

CHESAPEAKE OPERATING, INC.

AUTHORIZATION FOR EXPENDITURE

Project Area: Permian
Well Name: Nellie 1-21
Operator: Chesapeake Operating, Inc.
AFE #: 100496
Spacing Unit: N/2 SE/4 Section 21-16S-37E

County, State: Lea, New Mexico
Date: February 6, 2001
Total Depth: 12,000'
Formation: Strawn
Property #: 819012

CODE	INTANGIBLE COSTS	WORK DESCRIPTION	DRY HOLE	PRODUCER
233400	Location:	Roads, Location, Pits	\$50,000.00	\$50,000.00
233401		Damages	\$9,000.00	\$9,000.00
233402		Governmental Filings	\$2,000.00	\$2,000.00
233403		Title Opinions	\$3,000.00	\$3,000.00
233404		Seismic Costs	\$0.00	\$0.00
233405		Reclamation	\$75,000.00	\$75,000.00
233406	Drilling:	Top Drive	\$0.00	\$0.00
233408		Pipeline Construction	\$0.00	\$0.00
233409		Fuel	\$31,000.00	\$36,000.00
233410		Drilling Contractor: 26/30 Days	\$270,000.00	\$312,000.00
233411		Directional Services	\$24,000.00	\$24,000.00
233413		Rig Mobilization/Demobilization	\$45,000.00	\$45,000.00
233414		Contract Labor	\$20,000.00	\$25,000.00
233415		Blts	\$80,000.00	\$80,000.00
233416		Supplies and Utilities	\$3,000.00	\$4,000.00
233426		Cement Conductor	\$0.00	\$0.00
233417		Cement Surface Casing	\$10,000.00	\$10,000.00
233420		Cement Intermediate Casing	\$16,000.00	\$16,000.00
233424		Cement Production Casing	\$0.00	\$24,000.00
233425		Cement Drilling Liner	\$0.00	\$0.00
233452		Cement Production Liner	\$0.00	\$0.00
233418		Mud Logging	\$9,000.00	\$9,000.00
233419		Drilling Fluids, Mud, Chern.	\$32,000.00	\$34,000.00
233421		Drill String Inspection	\$5,000.00	\$5,000.00
233423		Open Hole Logging	\$28,000.00	\$28,000.00
233427		Fishing	\$0.00	\$0.00
233428		Downhole Rental Equipment	\$19,000.00	\$39,000.00
233430	Completion:	Completion Unit	\$0.00	\$26,000.00
233431		Cased Hole Logging/Perforating	\$0.00	\$18,000.00
233433		Jetting	\$0.00	\$0.00
233434		Formation Stimulation	\$0.00	\$50,000.00
233437	General:	Surface Equipment Rental	\$37,000.00	\$41,000.00
233438		Transportation	\$5,000.00	\$11,000.00
233441		Frac Fluid Hauloff	\$0.00	\$0.00
233442		Blowout/Emergencies	\$0.00	\$0.00
233443		Company Supervision/Engineering	\$29,000.00	\$37,000.00
233444		Consultants	\$17,000.00	\$19,000.00
233446		Company Overhead	\$10,000.00	\$14,000.00
233447		Insurance	\$4,000.00	\$4,000.00
233449		Major Construction Overhead	\$0.00	\$2,000.00
233450		Plug to Abandon	\$0.00	\$0.00
		20% Contingency	\$167,000.00	\$210,000.00
TOTAL	INTANGIBLES	Total Intangible Costs	\$1,000,000.00	\$1,262,000.00

CODE	TANGIBLE COSTS	WORK DESCRIPTION		
230108	Tubulars:	Conductor:	\$0.00	\$0.00
230100		Surface Casing: 510' 13 3/8"	\$10,000.00	\$10,000.00
230101		Intermediate Casing: 4,400' 9 5/8"	\$83,000.00	\$83,000.00
230102		Production Casing: 12,000' 5 1/2"	\$0.00	\$99,000.00
230103		Drilling Liner:	\$0.00	\$0.00
230109		Production Liner:	\$0.00	\$0.00
230104		Float Equipment	\$3,000.00	\$7,000.00
230105		Tubing: 11,850' 2 7/8"	\$0.00	\$41,000.00
230106	Lease Equipment:	Wellhead Equipment	\$3,000.00	\$10,000.00
230107		Downhole Equipment	\$0.00	\$25,000.00
230111		Artificial Lift-Pumping Unit	\$0.00	\$60,000.00
230113		Production Equipment	\$0.00	\$35,000.00
230115		Compressor/Compression	\$0.00	\$0.00
230116		Pipeline Equipment	\$0.00	\$0.00
230120		Non-Controllable Equipment	\$0.00	\$0.00
		20% Contingency	\$20,000.00	\$74,000.00
TOTAL	TANGIBLES	Total Tangible Costs	\$119,000.00	\$444,000.00
		Total Costs	\$1,119,000.00	\$1,706,000.00

Prepared by: DMR

Approved by: JML

OPERATOR'S APPROVAL: [Signature] Operations/Geology DATE: 2-8-01

OPERATOR'S APPROVAL: [Signature] Land/Accounting DATE: 2/7/01

NON-OPERATOR'S APPROVAL: _____ DATE: _____

THE COSTS ITEMIZED ON THIS AFE ARE ESTIMATES ONLY. BY EXECUTION OF THE AFE, THE NON-OPERATOR AGREES TO PAY ITS PROPORTIONATE SHARE OF ALL ACTUAL COSTS INCURRED IN THE REFERENCED OPERATION.

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12660 Exhibit No. 8
Submitted By:
Chesapeake Inc.
Hearing Date: May 31, 2001