

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
1801 W. Grand Avenue
Albuquerque, NM 88210FORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator CHESAPEAKE OPERATING, INC. ATTN: LINDA GOOD

3a. Address
P.O. BOX 18496, OKLAHOMA CITY, OK 73154-04963b. Phone No. (include area code)
405-767-42754. Location of Well (Footage, Sec., T., R., M., or Survey Description)
NE SE 1980 FSL 1330 FEL SEC 12-10S-25E

RECEIVED

MAR 27 2006

5. Lease Serial No.

NMNM 008431

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

PENJACK FEDERAL 10

9. API Well No.

30-005-63591

10. Field and Pool, or Exploratory Area
PECOS SLOPE; ABO

11. County or Parish, State

CHAVES COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|--|---|---|--|--|
| <input checked="" type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other Run Tubing |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Chesapeake plans to run tubing in the hole per the attached procedure.

BLM Nationwide Bond #NM2634.

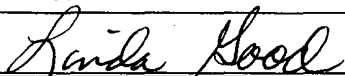
(CHK PN 819450)

14. I hereby certify that the foregoing is true and correct
-
- Name (Printed/Typed)

LINDA GOOD

Title PERMITTING AGENT

Signature



Date

03/22/2006

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

(ORTG SGD) DAVID E. GEAR
Conditions of approval, if any, are attached. Approval of this notice 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.

Office

Date

MAR 23 2006

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)



Penjack Federal #10
Chaves County, New Mexico
PROPOSED WORKOVER

DISCUSSION

An AFE in the amount of \$28,988 (COI net \$27,539) is attached to run tubing in the Penjack Federal #10. The well was completed tubing-less in late 2003 as it was capable of flowing back adequately up the production casing after its frac upon completion. The production profile of the well indicates it is experiencing some loading at this point in time. Running production tubing will allow the well to be de-watered as required in an effort to efficiently and economically maintain and optimize production from this Abo well and fully recover remaining reserves.

The Penjack Federal #10 was drilled and completed by Chesapeake as an Abo test in 2003. Cumulative production is 213 MMCF. Remaining booked Abo reserves are 904 MMCF. COI has a 95.00% WI and 78.35% NRI.

WELL DATA

See Attached Schematic

PROCEDURE

See Attached Procedure

APPROVALS

Senior VP - Production

Jeff A. Fisher

Land Manager

Kevin Pfister

Geologic Manager

C. Mike Brown

District Manager

Jarvis Hensley

Andrew J. McCalmont 3/21/06

Asset Manager

Andrew J. McCalmont

Penjack Federal #10
Chaves County, New Mexico

GENERAL INFORMATION

Location: 1980' FSL & 1330' FEL, Sec 12 – T10S – R25E
API No.: 35-005-63591

WELL INFORMATION

| <u>String OD</u> | <u>Weight & Grade</u> | <u>Depth</u> | <u>ID</u> | <u>Drift</u> | <u>Burst</u> | <u>TOC</u> |
|------------------|---------------------------|--------------|-----------|--------------|--------------|------------|
| 8-5/8" | 24# J55 STC | 0' - 735' | 8.097" | 7.7972" | 2950 | 0' |
| 4-1/2" | 11.6# J55 | 0' - 4638' | 4.000" | 9.965" | 4380 | ~3700' |

Abo Perforations: 4202 – 4401' (OA)
TD/PBTD: 4650'/ 4592'

Workover Procedure – Install 2-3/8" J55 Tubing

1. MIRU Service Rig and requisite equipment.
2. Kill well as required with 2% KCL.
3. ND tree, NU BOP.
4. RIH with SN and 2-3/8" J55 2-3/8" tubing. Land tubing with SN ~ 4200'.
5. ND BOP, NU tree. Swab well in. Put to sales. RDMO PU.

CHESAPEAKE OPERATING, INC.

| | | | | | |
|--------------------------------------|--|-------------------------------|--|-----------------------------------|--|
| Project Area: New Mexico West | | AUTHORIZATION FOR EXPENDITURE | | County, State: Chaves, New Mexico | |
| Well Name: Penjack Federal 10 | | | | Date: 03/21/06 | |
| Operator: Chesapeake Operating, Inc. | | | | Total Depth: 4,650' | |
| AFE #: 302132 | | | | Formation: Abo | |
| Spacing Unit: Section 12-10S-25E | | | | Property #: 819450 | |

INSTALL 2-3/8" TUBING

| CODE | CAPITAL COSTS | WORK DESCRIPTION | ESTIMATED COSTS | |
|------------------------|------------------|---------------------------------|-----------------|--|
| 234400 | Location: | Location Expense | \$0.00 | |
| 234401 | | Damages | \$0.00 | |
| 234402 | | Governmental Filings | \$0.00 | |
| 234405 | | Reclamation | \$0.00 | |
| 234414 | | Contract Labor and Services | \$500.00 | |
| 234416 | | Supplies and Utilities | \$500.00 | |
| 234417 | | Cement Casing | \$0.00 | |
| 234419 | | Chemicals and Injectants | \$0.00 | |
| 234427 | | Fishing | \$0.00 | |
| 234428 | | Downhole Rental Equipment | \$0.00 | |
| 234430 | | Workover/Completion Unit | \$10,000.00 | |
| 234431 | | Cased Hole Services/Perforating | \$0.00 | |
| 234433 | | Jetting | \$0.00 | |
| 234434 | | Formation Treatment | \$0.00 | |
| 234437 | | Surface Equipment Rental | \$0.00 | |
| 234438 | | Transportation | \$800.00 | |
| 234440 | | Flowback Hauloff | \$500.00 | |
| 234443 | | Supervision | \$2,000.00 | |
| 234439 | | Technical Labor | \$0.00 | |
| 234435 | | Direct Labor | \$0.00 | |
| 234444 | | Consultants | \$0.00 | |
| 234446 | | Overhead | \$0.00 | |
| 234447 | | Insurance | \$0.00 | |
| 234450 | | Plug to Abandon | \$0.00 | |
| | Contingency | \$1,000.00 | | |
| TOTAL CAPITAL WORKOVER | | Total Capital Workover Costs | \$15,300.00 | |
| CODE | TANGIBLE COSTS | WORK DESCRIPTION | | |
| 230109 | Lease Equipment: | Production Liner: | \$0.00 | |
| 230104 | | Float Equipment | \$0.00 | |
| 230105 | | Tubing: | \$11,088.00 | |
| 230106 | | Wellhead Equipment: | \$2,500.00 | |
| 230107 | | Downhole Equipment | \$100.00 | |
| 230111 | | Artificial Lift - Pumping Unit | \$0.00 | |
| 230113 | | Production Equipment | \$0.00 | |
| 230115 | | Compressor/Compression | \$0.00 | |
| 230116 | | Pipeline Equipment | \$0.00 | |
| 230120 | | Non-Controllable Equipment | \$0.00 | |
| | | Contingency | \$0.00 | |
| TOTAL TANGIBLES | | Total Tangible Costs | \$13,688.00 | |
| | | Total Costs | \$28,988.00 | |

Prepared by: Andrew McCalmont Approved by:

OPERATOR'S APPROVAL: Operations/Geology DATE:

OPERATOR'S APPROVAL: Land/Accounting DATE:

NON-OPERATOR'S APPROVAL: DATE:

The costs on this AFE are estimates only and may not be construed as ceilings on any specific item or the total cost of the project. In executing this AFE, the participant agrees to pay its proportionate share of actual costs incurred, including legal, curative, regulatory, brokerage and well costs under the terms of the applicable joint operating agreement, regulatory order or other agreement covering this well. The operator may contract with an affiliated entity to drill the well at prevailing rates in the area. Participant shall be covered by and billed proportionately for Operator's well control and general liability insurance unless participant provides operator a certificate evidencing its own insurance in amounts acceptable to the operator by the date of spud.

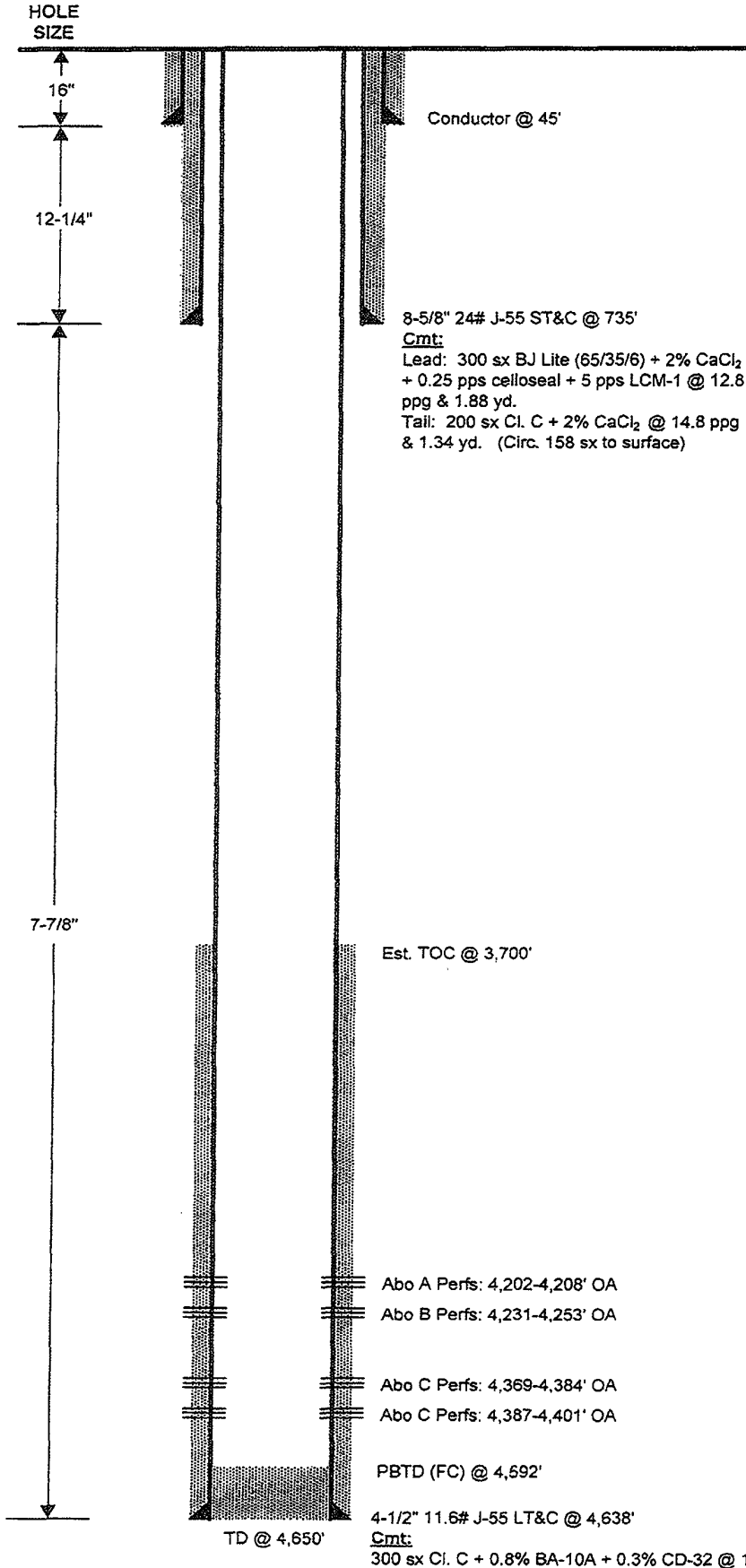
CURRENT WELLBORE SCHEMATIC

CHESAPEAKE OPERATING INC



WELL : PENJACK FEDERAL #10
FIELD : PECOS SLOPE
COUNTY : CHAVES STATE: NM
OBJECTIVE : VERTICAL DEVELOPMENT WELL
LOCATION : 1,980' FSL & 1,330' FEL, SEC. 12-T10S-R25E
ELEVATION : 3,768' GL 3,778' RKB
SERIAL NO. : NM-8431

API #: 30-005-63591
SPUD DATE: 8/5/03
RIG RELEASED: 8/17/03
FIRST SALES: 1/13/04



Well History:

COMPLETION

10/5/03: Run GR/CBL/CCL from 4592-3240'. Good cmt. across ABO and other zones of interest. Perf ABO C @ 4387', 90', 99' & 4401' (1st set); 4369', 72', 75', 78', 81' & 4384' (2nd set) w/ 2 spf, total 20 holes. BD Perfs @ 2064 psi w/ 1500 gals. 15% NeFe acid. Frac lower Abo C from 4369-4401' OA w/ 20,000 gals. 65Q CO₂ foamed Aqua Vis 30G pad & 45,000 gals. 65Q CO₂ Aqua Vis 30G foam w/ 1-5 ppg 20/40 Brady sand, ramped to 5 ppg (total 150K# sand). Flush w/ 2,786 gals. Aqua Vis 30G w/ no CO₂. ISIP 2274 psi, 5 min 1950 psi, 10 min 1796 psi, 15 min 1715 psi. ATP 3009 psi on flush; ATR 30 BPM, 763 BLTR. RIH & set Halliburton Composite BP @ 4320'. Perf 4202', 04', 06', & 4208' (1st set); 4231', 33', 35', 37', 51' & 4253' w/ 2 spf.

10/6/03: Pressure up on perfs 4202-4253' to max press, would not break. Spot 15% acid w/ dump bailer from 4199-4250'. Broke down @ 1297 psi. Pump 1500 gal 15% NeFe acid and flush. ISIP 786 psi. Frac Abo A & B perfs 4202-4253' OA w/ 45,000 gal 65Q AquaVis 30G foam w/ 100,000# 20/40 Brady sand, ramping from 1 to 5 ppg. Flush w/ 63 bbls. 50Q AquaVis 30G foam. ATP 3002 psi, ATR 30 BPM. ISIP 1663, 5 min 1354, 10 min 1275, 15 min 1234. RU flowback equip. Open well on 16/64" ck. w/ 1000 psi, decr. to 600 psi. Incr. ck to 18/64", FB w/ 300 psi FCP. Rec. 191 BLW, 242 BLWTR.

10/7/03: Flwg. 300 psi on 16/64 ck. SWI & RU Cudd CTU. DO BP @ 4320'. CO to 4555'. Jet bottoms up w/ N₂; well flwg 800 psi while jetting. FB overnight on 18/64 ck. Rec. 110 bbls, total recovery 350 bbls. 846 BLTR from both stages.

10/8/03: FB on 18/64 ck w/ 640 psi FCP. Rec. 240 BLW/24 hrs. 523 BLTR. Gas will not burn.

10/9/03: FB thru 18/64 ck; Rec. 104 BLW/24 hrs. 419 BLTR. Gas now burning; 6% CO₂. FCP 700 psi on 18/64" ck; prepare to flow thru test unit & check meter.

10/10/03: FB on 18/64 ck @ 630 psi FCP. Slight fluid mist. Made 6 bbls/24 hrs. Gas rate steady @ 1256 MCFD last 7 hrs., CO₂ range from 12-48%.

10/11/03: Still cleaning up; flow test thru equip on 18/64 ck. Prod. 30 BLW past 24 hrs. Making 5 BFPH & 1212 MCFD @ report time, CO₂ content incr.

10/12/03: Flwg. on 18.64 ck w/ 620 psi FCP. made 62 BLW past 24 hrs. Current rate 2-3 BLW/hr & 1192 MCFD. 25% CO₂, gas burns intermittently.

10/13/03: FB on 18/64 ck, 620 psi FCP. Prod. 55 BLW in 24 hrs. Gas will not burn steady, 18% CO₂. Continue to clean up, 349 BLWTR.

10/14/03: Open ck to 48/64". Slugging fluid, light sand w/ 180 psi FCP. Pinch ck to 24/64", making 1672 MCF/D w/ 480 psi FCP. CO₂ @ 12%.

Open ck back to 32/64", flow test @ 400 psi. Made a total of 54 BLW past 24 hrs. Making 2 BLW/hr.

10/15/03: FB 22 BLW, 2 BW last 12 hrs. & 1476 MCFD (4% CO₂) on 32/64 ck, 330 psi FCP. Rec. total 572 BLW, 274 BLTR. SWI, WOPLC.

10/16/03: FT well on 32/64 ck w/ 320-330 psi FCP. Making 1400-1450 mcf/d thru test meter, CO₂ @ 3%. Made 2 BLW, 272 BLWTR. SWI, WOPLC.

1/14/04: Well down sales line. Spot rate 750 mcf/d

1/15/04: 12 hr. rate: 0 BO 0 BW 406 MCF

1/16/04: 24 hr. rate: 0 BO 0 BW 1171 MCF, CP 690 psi

1/17/04: 24 hr. rate: 0 BO 0 BW 1078 MCF, FCP 640 psi

1/18/04: 24 hr. rate: 0 BO 0.5 BW 1174 MCF, FCP 610 psi

1/19/04: 24 hr. rate: 0 BO 0 BW 1162 MCF, FCP 580 psi

PREPARED BY : Ginni A. Kennedy
UPDATED BY : Ginni A. Kennedy

DATE : 9/10/03
DATE : 1/19/04