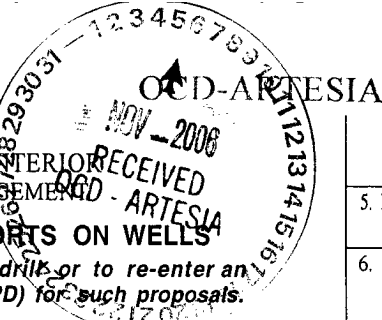


UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT



FORM 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 <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NMLC-29392B
2. Name of Operator CHESAPEAKE OPERATING, INC. ATTN: LINDA GOOD		6. If Indian, Allottee or Tribe Name
3a. Address P. O. BOX 18496, OKLAHOMA CITY, OK 73154-0496	3b. Phone No. (include area code) 405-767-4275	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 1920 FNL & 660 FWL, SWNW, SECTION 27-18S-31E		8. Well Name and No. Principle Federal 4
		9. API Well No. 30-015-32894
		10. Field and Pool, or Exploratory Area Shugart
		11. County or Parish, State Eddy County, New Mexico

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 type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input checked="" 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, respectfully, request permission to TA this well. We plan to lay out the rods and tubing, set a CIBP @ 6100', load and pressure test the casing for a MIT. We intend to review the wellbore for additional recompleat potential uphole within the next 12 months.

Attached is the wellbore diagram.

Accepted for record
NMOC

(CHK PN 890591)

*Approval given to perform MIT,
subsequent sundry required
for actual TA approval.
See attached conditions of approval.*

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

LINDA GOOD

Title PERMITTING AGENT

Signature

Linda Good

Date

10/26/2006

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

NOV 2 2006

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

WESLEY W. INGRAM

PETROLEUM ENGINEER

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)

CURRENT WELLBORE SCHEMATIC

CHESAPEAKE OPERATING INC.



WELL : PRINCIPLE FEDERAL #4
LOCATION : 1920' FNL & 660' FWL, SEC. 27-T18S-R31E
COUNTY : EDDY STATE : NM
FIELD : SHUGART DELAWARE
ELEVATION : 3,632' GL 3,645' KB

API #: 30-015-32894
SPUD DATE: 12/03/03
COMPL. DATE: 1/21/04
CHK # 890591

Hole Size

Well History:

1/09/03: Ran CBL/GR/CCL. TOC @ 1,480'. Perf'd Delaware @ 6,140-60', 6,168-80', 6,198-202', & 6,210-222', w/ 2 jsf & 100 holes.
1/13/03: Acidz perms w/ 5,--- gals 7 1/2% 90/10 acid using 150 BS to divert.
1/15/04: Frac perms w/ 38,000 gal Viking 2,500 xcorss linked gel carrying 86,000# 16/30 white sand & 18,000 16/30 Super LC resin coated sand.
1/21/04: RIH w/ 196 jts 2-7/8" J55 EUE 8 rd tbg set @ 6,126'
1/22/04: RIH w/ 2-1/2" x 1-1/2" x 24' RHBM pmp. Began testing well.
1/30/04: Chesapeake took over operations from Concho.
2/04/04: 1st gas sales 0 BO, 341 BW, 32 MCFG.
7/30/06: P: 0 BO 144 BW 0 MCFG FTP 200#

9-5/8" 40# J-55 LT & C csg. @ 647.58'
Cmt w/ 100 sx 65/35 Poz C + 6% gel, 2% CaCl₂ + .25 CF + 3# Gilsomite & tailed w/ 200 sx Cl C + 2% CaCl₂. Circ 125 sx to surface.

TOC @ 1,480' (CBL)

Tubing as of 7/20/06:
186 jts 2-7/8" J-55 tbg
5-1/2" TAC
10 jts 2-7/8" J-55 tbg
SN w/ 12' GA
PS
OEMJ

Rod Detail as of 7/20/06:
2-1/2" x 1-1/2" x 24' RHBM pump
1" lift sub
10 7/8" rods
152 3/4" rods
81 7/8" rods
1 1-1/2" x 22' PR w/ 1-3/4" x 16' liner

Delaware Perfs @ 6,140-60', 6,168-80', 6,198-202', & 6,210-222', w/ 2 jsf (100 holes).

5-1/2" 17# J-55 LTC 8rd csg. @ 6,367.26'
Cmt w/ lead 375 sxs 50/50 Poz C + 10% Bentonite + .02% CD-32 + 5# Gilsomite + 5% salt + .25# CF & followed w/ 975 sx 50/50 Poz C + 5% salt + .08% FL-52 + .03% SMS.

PBTD @ 6,315'
TD @ 6,367'

PREPARED BY: Renee Thomas

DATE: 2/18/05 (AM)

UPDATED BY: Lorie Higginbotham

DATE: 8/2/06

BUREAU OF LAND MANAGEMENT
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220
505-234-5972

Temporary Abandonment of Wells on Federal Lands
Conditions of Approval

A temporarily abandoned well is defined as a completion that is not capable of production in paying quantities but which may have value as a service well. Pursuant to 43 CFR 3162.3-4 (c), no well may be temporarily abandoned for more than 30 days without the prior approval of the authorized officer.

Temporary Abandonment (TA) status approval requires a successful mechanical or casing integrity test as follows:

1. A Notice of Intent (NOI) Sundry Notice (Form 3160-5) requesting approval to run a mechanical integrity test (MIT) or casing integrity test (CIT).
2. A description of the temporary abandonment procedure.
 - a. A bridge plug or packer must be installed as close to 50 feet above any open perforations or open hole as possible. If a cement plug is used, the top of the cement must be verified by tagging.
 - b. The wellbore must be filled with corrosion inhibited fluid and pressure tested to 500 psi. The casing shall be capable of holding this pressure for at least 30 minutes with a 10% allowable leakoff.
 - c. All downhole production/injection equipment (tubing, rods, etc.) shall be removed from the casing if they are not isolated by a packer.
 - d. A bradenhead test must be conducted. If the test indicates a problem exists, a remedial plan and time frame for remediation shall be submitted within ninety (90) days of the test.
 - e. Contact the appropriate BLM office at least 24 hours prior to the scheduled Casing Integrity Test. For wells in Eddy County, 505-234-5972; Lea County 505-393-3612.
3. Provides justification why the well should be temporarily abandoned rather than permanently plugged and abandoned and an estimated date that the well will be returned to beneficial use or plugged and abandoned.

Wells that successfully pass the casing integrity test will be approved for Temporary Abandonment (TA) status for a 12 month period provided that the operator:

1. Submits a subsequent Sundry Notice (Form 3160-5) requesting TA approval.
2. Describes the temporary abandonment procedure.
3. Attaches a clear copy or the original of the pressure test chart.

The TA status could be extended for an additional 12 month period without another casing integrity test provided there was no leak-off during the test and the test was witnessed by a BLM representative. The operator must submit a sundry notice requesting an extension of TA status 30 days prior to expiration of the previous approval and appropriate justification for extending the TA status is included.

If the well does not pass the casing integrity test, then the operator shall within 30 days submit to BLM for approval one of the following:

1. A procedure to repair the casing so that a TA approval can be granted.
2. A procedure to plug and abandon the well.