



December 21, 2011

Via E Mail : Shannon.glancy@chk.com

Chesapeake Energy
P.O. Box 18496
Oklahoma City, OK 73154-0496

Attn: **Shannon Glancy**

RE: Government D # 10
Eddy County NM.

Procedures:

1. M.I.R.U. N.D. W.H. N.U. B.O.P.
 2. POOH. Tbg. laying down.
 - 2a. 3. Rih. WL. Set CIBP at 2806'
 4. Rih. Tbg. to 2806' Circulate H.M.L.F. cap with 40 sx. Cmt. *WOC Tag 2658*
 5. PUH. to 1200' Spot 25 sx Cmt. WOC & Tag.
 6. Stand back 710' lay down rest Perf. at 710'
 7. Rih. Pkr. To 350' Sqz. 75 sx. Cmt. WOC & Tag. *No lower than 410'*
 8. Lay down Tbg. Perf. at 60' Circulate 20 sx. Cmt. to surface.
 9. Rig down move off.
- 2a. *Set CIBP @ 50'-100' above Bone Spring Perfs w/ cmt (35' Dump Bail or 25 sx min. balanced plug). Should extend to cover top of Bone Spring @ 5475'*

Estimate: \$ 36,825.00

Prices are subject to change after P & A procedure begins if problems arise during plugging procedure. This estimate is for AFE purposes only and does not include any additional charges that may occur due to changes in the P&A procedure. All clearing and building of roads and locations are the responsibility of the Operator.

If Standby Occurs it will be a minimum (10) hours charged

At \$ 275.00

Effective January 1, 2011, the oil company will be responsible for furnishing the BOP due to liabilities and upcoming Federal and State laws requiring BOPs to be tested after every well.

Any drilling that has to be done will be at Company's own expense. Also, Workstring will have to be furnished for drilling.

Estimate includes Pumps & cement equipment. Basic Energy will provide Wireline services per estimate (CIBP, perforating, cutting, etc.)

Chesapeake will furnish all Brine and Fresh water for plugging.

All fluids "hauled off" will be charged to Chesapeake. Disposal will be furnished by Chesapeake.

Chesapeake will furnish their own flow pit according to the O.C.D. & B.L.M. rules & regulations. Basic Energy Services will furnish the split frac tank for all M.L.F.

If any changes are made in the field by the B.L.M., O.C.D. or Texas Railroad Commission, additional charges will be incurred.

In Texas, it is required that the oil company is to provide a company representative on location while cementing.

This Estimate is based on information furnished to Basic Energy by your company. In the event operations are delayed or restricted because of unknown wellbore conditions or changes beyond our control to original approved regulatory form, charges will revert to standard hourly rates until such problems are corrected. In the event that this occurs, your company representative will be notified. As of March 01, 2003, all anchors must have been tested within the last two years. If a Basic Energy Services flow pit is used to circulate into, it will be cleaned at Customer's expense.

***** Due to shortage Water Truck availability, any "unforeseen" downtime, due to waiting on Water Trucks, will be charged at regular rig rate.**

Thank you for this opportunity to furnish this Estimate for your plugging and abandonment.

Sincerely,

Randall Minear,
P & A Area Manager
Gary Eggleston,
P & A Sr. Supervisor
Robert Diaz,
P&A Project Coordinator