBBS, NM.		12. County or Parish LEA COUNTY	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 lease 2360.39	17. Spacing Unit dedicated to this well 40	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 5250	20. BLM/BIA Bond No. on file NM2634	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3615 GR 3630 KB (ESTIMATE)	22. Approximate date work will start*	23. Estimated duration	

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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature	Name (Printed/Typed) HENRY HOOD	Date 4/3/06
Title SR. VICE PRESIDENT - LAND & LEGAL		

Approved by (Signature) /s/ Linda S. C. Rundell	Name (Printed/Typed) /s/ Linda S. C. Rundell	Date JUN 01 2006
Title STATE DIRECTOR		Office NM STATE OFFICE

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, are attached.

APPROVAL FOR 1 YEAR

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.

*(Instructions on page 2)

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED**

Witness Surface Casing

Controlled Water Basin

Chesapeake Operating Inc.
Livestock Federal 3-9
1980 FNL 1980 FWL
SE NW of Section 9-22S-33E
Lea County, NM

Confidential – Tight Hole
Lease No. NMNM 096244

#24 Attachment to Application for Permit to Drill or Re-enter

Chesapeake Operating, Inc. respectfully requests permission to drill a well to 5250' to test the Bone Spring 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 Oil Conservation Division requirements.

Please find the Surface Use Plan and Drilling Plan 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.

The Archeological Survey will follow (Exhibit_E).

Chesapeake Operating, Inc. has an agreement with the grazing lessee.

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.

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I

1825 N. FRENCH DR., HOBBS, NM 88240

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number 30-025-38013	Pool Code 15476	Pool Name Dagger Lake; Delaware
Property Code 33187	Property Name LIVESTOCK 9 FEDERAL	Well Number 3
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 3617'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	9	22-S	33-E		1980	NORTH	1980	WEST	LEA

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

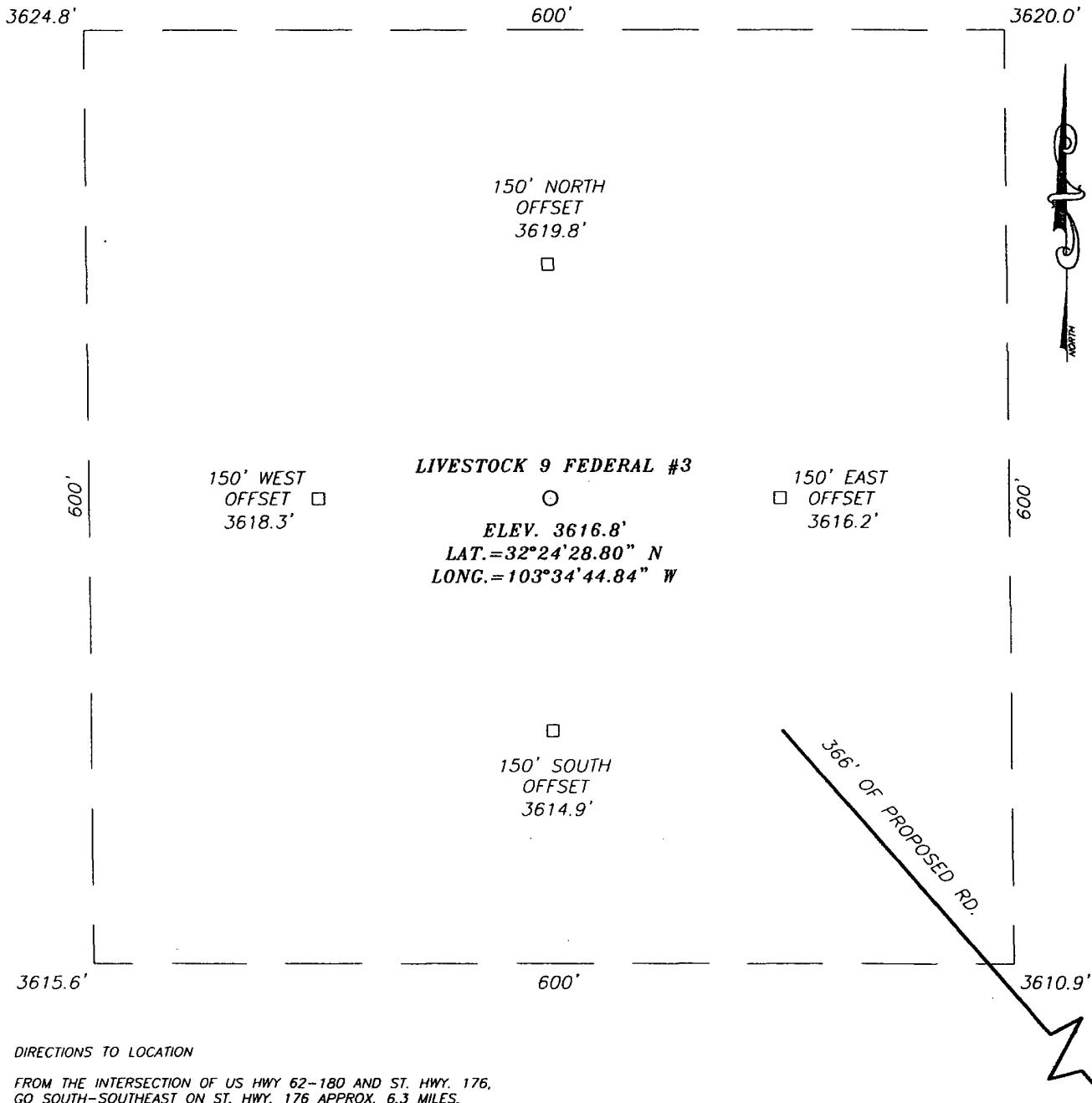
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

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>GEODETC COORDINATES NAD 27 NME Y=512965.5 N X=732763.2 E LAT.=32°24'28.79" N LONG.=103°34'44.84" W</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Kathy E. Blick</i> 3/22/06 Signature Date Kathy E. Blick Printed Name</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>MARCH 14, 2006</p> <p>Date Surveyed MR</p> <p>Signature & Seal of Professional Surveyor <i>Gary E. Edson</i> 06.11.0508</p> <p>Certificate No. GARY EDSON 12641</p>	

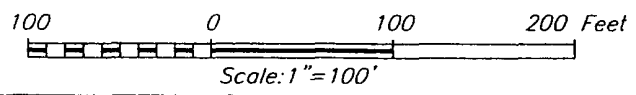
EXHIBIT A-1

SECTION 9, TOWNSHIP 22 SOUTH, RANGE 33 EAST, N.M.P.M.,
 LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF US HWY 62-180 AND ST. HWY. 176, GO SOUTH-SOUTHEAST ON ST. HWY. 176 APPROX. 6.3 MILES. TURN RIGHT AND GO SOUTH APPROX. 0.6 MILES. TURN RIGHT AND GO SOUTH-SOUTHWEST FOR APPROX. 1.0 MILE. TURN LEFT AT "Y" INTERSECTION AND GO SOUTH-SOUTHEAST APPROX. 0.8 MILES. TURN LEFT AT "Y" INTERSECTION AND GO EAST-NORTHEAST APPROX. 0.85 MILES. TURN RIGHT AT "Y" INTERSECTION AND GO SOUTHEAST APPROX. 0.4 MILES. TURN RIGHT AND GO SOUTH APPROX. 6.3 MILES. TURN LEFT, GO THROUGH CATTLE GUARD AND GO EAST APPROX. 0.6 MILES. TURN LEFT AND GO NORTH APPROX. 1.1 MILES. TURN RIGHT AND GO EAST APPROX. 0.67 MILES TO THE MERCHANT FEDERAL #8 WELL LOCATION. CONTINUE EAST APPROX. 0.25 MILES. VEER LEFT AND GO NORTHEAST APPROX. 0.25 MILES. THIS LOCATION IS APPROX. 400 FEET NORTHWEST.



PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117

CHESAPEAKE OPERATING, INC.

LIVESTOCK 9 FEDERAL #3
 LOCATED 1980 FEET FROM THE NORTH LINE
 AND 1980 FEET FROM THE WEST LINE OF SECTION 9,
 TOWNSHIP 22 SOUTH, RANGE 33 EAST, N.M.P.M.,
 LEA COUNTY, NEW MEXICO.

Survey Date: 03/14/06	Sheet 1 of 1 Sheets
W.O. Number: 06.11.0508	Dr By: M.R. Rev 1:N/A
Date: 03/16/06	Disk: CD#1 06110508 Scale: 1"=100'

EXHIBIT A-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 H and I.
 - (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:

<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.
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'-575'	11	8-5/8	24	J-55	STC	New
Production	0'-5,250'	7 7/8"	5 1/2"	15.5	J-55	LTC	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>	<u>Amount</u>	<u>Yield</u>	<u>Washout</u>	<u>Excess</u>
0'-575'	Class C	230	1.34	50%	100%
0'-5,250'	Class C + additives	240 + 440	1.35/2.04	10%	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'-575' / 1140'	Fresh Water	8.4-9.4	32-34	NC
1140' - 575'-2,900'	Cut brine	10-10.2	28	NC
2,900'-5,250'	FW/Brine	10-10.2	30-32	10

An in-ground, lined pit will be utilized during the drilling of this well. All fluids and cuttings will be disposed of in accordance with New Mexico Oil Conservation Division rules and regulations. Sanitary wastes will be contained in a chemical porta-toilet and then hauled to an approved sanitary landfill.

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 GR, Density, Neutron Pe & High resolution Induction, Sonic. Then GR, Density, Neutron, Pe, Dual laterolog, Sonic.
- c. Cores samples are not planned.

7. ABNORMAL PRESSURES AND HYDROGEN SULFIDE

- a. The estimated bottom hole pressures is 2250 psi. No abnormal pressures or temperatures are anticipated.
- b. Hydrogen sulfide gas is not anticipated.

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

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

WELL API NO. 30-025-38013	
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 Livestock 9 Federal	
8. Well Number 3	
9. OGRID Number 147179	
10. Pool name or Wildcat Dagger Lake; Delaware	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3617 GR	
Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/>	
Pit type <u>Drilling</u> Depth to Groundwater <u>600'</u> Distance from nearest fresh water well <u>1000</u> Distance from nearest surface water <u>1000</u>	
Pit Liner Thickness: <u>12</u> mil Below-Grade Tank: Volume <u>5129.4</u> bbls; Construction Material <u>Synthetic</u>	

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 F : 1980 feet from the North line and 1980 feet from the West line
Section 9 Township 22S Range 33E NMPM County Lea

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

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: Drilling Pit <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

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.

Diagram of pit attached.

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 06/21/2006

Type or print name Brenda Coffman E-mail address: bcoffman@chkenergy.com Telephone No. (432)687-2992
For State Use Only

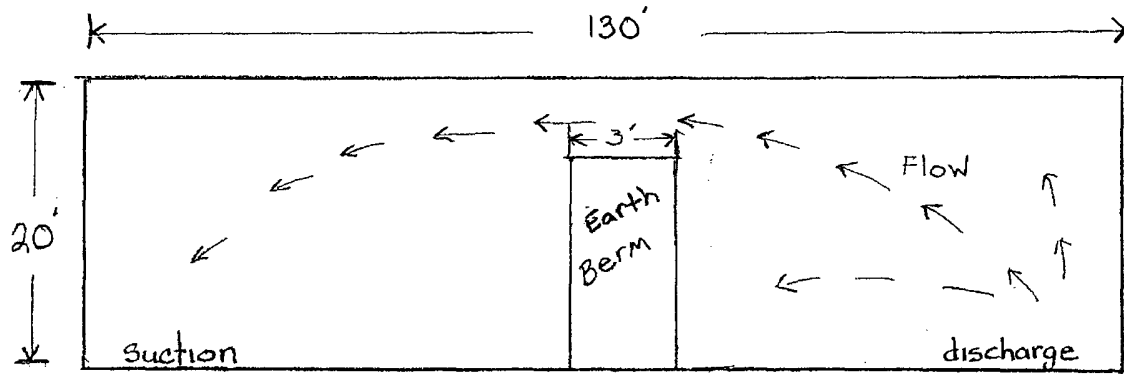
APPROVED BY: [Signature] TITLE _____ DATE JUL 19 2006

Conditions of Approval (if any):

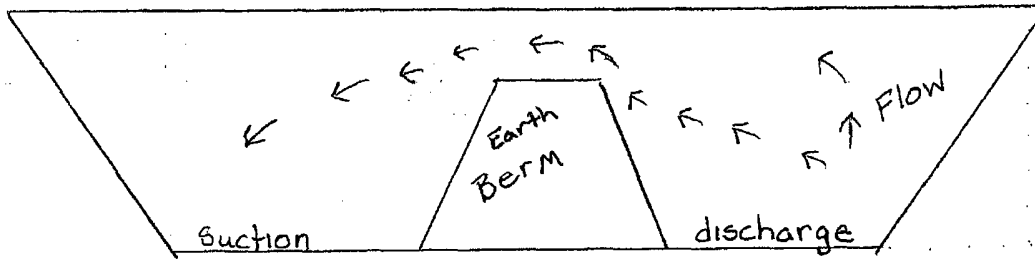
Chesapeake Energy

Single Pit

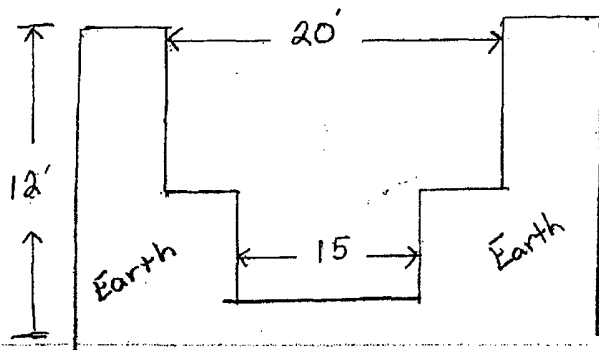
Guideline 3A



Top View



Side View



28800 ft³
5129.4 bbls.

End Cross Section

12 mil. woven plastic