

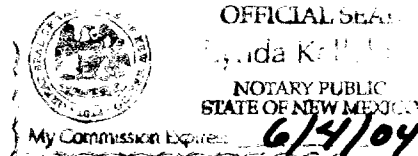
CHESAPEAKE OPERATING, INC.
DAILY DRILLING COST REPORT

WELL NAME: **WILL "7A" FEE #1**

Sb

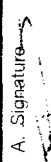
CODE	INTANGIBLES	AFE DRY HOLE	AFE PRODUCER	Final Drilling Estimate	Final Completion Estimate	Final Field Estimate
233-400	ROADS LOCATION, PITS	\$ 20,000	\$ 20,000	\$ 20,000		\$ 20,000
233-408	RECLAMATION	\$ 10,000	\$ 10,000		\$ 10,000	\$ 10,000
233-401	DAMAGES	\$ 20,000	\$ 20,000	\$ 20,000		\$ 20,000
233-402	GOVERNMENT FILINGS	\$ 2,000	\$ 2,000	\$ 2,000		\$ 2,000
233-403	TITLE OPINIONS	\$ 10,000	\$ 10,000	\$ 10,000		\$ 10,000
233-404	SEISMIC					\$ -
233-410	DRILLING CONTRACTOR	\$ 238,000	\$ 266,000	\$ 408,916		\$ 408,916
233-410	FUEL	\$ 28,000	\$ 31,000	\$ 34,839		\$ 34,838
233-411	DIRECTIONAL SERVICES					\$ -
233-413	RIG MOBILIZATION/DEMObILIZATION	\$ 30,000	\$ 30,000	\$ 30,000		\$ 30,000
233-414	CONTRACT LABOR	\$ 20,000	\$ 25,000	\$ 39,405	\$ 18,600	\$ 58,005
233-416	BITS	\$ 60,000	\$ 60,000	\$ 76,150	\$ 5,000	\$ 81,150
233-426	CEMENT CONDUCTOR	\$ -	\$ -			\$ -
233-416	SUPPLIES, FAX, PHONE, UTILITIES	\$ 8,000	\$ 8,000	\$ 2,271	\$ 5,000	\$ 7,271
233-417	CEMENT SURFACE CSG.	\$ 3,000	\$ 4,000	\$ 6,352		\$ 6,352
233-420	CEMENT INTERMEDIATE CSG.	\$ 10,000	\$ 10,000	\$ 8,596		\$ 8,596
233-424	CEMENT PRODUCTION CSG.		\$ 15,000	\$ 12,694		\$ 12,694
233-426	CEMENT DRILLING LINER			\$ -		\$ -
233-462	CEMENT PRODUCTION LINER		\$ 15,000	\$ 17,021		\$ 17,021
233-418	MUD LOGGING	\$ 8,000	\$ 8,000	\$ 24,330		\$ 24,330
233-419	DRILLING FLUID, MUD, CHEMICALS	\$ 40,000	\$ 43,000	\$ 113,719		\$ 113,719
233-421	DRILL STRING INSPECTION					\$ -
233-423	OPEN HOLE LOGGING/FORMATION EVAL.	\$ 30,000	\$ 30,000	\$ 60,798		\$ 60,799
233-406	DRILLING FLUID HAUL OFF					\$ -
233-427	FISHING					\$ -
233-428	DOWNHOLE RENTAL EQUIP. (REAMERS)	\$ 34,000	\$ 38,000	\$ 41,890		\$ 41,890
233-430	COMPLETION UNIT		\$ 20,000		\$ 14,000	\$ 14,000
233-431	CASED HOLE LOGGING/PERFORATING		\$ 15,000		\$ 6,000	\$ 6,000
233-434	FORMATION TREATMENT & STIMULATION		\$ 10,000		\$ 4,500	\$ 4,500
233-437	SURFACE EQUIPMENT RENTAL	\$ 34,000	\$ 38,000	\$ 59,498	\$ 16,500	\$ 75,998
233-438	TRANSPORTATION	\$ 10,000	\$ 12,000		\$ 5,000	\$ 5,000
233-441	FRAC FLUID HAUL-OFF					\$ -
233-443	COMPANY SUPERVISION, LABOR, ENG.	\$ 38,000	\$ 42,000	\$ 64,900	\$ 6,000	\$ 70,900
233-444	CONSULTANTS	\$ 23,000	\$ 25,000	\$ 38,350		\$ 38,350
233-446	COMPANY OVERHEAD	\$ 12,000	\$ 14,000	\$ 20,650		\$ 20,650
233-447	INSURANCE	\$ 22,000	\$ 22,000	\$ 22,000		\$ 22,000
233-449	MAJOR CONSTRUCTION OVERHEAD		\$ 1,000	\$ 1,000	\$ 1,000	\$ 2,000
	10% CONTINGENCY	\$ 70,000	\$ 82,000			\$ -
	TOTAL INTANGIBLE COSTS	\$ 780,000	\$ 926,000	\$ 1,135,377	\$ 91,600	\$ 1,226,977
CODE	TANGIBLES					
230-108	CONDUCTOR	\$ -	\$ -			\$ -
230-100	SURFACE CASING	\$ 7,000	\$ 7,000	\$ 7,000		\$ 7,000
230-101	INTERMEDIATE CASING	\$ 31,000	\$ 31,000	\$ 31,500		\$ 31,500
230-106	PRODUCTION CASING		\$ 110,000	\$ 110,000		\$ 110,000
230-109	PRODUCTION LINER		\$ 40,000	\$ 19,941		\$ 19,941
230-116	COMPRESSOR/COMPRESSION					\$ -
230-106	TUBING		\$ 34,000		\$ 37,800	\$ 37,800
230-106	WELLHEAD EQUIPMENT	\$ 6,000	\$ 20,000	\$ 6,256	\$ 6,500	\$ 12,756
230-107	DOWNHOLE EQUIPMENT		\$ 17,000	\$ 640	\$ 16,000	\$ 16,640
230-104	FLOAT EQUIPMENT	\$ 6,000	\$ 8,000	\$ 2,012		\$ 2,012
230-111	ARTIFICIAL LIFT/PUMPING UNIT ENGINE					\$ -
230-113	PRODUCTION EQUIPMENT		\$ 20,000		\$ 20,000	\$ 20,000
230-116	NON-CONTROLLABLE EQUIPMENT					\$ -
230-120	20% CONTINGENCY	\$ 16,000	\$ 29,000			\$ -
	TOTAL TANGIBLE COSTS	\$ 66,000	\$ 316,000	\$ 177,349	\$ 80,300	\$ 257,649
	TOTAL WELL COSTS	\$ 846,000	\$ 1,242,000	\$ 1,312,726	\$ 171,900	\$ 1,484,626





State of New Mexico
ex rel State Highway
Commission of NM
PO Box 1149
Santa Fe, NM 87504-1149
Attn: William Moyers Esq.
General Counsel

COMPLETE THIS SECTION ON DELIVERY

A. Signature  ☒ Agent
☐ Addressee
B. Received by (Printed Name) William Moyers Esq. C. Date of Delivery
D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No

DEC 18 2002

Chesapeake

Well Fee #1

January 9, 2002

12/16/02

Use

4. Registered Delivery

2. Article Number
(Transfer from service label)

7002 0510 0003 2511 3958

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-0835

KELLAHIN & KELLAHIN
Attorney at Law

W. Thomas Kellahin
New Mexico Board of Legal
Specialization Recognized Specialist
in the area of Natural resources-
oil and gas law

P.O. Box 2265
Santa Fe, New Mexico 87504
117 North Guadalupe
Santa Fe, New Mexico 87501

Telephone 505-982-4285
Facsimile 505-982-2047
tkellahin@aol.com

December 16, 2002

**TO: NOTICE OF THE HEARING OF THE FOLLOWING NEW
MEXICO OIL CONSERVATION DIVISION CASE:**

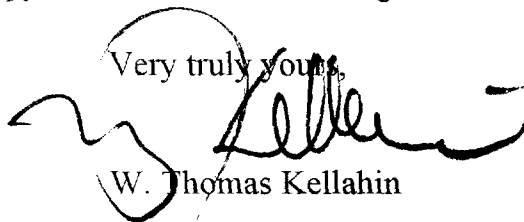
**Re: Application of Chesapeake Operating, Inc.
for Compulsory Pooling, Eddy County, New Mexico**

On behalf of Chesapeake Operating, Inc., please find enclosed our application for an compulsory pooling for its Will "7-A" Well No. 1 which has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for January 9, 2003. The hearing will be held at the Division hearing room located at 1220 South Saint Francis Drive, Santa Fe, New Mexico.

As an interest owner who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant to the Division's Memorandum 2-90, you are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, January 9, 2003, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name. The signature is stylized with a large, sweeping initial 'W'.

W. Thomas Kellahin

cc: BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED
to all parties listed in application

KELLAHIN & KELLAHIN
Attorney at Law

W. Thomas Kellahin
New Mexico Board of Legal
Specialization Recognized Specialist
in the area of Natural resources-
oil and gas law

P.O. Box 2265
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117 North Guadalupe
Santa Fe, New Mexico 87501

Telephone 505-982-4285
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December 16 2002

HAND DELIVERED

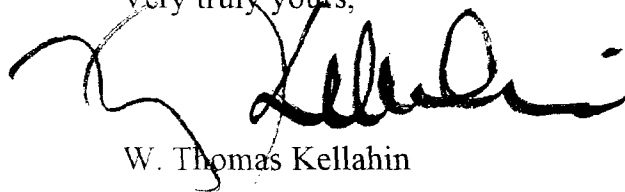
Ms. Lori Wrotenbery, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Will "7A" Well No. 1
Unit A, N/2 Section 7, T23S, R28E
Application of Chesapeake Operating, Inc.
for Compulsory Pooling
Eddy County, New Mexico

Dear Ms. Wrotenbery:

On behalf of Chesapeake Operating, Inc., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for January 9, 2003. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Bill Chatham

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE OPERATING, INC.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. _____

A P P L I C A T I O N

CHESAPEAKE OPERATING, INC. ("Chesapeake") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) and Division Rule 1207.A(1)(b) seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N/2 of Section 7, T23S, R28E, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools spaced on 320-acre spacing, including but not limited to the North Loving-Morrow Gas Pool. This unit is to be dedicated to its Will "7-A" Well No. 1 has been drilled and completed at a standard well location in Unit A of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in this well.

In support of its application Chesapeake states:

1. Chesapeake has a working interest ownership in the oil and gas minerals from the surface to the base of the Morrow formation underlying the N/2 of Section 7, T23S, R28E, NMPM, Eddy County, New Mexico.
2. The subject tract is located within one mile of the North Loving-Morrow Gas Pool.

3. This well was drilled at a standard gas well location in the N/2 (Unit A) of Section 7 to test any and all formations in the pooled interval from the surface to the base of the Morrow Formation.

4. Chesapeake has the voluntary agreement of certain of the working interest ownership of the oil & gas minerals from the surface to the base of the Morrow formation underlying the N/2 of this section

5. Chesapeake despite its good faith effort, has been unable to obtain the voluntary agreement the remaining 0.58625 percent of the mineral and working interest owner(s) in the spacing unit as identified on Exhibit "A."

6. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Chesapeake needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

7. Chesapeake requests that this application be processed in accordance with Division Rule 1207.A(1)(b) and at the time of hearing will submit the data required by this rule.

8. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for January 9, 2003.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on January 9, 2003 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

(1) Chesapeake Operating, Inc. be named operator;


(2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;

(3) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;

(4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;

(5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a large, stylized circular mark.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

Exhibit "A"

State of New Mexico,
ex rel State Highway Commission of New Mexico
P. O. Box 1149
Santa Fe, NM 87504-1149
Attn: William Moyers, Esq.
General Counsel