

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1. Operator Name and Address CHESAPEAKE OPERATING, INC. P. O. BOX 18496 OKLAHOMA CITY, OK 731540496		2. OGRID Number 147179
		3. API Number 30-025-37855
4. Property Code 301470	5. Property Name HUGH	6. Well No. 017

7. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
D	14	22S	37E	D	990	N	245	W	LEA

8. Pool Information

PENROSE SKELLY;GRAYBURG	50350
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Additional Well Information

9. Work Type New Well	10. Well Type OIL	11. Cable/Rotary	12. Lease Type Private	13. Ground Level Elevation 3375
14. Multiple N	15. Proposed Depth 4380	16. Formation San Andres	17. Contractor	18. Spud Date 5/15/2006
Depth to Ground water 100		Distance from nearest fresh water well > 1000		Distance to nearest surface water > 1000
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 _____ miles thick Clay <input type="checkbox"/> Pit Volume: 12129 bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

19. Proposed Casing and Cement Program

Type	Hole Size	Casing Type	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	12.25	8.625	24	350	345	0
Prod	7.875	5.5	15.5	4380	750	0

Casing/Cement Program: Additional Comments

8 5/8" surface csg. Lead 320 sx Cl. C + additives, 14.80 ppg, 1.34 yield. Prod. csg. Lead 575 sx Cl. C + additives, Tail 175 sx Cl. C + additives 14.2 ppg, 1.26 yield.

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Annular	3000	3000	
DoubleRam	3000	3000	

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines <input checked="" type="checkbox"/> a general permit <input type="checkbox"/> or an (attached) alternative OCD-approved plan <input type="checkbox"/>.	OIL CONSERVATION DIVISION	
	Approved By: Paul Kautz	
Printed Name: Electronically filed by Brenda Coffman	Title: Geologist	
Title: Regulatory Analyst	Approved Date: 5/3/2006	Expiration Date: 5/3/2007
Email Address: bcoffman@chkenenergy.com		
Date: 5/2/2006	Phone: 432-685-4310	Conditions of Approval Attached

District I
 1625 N. French Dr., Hobbs, NM 88240
 Phone:(505) 393-6161 Fax:(505) 393-0720

District II
 1301 W. Grand Ave., Artesia, NM 88210
 Phone:(505) 748-1283 Fax:(505) 748-9720

District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
 1220 S. St Francis Dr., Santa Fe, NM 87505
 Phone:(505) 476-3470 Fax:(505) 476-3462

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Form C-102
 Permit 28774

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-025-37855	2. Pool Code S0350	3. Pool Name PENROSE SKELLY,GRAYBURG
4. Property Code 301470	5. Property Name HUGH	6. Well No. 017
7. OGRID No. 147179	8. Operator Name CHESAPEAKE OPERATING, INC.	9. Elevation 3375

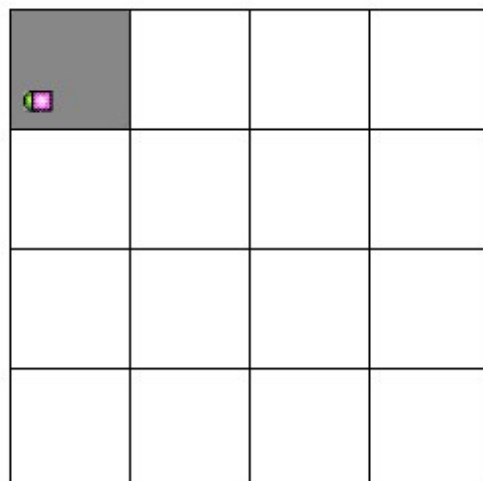
10. Surface Location

UL - Lot D	Section 14	Township 22S	Range 37E	Lot Idn	Feet From 990	N/S Line N	Feet From 245	E/W Line W	County LEA
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11. Bottom Hole Location If Different From Surface

UL - Lot D	Section 14	Township 22S	Range 37E	Lot Idn D	Feet From 990	N/S Line N	Feet From 330	E/W Line W	County LEA
12. Dedicated Acres 40.00		13. Joint or Infill		14. Consolidation Code			15. Order No.		

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 that the information contained 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(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

E-Signed By: Brenda Coffman

Title: Regulatory Analyst

Date: 5/2/2006

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

Surveyed By: Gary Eidson

Date of Survey: 3/1/2006

Certificate Number: 12841

Permit Conditions of Approval

Operator: CHESAPEAKE OPERATING, INC. , 147179

Well: HUGH #017

API: 30-025-37855

OCD Reviewer	Condition
pkautz	Pit construction and closure must satisfy all requirements of your approved plan, O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines
pkautz	prior to any pit construction notify Gary Wink at 505-393-6161 ext 114
pkautz	Minimum setting depth of surface casing in Lea County is 350 feet.