

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB NO. 1004-0135
Expires: July 31, 2010**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:

OCD Artesia

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. NMLC068545
2. Name of Operator CHESAPEAKE OPERATING, INC. Contact: LINDA GOOD E-Mail: linda.good@chk.com		6. If Indian, Allottee or Tribe Name
3a. Address P.O. BOX 18496 OKLAHOMA CITY, OK 73154-0496	3b. Phone No. (include area code) Ph: 405-935-4275	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sec 7 T24S R30E NWNW 350FNL 350FWL		8. Well Name and No. PLU PIERCE CANYON 7 FEDERAL 1H
11. County or Parish, and State EDDY COUNTY, NM		9. API Well No. 30-015-37029
10. Field and Pool, or Exploratory WILDCAT		

RECEIVED

OCT 7 2009

NMOCD ARTESIA

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
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Change to Original
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	PD

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.)

PLEASE FIND THE ATTACHED REVISED DRILLING PLAN AND PROPOSED WELLBORE SCHEMATIC PER MEETING WITH BLM ON 8/20/2009.

(CHK PN 623050)

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

14. I hereby certify that the foregoing is true and correct. Electronic Submission #74252 verified by the BLM Well Information System For CHESAPEAKE OPERATING, INC., sent to the Carlsbad	
Name (Printed/Typed) LINDA GOOD	Title SR. REGULATORY COMPLIANCE SPEC
Signature (Electronic Submission)	Date 09/14/2009

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By _____	Title _____	Date _____
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 _____

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.

**** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ****

ONSHORE ORDER NO. 1
Chesapeake Operating, Inc.
PLU Pierce Canyon 7 Federal 1H
SL: 330' FNL & 350' FWL
BL: 350' FSL & 350' FWL
Section 7-24S-30E
Eddy County, New Mexico

CONFIDENTIAL – TIGHT HOLE
Lease Contract No. NMLC068545

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ONSHORE OIL & GAS ORDER NO. 1
Approval of Operations on Onshore
Federal and Indian Oil and Gas Leases

All lease and/or unit operations are to be conducted in such a manner that full compliance is made with the applicable laws, regulations (CFR 43, Part 3160) and the approved Application for Permit to Drill. The operator is considered fully responsible for the actions of his subcontractors. A copy of the approved APD must be on location during construction, drilling and completion operations.

Approval of this application 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.

1. FORMATION TOPS

The estimated tops of important geologic markers are as follows:

Formation	Subsea KBTVD	KBTVD
BASE OF SALT	-225'	3,366'
BELL CANYON	-269'	3,410'
CHERRY CANYON MARKER	-1,265'	4,406'
BRUSHY CANYON	-2,723'	5,864'
LOWER BRUSHY CANYON	-3,713'	6,854'
BONE SPRING	-3,964'	7,105'
1 ST BONE SPRING SAND	-4,951'	8,092'
PILOT HOLE	TD	8,225'

2. ESTIMATED DEPTH OF WATER, OIL, GAS & OTHER MINERAL BEARING FORMATIONS

The estimated depths at which the top and bottom of the anticipated water, oil, gas or other mineral bearing formations are expected to be encountered are as follows:

Substance	Formation	Depth
Oil/Gas	Bell Canyon	3,410'
Oil/Gas	Cherry Canyon	4,406'
Oil/Gas	Brushy Canyon	5,864'
Oil/Gas	Bone Spring	7,105'

3. BOP EQUIPMENT:

Will have a 2000 psi simplified rental stack (see proposed schematic) for drill out below surface casing; this system will be tested to 2000 psi working pressure.

Will have a 5000 psi rig stack (see proposed schematic) for drill out below intermediate casing; this system will be tested to 3000 psi working pressure.

Chesapeake Operating, Inc.'s minimum specifications for pressure control equipment are as follows:

I. BOP, Annular, Choke Manifold, Pressure Test - See Exhibit F-1 and F-3.

A. Equipment

1. The equipment to be tested includes all of the following that is installed on the well:
 - (a) Ram-type and annular preventers,
 - (b) Choke manifolds and valves,
 - (c) Kill lines and valves, and
 - (d) Upper and lower kelly cock valves, inside BOP's and safety valves.

B. Test Frequency

1. All tests should be performed with clear water,
 - (a) when installed,
 - (b) before drilling out each casing string,
 - (c) at any time that there is a repair requiring a pressure seal to be broken in the assembly, and
 - (d) at least once every 30 days while drilling.

C. Test Pressure

1. In some drilling operations, the pressures to be used for low and high-pressure testing of preventers and casing may be different from those given below due to governmental regulations, or approved local practices.
2. If an individual component does not test at the low pressure, **do not**, test to the high pressure and then drop back down to the low pressure.
3. All valves located downstream of a valve being tested must be placed in the open position.
4. All equipment will be tested with an initial "low pressure" test at 250 psi.
5. The subsequent "high pressure" test will be conducted at the rated working pressure of the equipment for all equipment except the annular preventer.
6. The "high pressure" test for the annular preventer will be conducted at 70% of the rated working pressure.
7. A record of all pressures will be made on a pressure-recording chart.

D. Test Duration

1. In each case, the individual components should be monitored for leaks for **10 minutes**, with no observable pressure decline, once the test pressure as been applied.

II. Accumulator Performance Test

A. Scope

1. The purpose of this test is to check the capabilities of the BOP control systems, and to detect deficiencies in the hydraulic oil volume and recharge time.

B. Test Frequency

1. The accumulator is to be tested each time the BOP's are tested, or any time a major repair is performed.

C. Minimum Requirements

1. The accumulator should be of sufficient volume to supply 1.5 times the volume to close and hold all BOP equipment in sequence, **without recharging** and the **pump turned off**, and have remaining pressures of **200 PSI above the precharge pressure**.
2. Minimum precharge pressures for the various accumulator systems per **manufacturers recommended specifications** are as follows:
- 3.

<u>System Operating Pressures</u>	<u>Precharge Pressure</u>
1500 PSI	750 PSI
2000 PSI	1,000 PSI
3000 PSI	1,000 PSI

3. Closing times for the Hydril should be less than **20 seconds**, and for the ram-type preventers less than **10 seconds**.
4. System Recharge time should not exceed **10 minutes**.

D. Test Procedure

1. Shut accumulator pumps off and record accumulator pressure.
2. In sequence, close the annular and one set of properly sized pipe rams, and open the HCR valve.
3. Record time to close or open each element and the remaining accumulator pressure after each operation.
4. Record the remaining accumulator pressure at the end of the test sequence. Per the previous equipment, this pressure should not be less than the following:

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pressures:

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<u>System Pressure</u>	<u>Remaining Pressure At Conclusion of</u> <u>Test</u>
1,500 PSI	950 PSI
2,000 PSI	1,200 PSI
3,000 PSI	1,200 PSI

5. Turn the accumulator pumps on and record the recharge time. This time should not exceed **10 minutes.**
6. Open annular and ram-type preventers. Close HCR valve.
7. Place all 4-way control valves in **full open** or **full closed** position. **Do not leave in neutral position.**

3. CASING PROGRAM

a. The proposed casing program will be as follows:

<u>Purpose</u>	<i>930'-1000' SEE LOG</i> <u>Interval</u>	<u>Hole Size</u>	<u>Casing Size</u>	<u>Weight</u>	<u>Grade</u>	<u>Thread</u>	<u>Condition</u>
Surface	Surface – 650'	17-1/2"	13-3/8"	48.0#	H-40	STC	New
Intermediate	Surface – 3,350'	12-1/4"	9-5/8"	40.0#	J-55	LTC	New
Production	Surface – 11,845'	8-3/4" (3350'-7724')/ 8-1/2" 7724'-TD)	5-1/2"	20.0#	L-80	LTC	New

b. Casing design subject to revision based on geologic conditions encountered.

c. Casing Safety Factors:

13-3/8" Surface Casing: SFb = 1.6, SFc = 3.9 and SFt = 6
9-5/8" Intermediate Casing: SFb = 2.3, SFc = 3.4 and SFt = 3.1
5-1/2" Production Casing: SFb = 1.8, SFc = 2.0 and SFt = 3.4

d. The cementing program will be as follows:

4. Cementing Program

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<u>Interval</u>	<u>Type</u>	<u>Amount</u>	<u>Yield</u>	<u>Top Of Cement</u>	<u>Excess</u>
Surface	Tail: Class C 1% CaCl ₂ (Accelerator)	730 sks	1.34	Surface	100%
Intermediate	Lead: 35/65 Poz/Class C	850 sks	2.0	Surface	100%
	Tail: Class C	330 sks	1.34		100%
Production 1 st Stage	Class H 0.5% Halad344 (Fluid Loss Control) 0.4% CFR-3 (Dispersant) 1 lbm/sk Salt 0.3% HR-7 (Retarder) 0.25 lbm D-AIR 3000 (Defoamer)	1600 sks	1.60	4,200'	40%
Production 2 nd Stage	ECONOCEM (TM) SYSTEM 3 % Salt (Salt) 0.05 % HR-7 (Retarder)	200	2.63	2,800	50%

Final cement volumes will be determined by caliper.

Surface casing shall have at least one centralizer installed on each of the bottom three joints starting with the shoe joint

Pilot Hole Plugging Plan:

A 500' balanced plug will be placed from $\pm 6,770'$ to $7,270'$ (305 sx, 40% Excess, Class H 17.5 ppg 0.96yld + 0.75% CFR-3 + 3% KCL + 0.2% HR-800). Note: The pilot hole will not be drilled into Wolfcamp.

5. MUD PROGRAM

a. The proposed circulating mediums to be used in drilling are as follows:

<u>Interval</u>	<u>Mud Type</u>	<u>Mud Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0' – 400'	FW/Gel	8.4 – 9.0	28-32	NC
400' – 3,350'	Native/Brine	9.9 – 10.1	28-30	NC
3,350' - TD	FW/LSND	8.8 – 9.5	34-45	20-10

A closed system will be utilized consisting of above ground steel tanks. All wastes accumulated during drilling operations will be contained in a portable trash cage and removed from location and deposited in an approved sanitary landfill. Sanitary wastes

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will be contained in a chemical porta-toilet and then hauled to an approved sanitary landfill.

All fluids and cuttings will be disposed of in accordance with New Mexico Oil Conservation Division rules and regulations.

A mud test shall be performed every 24 hours after mudding up to determine, as applicable: density, viscosity, gel strength, filtration, and pH.

6. TESTING, LOGGING AND CORING

The anticipated type and amount of testing, logging and coring are as follows:

- a. Drill stem tests are not planned.
- b. The logging program will consist of Natural GR, Density-Neutron, PE & Dual Laterolog from pilot hole TD to surface casing; Neutron-GR surface casing to surface. GR in lateral.
- c. Cores samples are not planned.

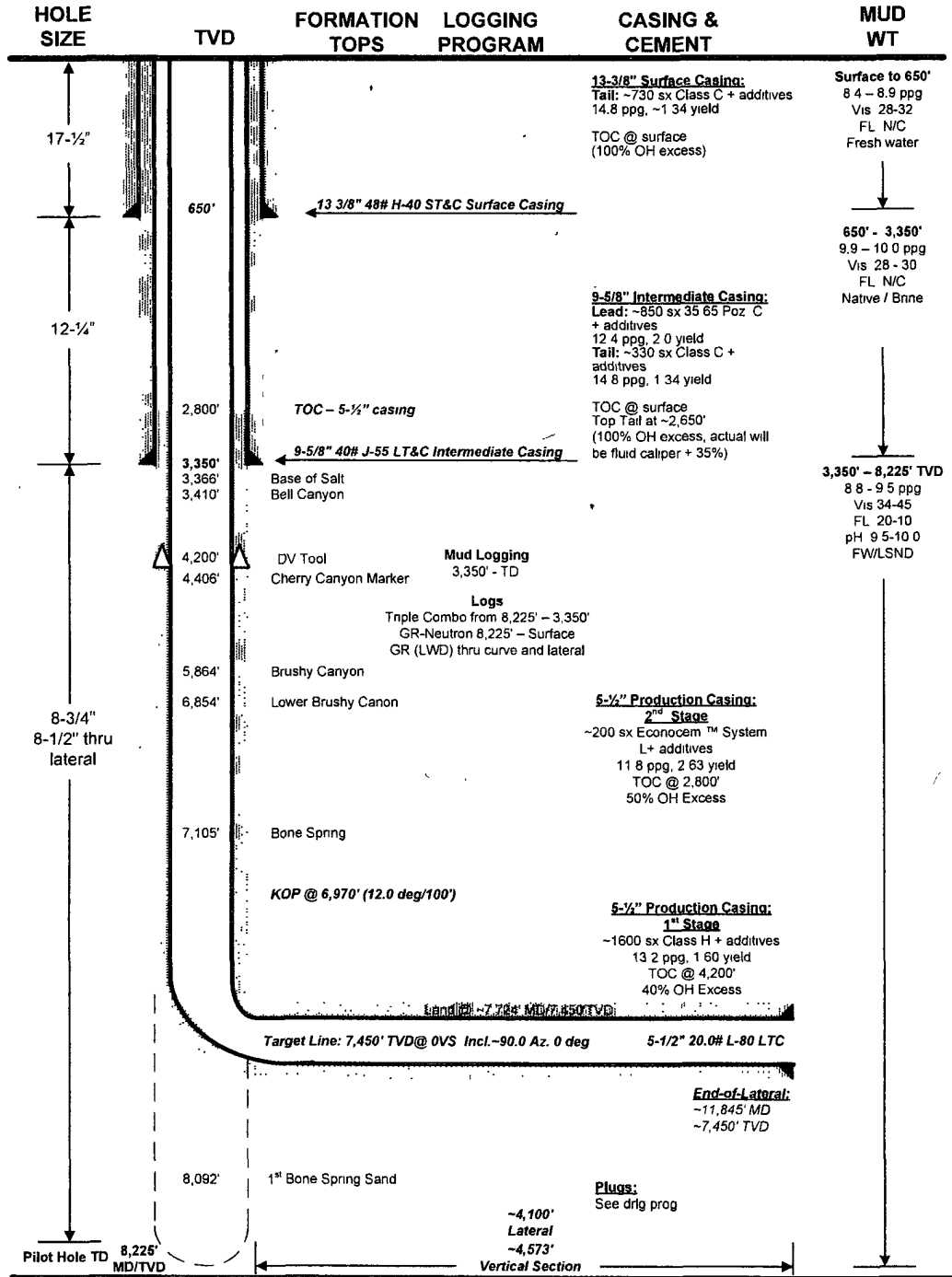
7. ABNORMAL PRESSURES AND HYDROGEN SULFIDE

- a. The estimated bottom hole pressure is 3550 psi. No abnormal pressures or temperatures are anticipated.
- b. Hydrogen sulfide gas is not anticipated.

CHESAPEAKE OPERATING INC

Proposed Well Schematic (drilling)

WELL : PLU PIERCE CANYON 7 FEDERAL 1H
 SHL : Section 7 - 24S - 30E, 350' FSL & 350' FWL
 BHL : Section 7 - 24S - 30E, 350' FNL & 350' FWL
 COUNTY : Eddy
 STATE : New Mexico
 FIELD : Delaware Basin North
 ELEVATION : GL - 3,126' RKB - 3,138' Est.



PREPARED BY: _____ YA _____
 APPROVED BY: _____

DATE: _____ Rev #P: 09/14/09 _____
 DATE: _____

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Chesapeake Operating
LEASE NO.:	NMLC068545
WELL NAME & NO.:	PLU Pierce Canyon 7 Federal No 1H
SURFACE HOLE FOOTAGE:	330' FNL & 350' FWL
BOTTOM HOLE FOOTAGE	350' FSL & 350' FWL
LOCATION:	Section 7, T. 24 S., R 30 E., NMPM
COUNTY:	Eddy County, New Mexico

I. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

- a. Spudding well
- b. Setting and/or Cementing of all casing strings
- c. BOPE tests

☒ **Eddy County**

Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220,
(575) 361-2822

1. **Although Hydrogen Sulfide has not been reported in this section, it is always a potential hazard. If Hydrogen Sulfide is encountered, please report measured amounts and formations to the BLM.**
2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.
3. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

4. **The record of the drilling rate along with the CAL/GR/N well log run from TD to surface will be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.**

B. CASING

Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work. Failure to obtain approval prior to work will result in an Incident of Non-Compliance being issued.

Centralizers required on surface casing per Onshore Order 2.III.B.1.f.

Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater for all casing strings. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. See individual casing strings for details regarding lead cement slurry requirements.

No pea gravel permitted for remedial or fall back remedial without prior authorization from the BLM engineer.

Secretary's Potash.

Medium cave/karst.

Possible lost circulation in the Delaware and Bone Spring formations.

1. **The 13-3/8 inch surface casing shall be set at approximately 930-1000 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) and cemented to the surface. Fresh water mud to be used to setting depth. Due to additional length, additional cement will be required.**
 - a. **If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.**
 - b. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry. This will not apply if the proposed surface casing cement program is followed.**
 - c. **Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.**

- d. If cement falls back, remedial cementing will be done prior to drilling out that string.
2. The minimum required fill of cement behind the **9-5/8** inch intermediate casing is:
 - ☒ Cement to surface. If cement does not circulate see B.1.a, c-d above.
Casing to be set in the Lamar Limestone or the Fletcher Anhydrite at approximately 3350 feet. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to cave/karst concerns.

If 75% or greater lost circulation occurs while drilling the intermediate casing hole, the cement on the production casing must come to surface.

Plug required at bottom of pilot hole. Plug to be a minimum of 180 feet in length and must be tagged. Tag depth to be recorded and reported on subsequent sundry with casing information. Balanced plug can be set as written.

Formation below the 9-5/8" shoe to be tested according to Onshore Order 2.III.B.1.i. Test to be done as a mud equivalency test using the mud weight necessary for the pore pressure of the formation below the shoe (not the mud weight required to prevent dissolving the salt formation) and the mud weight for the bottom of the hole. Report results to BLM office.

Centralizers required on horizontal leg, must be type for horizontal service and minimum of one every other joint.

3. The minimum required fill of cement behind the **5-1/2** inch production casing is:
 - ☒ Cement should tie-back at least **500** feet into previous casing string **due to Secretary's Potash**. Operator shall provide method of verification.
4. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.
2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **2000 (2M) psi**.

3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the 9-5/8" intermediate casing shoe shall be **5000 (5M) psi. 5M system will be tested as 3M.**
4. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. The tests shall be done by an independent service company.
 - b. The results of the test shall be reported to the appropriate BLM office.
 - c. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.
 - d. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

D. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

MAK 100509