AT5-10-359

RM

Form 3160-3
(August 2007)

RECEIVED
JUN 10 2010
NMOCD ARTESIA

OCD Artesia

FORM APPROVED
OMB No 1004-0136
Expires July 31, 2010

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5 Lease Serial No
NMNM107369

6 If Indian, Allottee or Tribe Name

1a Type of Work ☒ DRILL ☐ REENTER CONFIDENTIAL

7 If Unit or CA Agreement, Name and No

8 Lease Name and Well No 38197
COOKSEY 26 FEDERAL COM 1H

1b Type of Well ☒ Oil Well ☐ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone

2 Name of Operator
CHESAPEAKE OPERATING, INC
Contact LINDA GOOD
E-Mail linda good@chk com
147179

9 API Well No
30-015-37916

3a Address
P O BOX 18496
OKLAHOMA CITY, OK 73154-0496

3b Phone No (include area code)
Ph 405-935-4275

Split Estate

10 Field and Pool, or Exploratory
~~WILDCAT~~; BONE SPRING, NORTH HAY HOLLOW; 1 (30216)

4 Location of Well (Report location clearly and in accordance with any State requirements *)

At surface SWSE 150FSL 2330FEL O UNORTHODOX

At proposed prod zone SWSE 330FSL 2270FEL O - 2 UNORTHODOX

11 Sec, T, R, M, or Blk and Survey or Area
Sec 23 T25S R27E Mer NMP

14 Distance in miles and direction from nearest town or post office *
15 MILES SSW OF MALAGA, NM

12 County or Parish
EDDY

13 State
NM

15 Distance from proposed location to nearest property or lease line, ft (Also to nearest drlg unit line, if any)

16 No of Acres in Lease
1200 00

17 Spacing Unit dedicated to this well
200 00

18 Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft
See exhibit B 6279

19 Proposed Depth
10,620
~~10842~~ MD
~~6264~~ TVD
Pilot Hole 6950' TVD

20 BLM/BIA Bond No on file
NM2634

21 Elevations (Show whether DF, KB, RT, GL, etc
3063 GL

22 Approximate date work will start

23 Estimated duration

24. Attachments

The following completed in accordance with the requirements of Onshore Oil and Gas Order No 1 shall be attached to this form

1 Well plat certified by a registered surveyor
2 A Drilling Plan
3 A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office)
4 Bond to cover the operations unless covered by an existing bond on file (see Item 20 above)
5 Operator certification
6 Such other site specific information and/or plans as may be required by the authorized officer

25 Signature	Name (Printed/Typed)	Date
(Electronic Submission)	LINDA GOOD Ph 405-935-4275	05/18/2010

Title
SR REGULATORY COMPLIANCE SPEC

Approved by (Signature)	Name (Printed/Typed)	Date
/s/ Don Peterson		JUN 8 2010
Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon
Conditions of approval, if any, are attached

APPROVAL FOR TWO YEARS

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

Additional Operator Remarks (see next page) Carlsbad Controlled Water Basin NSL-6213

Electronic Submission #86647 verified by the BLM Well Information System
For CHESAPEAKE OPERATING, INC., sent to the Carlsbad

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

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

DISTRICT I
1625 N French Dr, Hobbs, NM 88240
DISTRICT II
1301 W Grand Avenue, Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410
DISTRICT IV
1220 S St. Francis Dr, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised October 15, 2009

Submit one copy to appropriate District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-015-37916	30216	HAY HOLLOW ~~Wildcat~~; Bone Spring, NORTH

Property Code	Property Name	Well Number
38198	COOKSEY "26" FEDERAL COM	1H

OGRID No	Operator Name	Elevation
147179	CHESAPEAKE OPERATING CO.	3063'

Surface Location

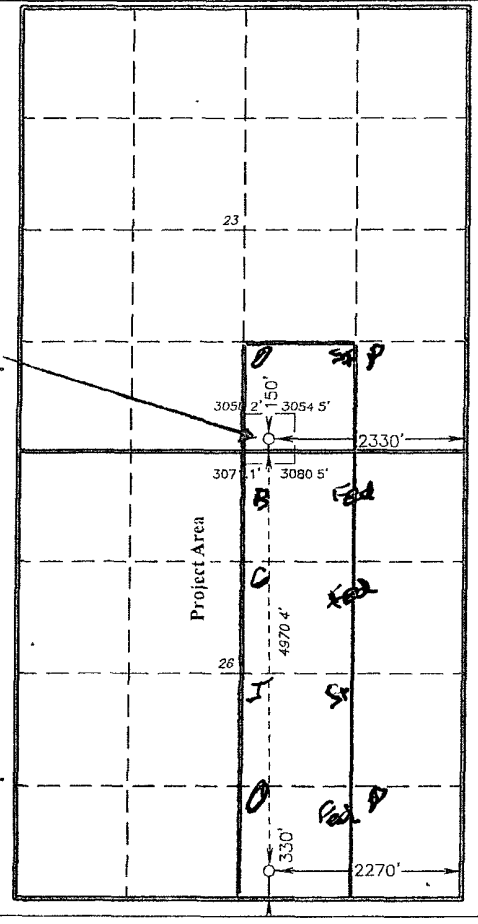
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	23	25 S	27 E		150	SOUTH	2330	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	26	25 S	27 E		330	SOUTH	2270	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No
200			NSL-6213

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Bryan Arrant 5/17/2010
Signature Date

Bryan Arrant
Printed Name

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervison, and that the same is true and correct to the best of my belief

MAY 10, 2010
Date Surveyed

Signature & Seal of Professional Surveyor

GARY L. JONES NEW MEXICO 7977 REGISTERED PROFESSIONAL SURVEYOR

W.O. No. 2270

Certificate No Gary L Jones 7977

BASIN SURVEYS

EXHIBIT A-1

Additional Operator Remarks:

CHESAPEAKE OPERATING, INC. RESPECTFULLY REQUESTS PERMISSION TO DRILL A WELL TO 10,842? TO TEST THE BONE SPRING FORMATION IF PRODUCTIVE, CASING WILL BE RUN AND THE WELL COMPLETED IF DRY, THE WELL WILL BE PLUGGED AND ABANDONED AS PER BLM AND NEW MEXICO OIL CONSERVATION DIVISION REQUIREMENTS

PLEASE FIND THE SURFACE USE PLAN AND DRILLING PROGRAM AS REQUIRED BY ONSHORE ORDER NO. 1.

ATTACHED ARE THE EXHIBIT A-1 TO A-4 SURVEY PLATS, EXHIBIT A-5 TO A-8 LEASE ROAD PLATS, EXHIBIT B 1 MILE RADIUS PLAT, EXHIBIT C PRODUCTION FACILITY, EXHIBIT D LATSHAW RIG #6 LAYOUT, EXHIBIT F-1 TO F-2 BOP & CHOKE MANIFOLD, EXHIBIT G DIRECTIONAL DRILL PLAN AND OPERATOR CERTIFICATION PAGE.

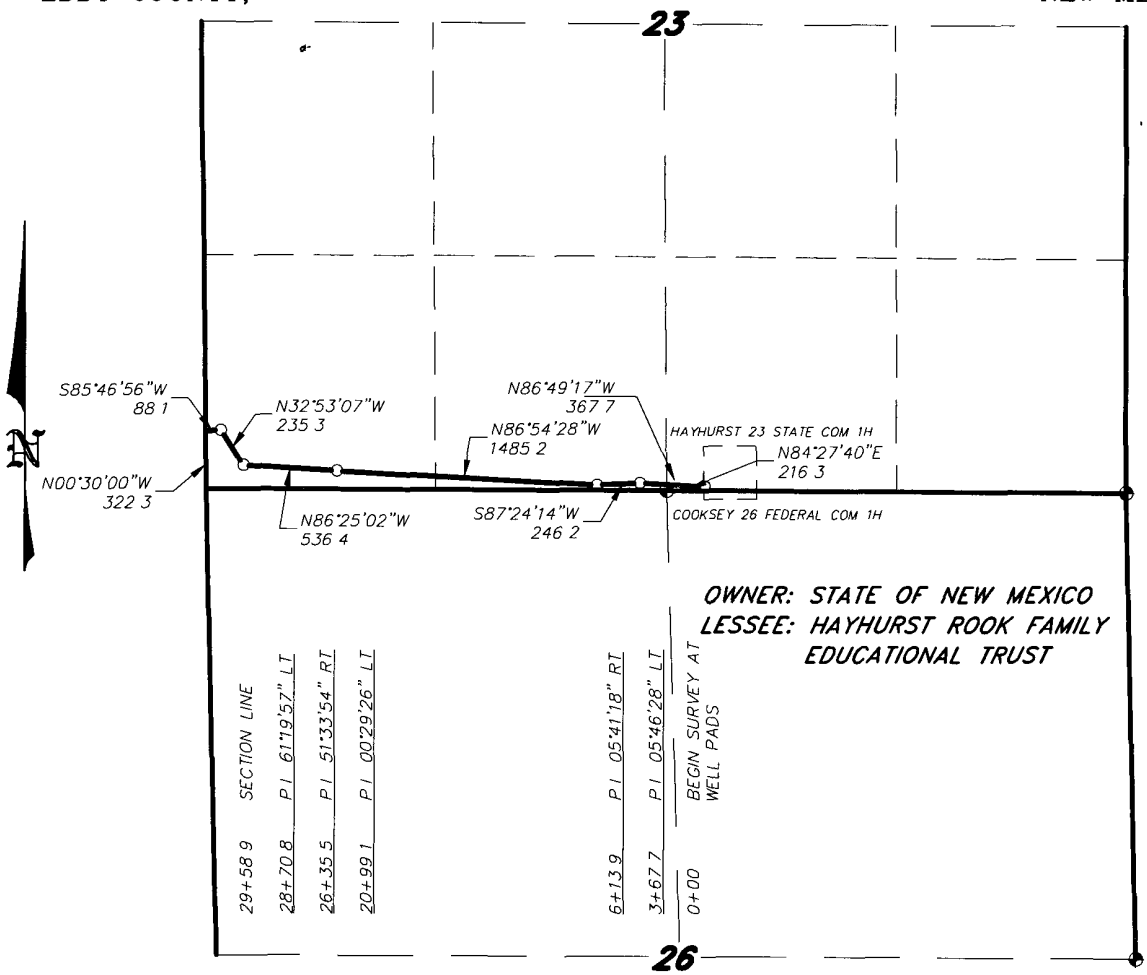
EXHIBIT E ARCHAEOLOGICAL SURVEY WILL BE DELIVERED TO THE BLM WHEN COMPLETED.

THE SURFACE LOCATION IS ON STATE AND THE BHLOC IS ON FEDERAL.

PLEASE BE ADVISED THAT CHESAPEAKE OPERATING, INC IS CONSIDERED TO BE THE OPERATOR OF THE ABOVE MENTIONED WELL. CHESAPEAKE OPERATING, INC. AGREES TO BE RESPONSIBLE UNDER THE TERMS AND CONDITIONS OF THE LEASE FOR THE OPERATIONS CONDUCTED UPON THE LEASE LANDS.

(CHK PN 632352)

SECTION 23, TOWNSHIP 25 SOUTH, RANGE 27 EAST, N.M.P.M.,
EDDY COUNTY, **NEW MEXICO.**



LEGAL DESCRIPTION

A STRIP OF LAND 30 0 FEET WIDE, LOCATED IN SECTION 23, TOWNSHIP 25 SOUTH, RANGE 27 EAST, N M P M, EDDY COUNTY, NEW MEXICO AND BEING 15 0 FEET LEFT AND RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY

BEGINNING AT A POINT WHICH LIES N 84°27'40"E, 216 3 FEET FROM THE SOUTH QUARTER CORNER OF SAID SECTION 23, THENCE N 86°49'17"W, 367 7 FEET, THENCE S 87°24'14"W, 246 2 FEET, THENCE N 86°54'28"W, 1485 2 FEET, THENCE N 86°25'02"W, 536 4 FEET, THENCE N 32°53'07"W, 235 3 FEET, THENCE S 85°46'56"W, 88 1 FEET TO A POINT ON THE WEST SECTION LINE WHICH LIES N 00°30'00"W, 322 3 FEET FROM THE SOUTHWEST CORNER OF SAID SECTION 23 SAID STRIP OF LAND BEING 2958 9 FEET OR 179 33 RODS IN LENGTH AND CONTAINING 2 04 ACRES, MORE OR LESS, AND BEING ALLOCATED BY FORTIES AS FOLLOWS

SW/4 SE/4 (SEC 23) = 13 08 RODS = 0 15 ACRES SE/4 SW/4 (SEC 23) = 79 79 RODS = 0 91 ACRES

SW/4 SW/4 (SEC 23) = 86 46 RODS = 0 98 ACRES

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE

GARY L. JONES NEW MEXICO 7977 REGISTERED PROFESSIONAL LAND SURVEYOR

GARY L JONES NMPS No 7977
TEXAS P L S No 5074

1000 0 1000 2000 FEET

BASIN SURVEYS P O BOX 1786 – HOBBS, NEW MEXICO

CHESAPEAKE OPERATING CO.

REF PROPOSED LEASE ROAD

A LEASE ROAD CROSSING STATE LAND IN SECTION 23, TOWNSHIP 25 SOUTH, RANGE 27 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

W O Number 22636	Drawn By J M SMALL		
Date 04-20-2010	Disk JMS 22636	Survey Date 04-15-2010	Sheet 1 of 4 Sheets

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	SUBSEA (Base)	KBTVD (Base)
Delaware	820'	2,280'		
Cherry Canyon	-20'	3,120'		
Brushy Canyon	-1,160'	4,260'		
Bone Spring	-2,784'	5,884'		
Bone Spring Lime	-2,880'	5,980'		
Upper Avalon*	-3,085'	6,185'		
Base Upper Avalon			-3,234'	6,334'
Lower Avalon*	-3,307'	6,407'		
Base Lower Avalon			-3,435'	6,535'
1st Bone Spring	-3,723'	6,823'		

TOTAL DEPTH 10,842' MD

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	Bone Spring	5884'
Oil/Gas	Upper Avalon	6185'
Oil/Gas	Lower Avalon	6407'

All shows of fresh water and minerals will be reported and protected.

3. BOP EQUIPMENT:

Will have a 13-5/8" 5000 psi rig stack (see proposed schematic) for drill out below surface casing; this system will be tested to 5000 psi working pressure and 3500 psi working pressure for the annular preventer.

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

I. BOP, Annular, Choke Manifold, Pressure Test - See Exhibit F-1 to F-2.

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:

System Operating Pressures	Precharge Pressure
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 requirement, this pressure **should not be less** than the following pressures:

System Pressure	Remaining Pressure At Conclusion of Test
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**.

4. CASING PROGRAM

a. The proposed casing program will be as follows:

Purpose	Interval (650')	Hole Size	Casing Size	Weight	Grade	Thread	Condition
Surface	Surface – ~~400'~~	17-1/2"	13-3/8"	48.0#	H-40	STC	New
Intermediate	Surface – ~~2400'~~ 2000'	12-1/4"	9-5/8"	40.0#	J-55	LTC	New
Production	Surface – 10,820'	8-3/4"	5-1/2"	20.0#	L-80	LTC	New
Pilot	5870'-6950'	8-3/4"	Open Hole	N/A	N/A	N/A	N/A

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

c. Casing Safety Factors:

13-3/8" Surface Casing: SFb = 1.4, SFc = 2.68 and SFt = 1.62
9-5/8" Intermediate Casing: SFb = 2.63, SFc = 2.02 and SFt = 2.21
5-1/2" Production Casing: SFb = 1.25, SFc = 2.86 and SFt = 1.25

d. The cementing program will be as follows:

5. Cementing Program

Interval	Type	Weight	Amount	Yield	Top Of Cement	Excess
Surface	Single Slurry	13.5 ppg	420 sks	1.73	Surface	150%
Intermediate	Lead:	10.2 ppg	280 sks	2.32	Surface	100%
	Tail:	14.2 ppg	550 sks	1.37	1200'	100%
Production 1st Stage-DV tool @ 3000'	Lead	12.0 ppg	455 sks	1.83	3000'	40%
	Tail	13.2 ppg	1115 sks	1.74	5350'	
Production 2nd Stage	Lead:	10.2 ppg	440 sks	2.17	2825'	200%
	Tail:	14.2 ppg	100 sks	1.33	1900'	200%

- 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.
- Production casing will have one horizontal style centralizer on every other joing through the lateral and curve.

Pilot Hole Plugging Plan:

The pilot hole will be plugged back with one cement plug. The plug will serve as kick off plug. Note: objective formation is Bone Spring. Pilot Hole will TD in the Bone Spring so no isolation is needed.

The plug will be placed from +5,669' to +6,169' (+200' above to 300' below kick off point, 305 sx, 40% excess Class H 17.5 ppg, 0.96 yld + 0.75% CFR-3 + 3% KCL + 0.2% HR-800).

6. MUD PROGRAM

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

See COA

Interval	Mud Type	Mud Weight	Viscosity	Fluid Loss
0' – ~~400'~~	FW/Gel	8.4 – 8.7	28-32	NC
~~400'~~ – ~~2,400'~~	Brine	9.9 – 10.1	28-30	NC
~~2,400'~~ – Pilot TD	FW/Cut Brine	8.8 – 9.0	28-29	NC
5,870'-TD	FW/Cut Brine	9.0-9.5	34-38	12-20

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 will be contained in a chemical porta-toliet 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.

7. TESTING, LOGGING AND CORING See COA
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 Triple Combo, Spectral Gamma, and Dipole Sonic from Pilot hole TD to 2230'. Gamma and Neutron from 2230' to surface. Gamma MWD will be used in the lateral.
   c. Cores samples are not planned.

8. ABNORMAL PRESSURES AND HYDROGEN SULFIDE
   a The estimated bottom hole pressure is 3250 psi.
   b. No abnormal pressures or temperatures are anticipated.
   c Hydrogen sulfide gas is not anticipated.

Permian District

NM -Eddy [Non-PLU Avalon Project]
Cooksey 26 Fed Com 1H
Cooksey 26 Fed Com 1H
Cooksey 26 Fed Com 1H

Plan: Plat

Standard Planning Report

06 May, 2010

EXHIBIT G

Chesapeake Energy Corporation

Planning Report

Database:	Drilling Database	Local Co-ordinate Reference:	Site Cooksey 26 Fed Com 1H
Company:	Permian District	TVD Reference:	Well2 @ 3090 0ft
Project:	NM -Eddy [Non-PLU Avalon Project]	MD Reference:	Well2 @ 3090 0ft
Site:	Cooksey 26 Fed Com 1H	North Reference:	Grid
Well:	Cooksey 26 Fed Com 1H	Survey Calculation Method:	Minimum Curvature
Wellbore:	Cooksey 26 Fed Com 1H		
Design:	Plat		

Project NM -Eddy [Non-PLU Avalon Project]

Map System:	US State Plane 1983	System Datum:	Mean Sea Level
Geo Datum:	North American Datum 1983		
Map Zone:	New Mexico Eastern Zone		

Site Cooksey 26 Fed Com 1H

Site Position		Northing:	403,018 58 ft	Latitude:	32 10785834
From:	Lat/Long	Easting:	595,094 20 ft	Longitude:	-104 15971450
Position Uncertainty:	0 0 ft	Slot Radius:	0 000 in	Grid Convergence:	0 0922885 °

Well Cooksey 26 Fed Com 1H

Well Position	+N/-S	0 0 ft	Northing:	403,018 58 ft	Latitude:	32 10785834
	+E/-W	0 0 ft	Easting:	595,094 20 ft	Longitude:	-104 15971450
Position Uncertainty		0 0 ft	Wellhead Elevation:	3,070 0 ft	Ground Level:	3,070 0 ft

Wellbore Cooksey 26 Fed Com 1H

Magnetics	Model Name	Sample Date	Declination (°)	Dip Angle (°)	Field Strength (nT)
	IGRF200510	4/12/2010	7 9731930	60 0223833	48,632

Design Plat

Audit Notes:

Version:	Phase:	PROTOTYPE	Tie On Depth:	0.0

Vertical Section:	Depth From (TVD) (ft)	+N/-S (ft)	+E/-W (ft)	Direction (°)
	0 0	0 0	0 0	178 66

Plan Sections

Measured Depth (ft)	Inclination (°)	Azimuth (°)	Vertical Depth (ft)	+N/-S (ft)	+E/-W (ft)	Dogleg Rate (°/100ft)	Build Rate (°/100ft)	Turn Rate (°/100ft)	TFO (°)	Target
0 0	0 00	0 00	0 0	0 0	0 0	0 00	0 00	0 00	0.0000000	
5,869 3	0 00	0 00	5,869.3	0 0	0 0	0.00	0 00	0 00	0 0000000	
6,513 6	90 20	178 66	6,278 5	-410 6	9 6	14.00	14 00	0 00	178 6600715	
10,820 3	90 20	178 66	6,263.5	-4,716 1	110 3	0 00	0 00	0 00	0 0000000	Cooksey 26FC1H-BH

Chesapeake Energy Corporation

Planning Report

Database:	Drilling Database	Local Co-ordinate Reference:	Site Cooksey 26 Fed Com 1H
Company:	Permian District	TVD Reference:	Well2 @ 3090 0ft
Project:	NM -Eddy (Non-PLU Avalon Project]	MD Reference:	Well2 @ 3090 0ft
Site:	Cooksey 26 Fed Com 1H	North Reference:	Grid
Well:	Cooksey 26 Fed Com 1H	Survey Calculation Method:	Minimum Curvature
Wellbore:	Cooksey 26 Fed Com 1H		
Design:	Plat		

Planned Survey

Measured Depth (ft)	Inclination (°)	Azimuth (°)	Vertical Depth (ft)	+N/-S (ft)	+E/-W (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)	Build Rate (°/100ft)	Turn Rate (°/100ft)
0 0	0 00	0 00	0 0	0 0	0 0	0 0	0 00	0 00	0 00
1,000 0	0 00	0 00	1,000 0	0 0	0 0	0 0	0 00	0 00	0 00
2,000 0	0 00	0 00	2,000 0	0 0	0 0	0 0	0 00	0 00	0 00
3,000 0	0 00	0 00	3,000 0	0 0	0 0	0 0	0 00	0 00	0 00
4,000 0	0 00	0 00	4,000 0	0 0	0 0	0 0	0 00	0 00	0 00
5,000 0	0 00	0 00	5,000 0	0 0	0 0	0 0	0 00	0 00	0 00
5,869 3	0 00	0 00	5,869 3	0 0	0 0	0 0	0 00	0 00	0.00
6,000 0	18 30	178 66	5,997.8	-20 7	0 5	20 7	14 00	14 00	0 00
6,513 6	90 20	178 66	6,278 5	-410 6	9 6	410 7	14.00	14 00	0 00
7,000 0	90 20	178 66	6,276 8	-896 9	21 0	897 1	0 00	0 00	0 00
8,000 0	90 20	178 66	6,273 3	-1,896 6	44 4	1,897 1	0 00	0.00	0 00
9,000 0	90 20	178 66	6,269 9	-2,896 3	67 7	2,897 1	0 00	0 00	0 00
10,000 0	90 20	178 66	6,266 4	-3,896 0	91 1	3,897 1	0 00	0 00	0 00
10,820 3	90.20	178 66	6,263 5	-4,716 1	110.3	4,717 4	0 00	0 00	0 00

Targets

Target Name - hit/miss target - Shape	Dip Angle (°)	Dip Dir. (°)	TVD (ft)	+N/-S (ft)	+E/-W (ft)	Northing (ft)	Easting (ft)	Latitude	Longitude
Cooksey 26FC1H-BHL-f - plan hits target center - Point	0 00	0 00	6,263 5	-4,716 1	110 3	398,302 46	595,204 52	32 09489350	-104 15938280
Cooksey 26FC1H-BHL-/ - plan misses target center by 41349 4ft at 10000 0ft MD (6266 4 TVD, -3896 0 N, 91 1 E) - Point	0 00	0 07	6,253 0	-4,910 0	-41,245 8	398,108 61	553,848 50	32 09447359	-104 29293225
Cooksey 26FC1H-TL 0'\ - plan misses target center by 175 1ft at 6158 3ft MD (6134 8 TVD, -97 8 N, 2 3 E) - Point	0 00	0 00	6,280 0	0 0	0 0	403,018.58	595,094 20	32 10785834	-104 15971450
Cooksey 26FC1H-TL 0'\ - plan misses target center by 41247 2ft at 6000 0ft MD (5997 8 TVD, -20 7 N, 0 5 E) - Point	0 00	0 07	6,270 0	-60 0	-41,245 8	402,958 61	553,848 50	32 10780604	-104 29292638

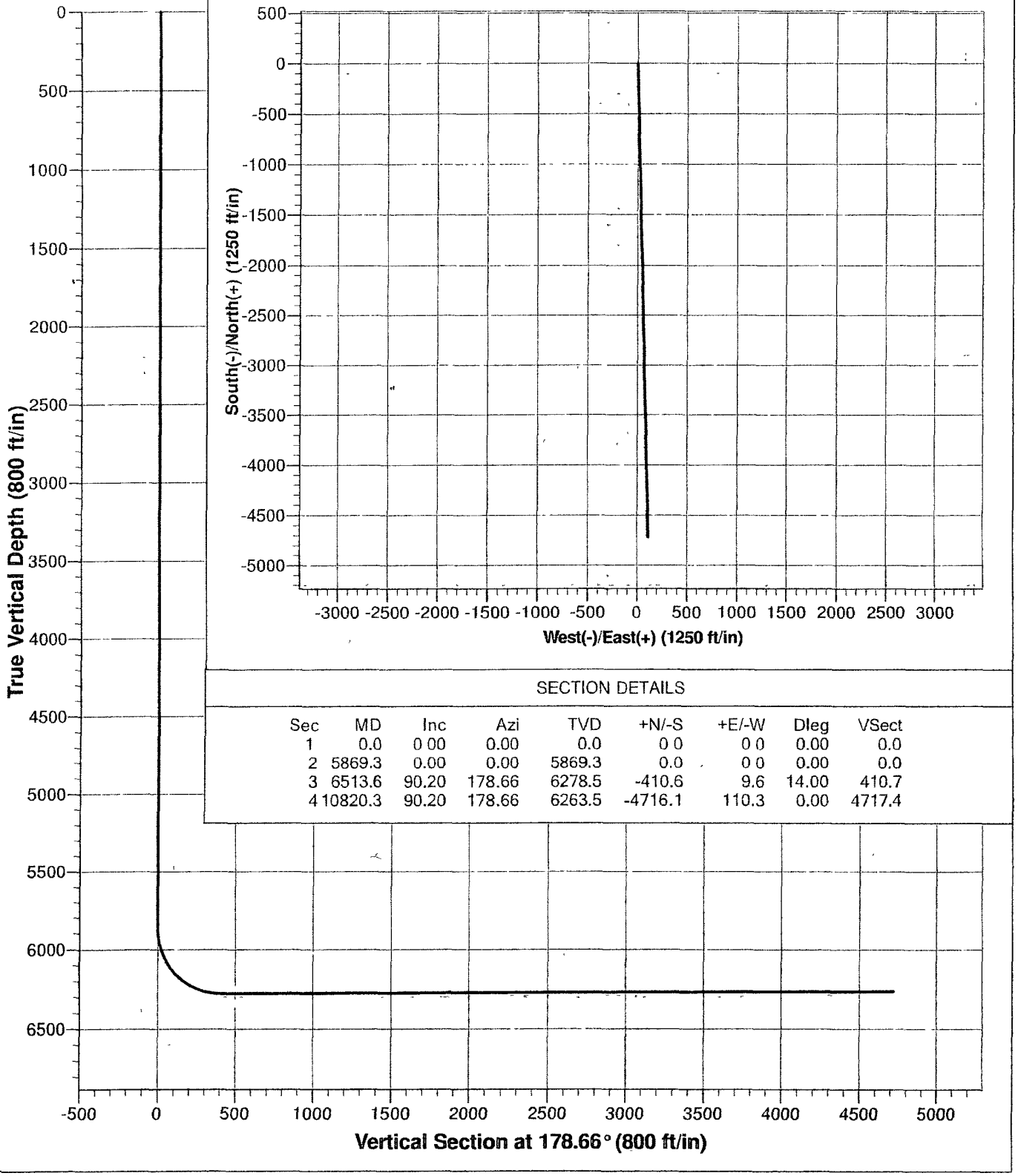
Casing Points

Measured Depth (ft)	Vertical Depth (ft)	Name	Casing Diameter (in)	Hole Diameter (in)
400 0	400.0	13 3/8" Surface Casing	13 375	17 500
2,400.0	2,400 0	9 5/8" Intermediate Casing	9 625	12 250
10,820 0	6,263.5	5 1/2" Production Casing	5 500	8 750

Cooksey 26 Fed Com 1H

Geodetic System: US State Plane 1983
Datum North American Datum 1983
Ellipsoid GRS 1980
Zone New Mexico Eastern Zone

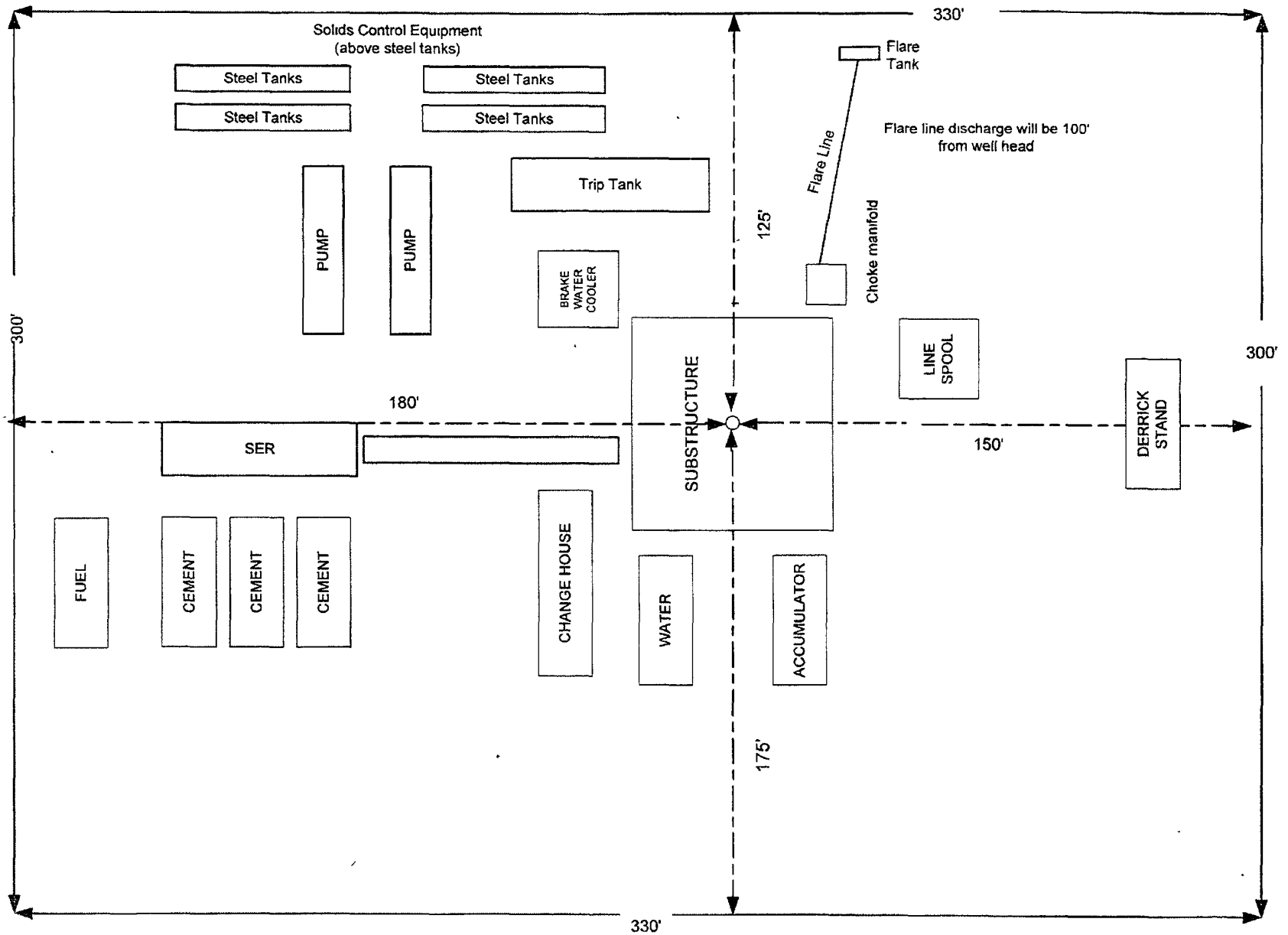
System Datum: Mean Sea Level



SECTION DETAILS

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	Dleg	VSect
1	0.0	0 00	0.00	0.0	0 0	0 0	0.00	0.0
2	5869.3	0.00	0.00	5869.3	0.0	0 0	0.00	0.0
3	6513.6	90.20	178.66	6278.5	-410.6	9.6	14.00	410.7
4	10820.3	90.20	178.66	6263.5	-4716.1	110.3	0.00	4717.4

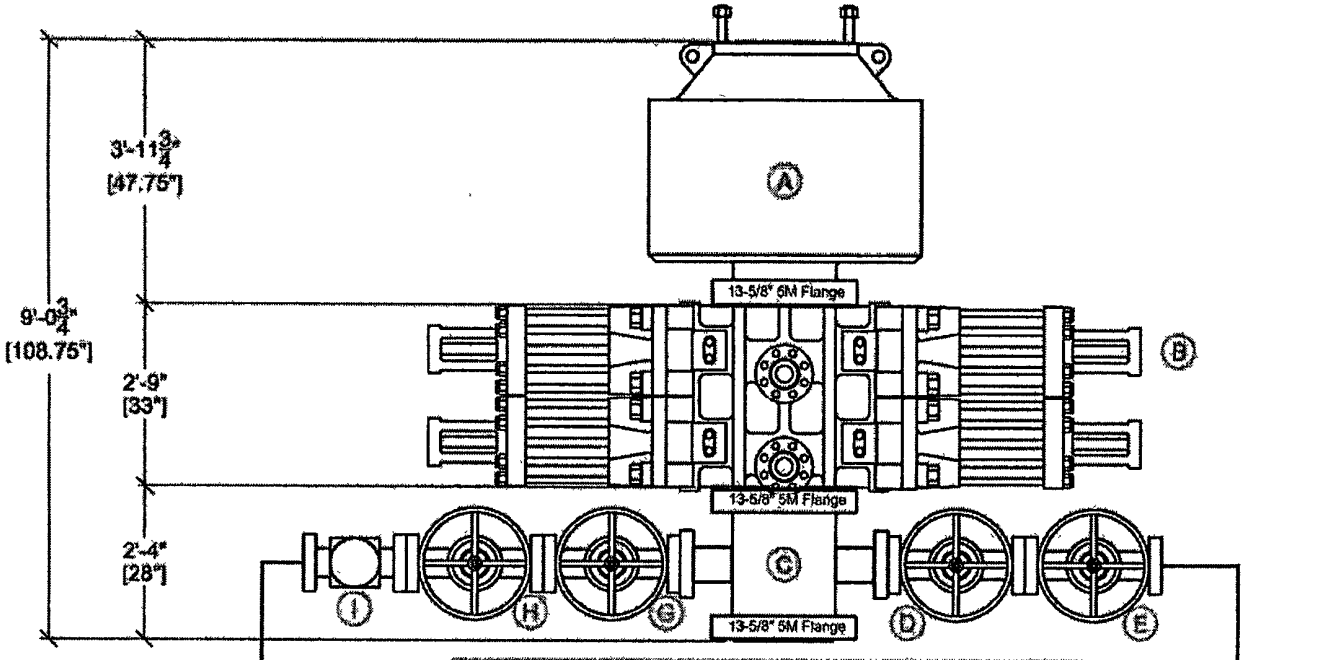
Prevailing Winds from the North in Winter and from the South in Summer



Not to scale

LATSHAW #6

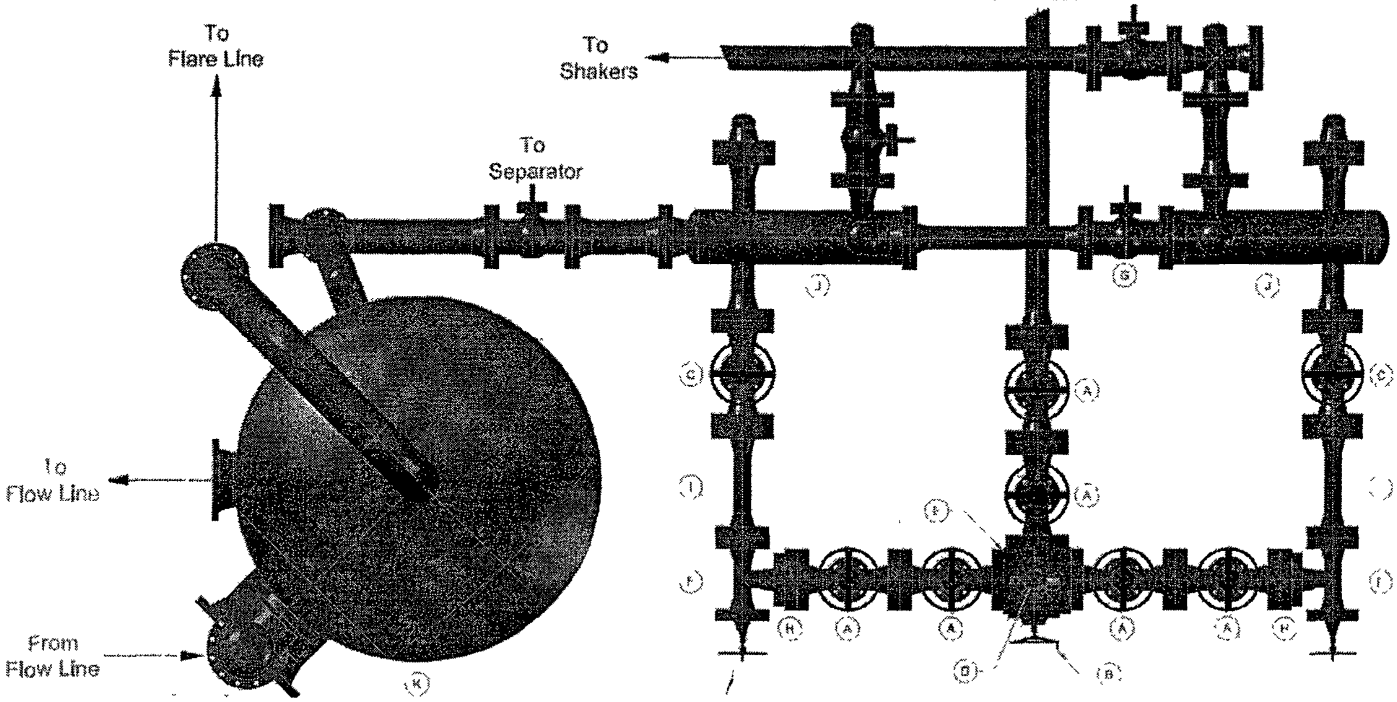
Exhibit D



BOPE INFORMATION			
ITEM	DESCRIPTION	MAKE	MODEL
A	ANNULAR BOP	HYDRIL	13-5/8" 5M
B	DOUBLE RAM BOP	CONTROL FLOW	13-5/8" 5M
C	MUD CROSS	SHOP MADE	13-5/8" 5M
D	MAN VALVE	CAMERON	4-1/6" 5M FLS Manual
E	HCR VALVE	CAMERON	4-1/6" 5M HCR
F			
G	KILL VALVE	CAMERON	2-1/6" 5M FLS Manual
H	KILL VALVE	CAMERON	2-1/6" 5M FLS Manual
I	CHECK VALVE	CAMERON	2-1/6" 5M "R" Check
J	CHOKE LINE		4-1/16" Hardline
K	KILL LINE		2-1/16" Hardline
L			

GENERAL EQUIPMENT INFORMATION

ITEM	DESCRIPTION	MAKE	MODEL	QTY
A	[illegible] VALVES	CAMERON	4 1/16" 5M FC MANUAL	[illegible]
B	CHOKE VALVES	CAMERON	2 1/16" 5M FC MANUAL	[illegible]
C	DOWNSTREAM VALVES	CAMERON	4 1/16" 5M FC MANUAL	2
D	TRANSMITTER FLANGE	CAMERON	2 1/16" 5M	[illegible]
E	STUDDED BLOCK	CAMERON	(4) 4 1/16" x (1) 2 1/16" 5M	[illegible]
F	ADJUSTABLE VALVES	CAMERON	3 1/16" Remote Hydraulic [illegible]	2
G	BALL VALVES	BALON	6" [illegible] THROAT 285 PSI	1
H	CROSS	CAMERON	4 1/16" 5M x 3 1/16" 5M	2
I	SPACER SPOOLS	CAMERON	4 1/16" 5M x 1 1/16" 5M	2
J	BUFFER CHAMBERS	SHOP BUILT	10" SCH 160 (10 3/4" OD)	2
K	SEPARATOR	SUMMIT	4' OD x 20' L [illegible]	1



Remotely operated Choke..

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

1. EXISTING ROADS

   a. Existing county and lease roads will be used to enter proposed access road.
   b. Location, access, vicinity plats and lease roads attached hereto. See Exhibits A-1 to A-8.

2. PLANNED ACCESS ROADS
   a. The proposed access road 2.2 miles in length and 14' in travel way width with a maximum disturbance area of 30' will be used, and in accordance with guidelines set forth in the BLM Onshore Orders. Two turnouts are expected.
   b. In order to level the location, cut and fill will be required. Please see attached Well Location and Acreage Dedication Plat – Exhibits A-1 to A-4.
   c. A locking gate will be installed at the site entrance.
   d. Any fences cut will be repaired. Cattle guards will be installed, if needed.
   e. Surface disturbance and vehicular travel will be limited to the approved location and approved access route. Any additional area needed will be approved in advance.
   f. Driving directions from the junction of Whites City and Road Runner, go North on Road Runner for 4.0 miles to proposed lease road.

3. LOCATION OF EXISTING WELLS WITHIN A 1-MILE RADIUS OF THE PROPOSED LOCATION – see Exhibit B.

4. LOCATION OF PRODUCTION FACILITIES
   It is anticipated that production facilities will be located on the well pad and product to be sold at the wellhead and/or tank battery. An allocation meter will be installed on location. – See Exhibit C

5. LOCATION AND TYPE OF WATER SUPPLY
   Water will be obtained from a private water source. Chesapeake Operating, Inc. will ensure all proper notifications and filings are made with the state.

6. CONSTRUCTION MATERIALS

No construction materials will be used from Section 26-25S-27E. All material (i.e. shale) will be acquired from private or commercial sources.

7. METHODS FOR HANDLING WASTE DISPOSAL

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.

8. ANCILLARY FACILITIES

None

9. WELLSITE LAYOUT

The proposed site layout plat is attached showing the Patterson Rig #62 orientation and equipment location. See Exhibit D.

10. PLANS FOR RECLAMATION OF THE SURFACE

The location will be restored to as near as original condition as possible. Reclamation of the surface shall be done in strict compliance with the existing New Mexico Oil Conservation Division regulations.

Backfilling leveling, and contouring are planned as soon as the drilling rig and steel tanks are removed. Wastes and spoils materials will be hauled to a disposal after drilling is completed. If production is obtained, the unused area will be restored as soon as possible. The rehabilitation will begin after the drilling rig is removed.

11. MINERAL OWNERSHIP

United States of America
Department of Interior
Bureau of Land Management

SURFACE OWNERSHIP

STATE OF NEW MEXICO

GRAZING LESSEE

Hayhurst Rook Family Educational Trust
P.O. Box 757
Loving, NM 88256
575-200-6301

12. ADDITIONAL INFORMATION

A Class III cultural resource inventory report was prepared by Boone Archaeological Services, Carlsbad, New Mexico for the proposed location. A copy of the report has been sent to the BLM office under separate cover.

Chesapeake Operating, Inc. agrees to be responsible under the terms and conditions of the lease for the operations conducted upon the lease lands.

13. OPERATOR'S REPRESENTATIVES

Drilling and Completion Operations

District Manager
Rob Jones
P.O. Box 18496
Oklahoma City, OK 73154
405-935-2694 (Office)
405-623-5880 (Cell)
rob.jones@chk.com

Sr. Drilling Engineer
Yemi Ajijolaiya
P.O. Box 14896
Oklahoma City, OK 73154
405-935-6802 (Office)
405-625-5468 (Cell)
yemi.ajijolaiya@chk.com

Sr. Field Representative
Bud Cravey
2010 Rankin Hwy
Midland, TX
432-687-2992, x 86151 (Office)
432-575-238-7293 (Cell)
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Sr. Assett Manager
Jeff Finnell
P.O. Box 18496
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405-935-4347 (Office)
405-919-3305 (Cell)
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Sr. Geologist
Robert Martin
P.O. Box 18496
Oklahoma City, OK 73154
405-935-4985 (Office)
405-849-4985 (Cell)
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Geoscience Coordinator
David Godsey
P.O. Box 14896
Oklahoma City, OK 73154
405-935-7995 (Office)
405-618-0474 (Cell)
david.godsey@chk.com

District Land Coordinator
Craig Barnard
P.O. Box 18496
Oklahoma City, OK 73154
405-879-8401 (Office)
craig.barnard@chk.com

Associate Landman
Justin Zerkle
P.O. Box 18496
Oklahoma City, OK 73154
405-767-4925 Office
justin.zerkle@chk.com

Sr. Regulatory Compliance Specialist
Linda Good
P.O. Box 18496
Oklahoma City, OK 73154
405-935-4275 (Office)
405-849-4275 (Fax)
linda.good@chk.com

ONSHORE ORDER NO. 1
Chesapeake Operating, Inc.
Cooksey 26 Federal 1H
SL: 150' FSL & 2330' FEL
BL: 330' FSL & 2270' FEL
Section 26-25S-27E
Eddy County, New Mexico

CONFIDENTIAL – TIGHT HOLE
Lease Contract No. NMNM 107369

OPERATOR CERTIFICATION

CERTIFICATION

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Executed this 18 day of May, 2010.

Name: _____
Bud Cravey – Sr. Field Representative

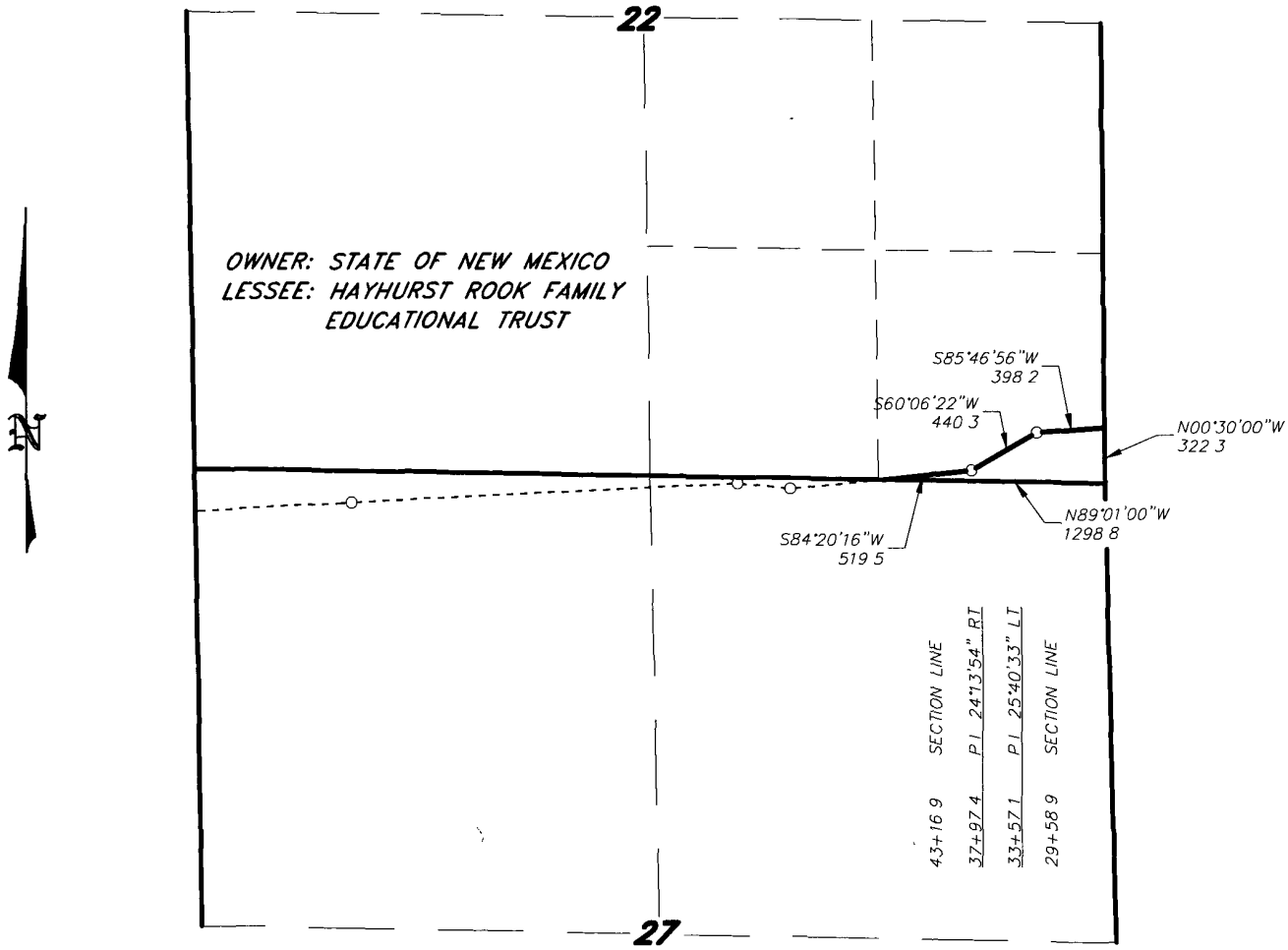
Address: 2010 Rankin Highway, Midland, TX 78701

Telephone: 432-238-7293

E-mail: bud cravey@chk.com

SECTION 22, TOWNSHIP 25 SOUTH, RANGE 27 EAST, N.M.P.M.,

EDDY COUNTY, **NEW MEXICO.**



LEGAL DESCRIPTION

A STRIP OF LAND 30 0 FEET WIDE, LOCATED IN SECTION 22, TOWNSHIP 25 SOUTH, RANGE 27 EAST, N M P M, EDDY COUNTY, NEW MEXICO AND BEING 15 0 FEET LEFT AND RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY

BEGINNING AT A POINT WHICH LIES N 00°30'00"W, 322 3 FEET FROM THE SOUTHEAST CORNER OF SAID SECTION 22, THENCE S 85°46'56"W, 398 2 FEET, THENCE S 60°06'22"W, 440 3 FEET, THENCE S 84°20'16"W, 519 5 FEET TO A POINT ON THE SOUTH SECTION LINE WHICH LIES N 89°01'00"W 1298 8 FEET FROM THE SOUTHEAST CORNER OF SAID SECTION 22 SAID STRIP OF LAND BEING 1358 0 FEET OR 82 30 RODS IN LENGTH AND CONTAINING 0 94 ACRES, MORE OR LESS, AND BEING ALLOCATED BY FORTIES AS FOLLOWS

SE/4 SE/4 = 82 30 RODS = 0 94 ACRES

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE

GARY L. JONES NEW MEXICO 7977 REGISTERED PROFESSIONAL LAND SURVEYOR

GARY L JONES NEW MEXICO No 7977
TEXAS P L S No 5074

1000 0 1000 2000 FEET

BASIN SURVEYS P O BOX 1786 – HOBBS, NEW MEXICO

CHESAPEAKE OPERATING CO.

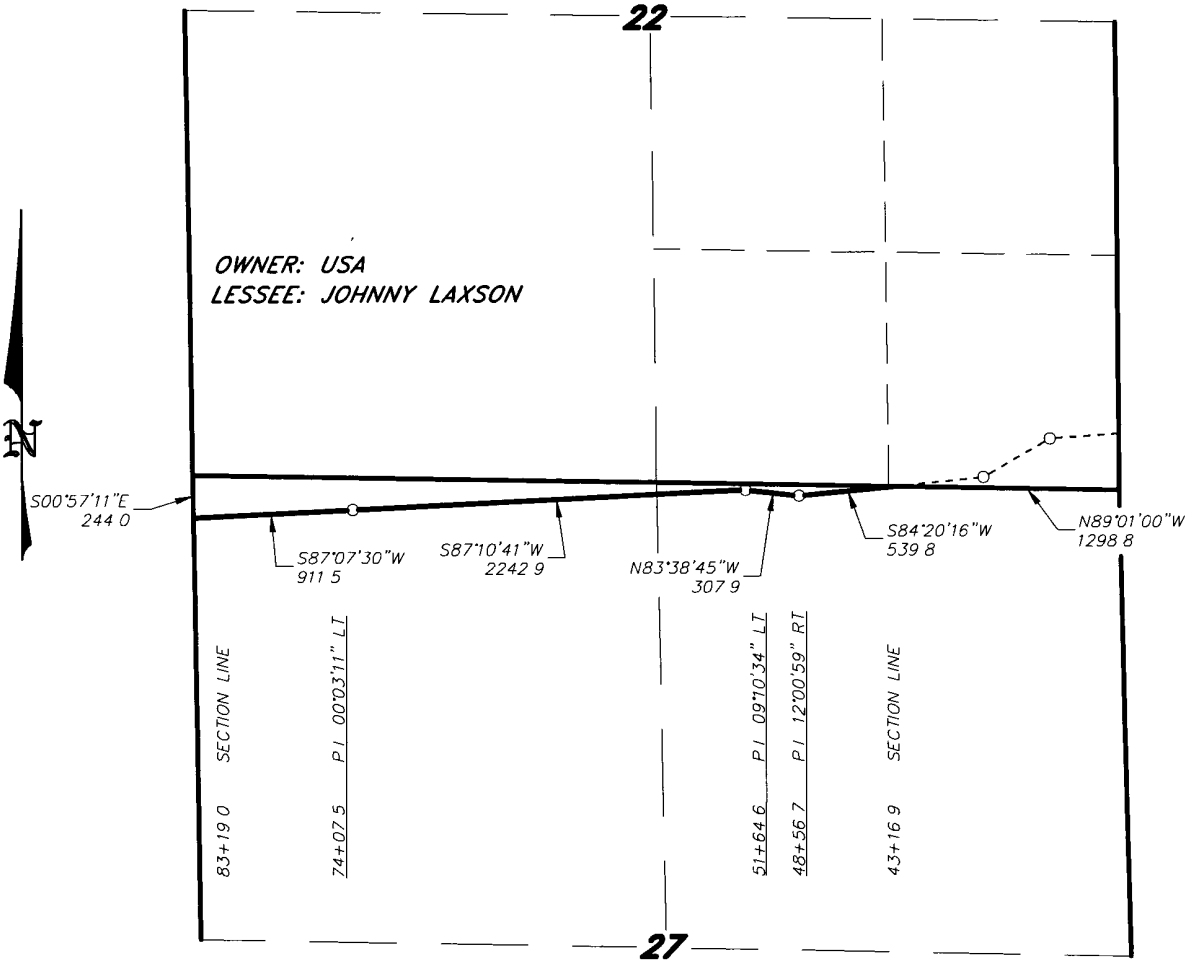
REF PROPOSED LEASE ROAD

A LEASE ROAD CROSSING STATE LAND IN
SECTION 22, TOWNSHIP 25 SOUTH, RANGE 27 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

W O Number 22636	Drawn By J M SMALL		
Date 04–20–2010	Disk JMS 22636	Survey Date 04–15–2010	Sheet 2 of 4 Sheets

SECTION 27, TOWNSHIP 25 SOUTH, RANGE 27 EAST, N.M.P.M.,

EDDY COUNTY, **NEW MEXICO.**



LEGAL DESCRIPTION

A STRIP OF LAND 30 0 FEET WIDE, LOCATED IN SECTION 27, TOWNSHIP 25 SOUTH, RANGE 27 EAST, N M P M , EDDY COUNTY, NEW MEXICO AND BEING 15 0 FEET LEFT AND RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY

SECTION 27 = 4002 1 FEET = 242 55 RODS = 0 76 MILES = 2 76 ACRES 7061.9

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE

GARY L. JONES NEW MEXICO 7977 REGISTERED PROFESSIONAL LAND SURVEYOR

GARY L JONES RPLS No 7977
TEXAS P L S No 5074

1000 0 1000 2000 FEET

BASIN SURVEYS P O BOX 1786 – HOBBS, NEW MEXICO

CHESAPEAKE OPERATING CO.

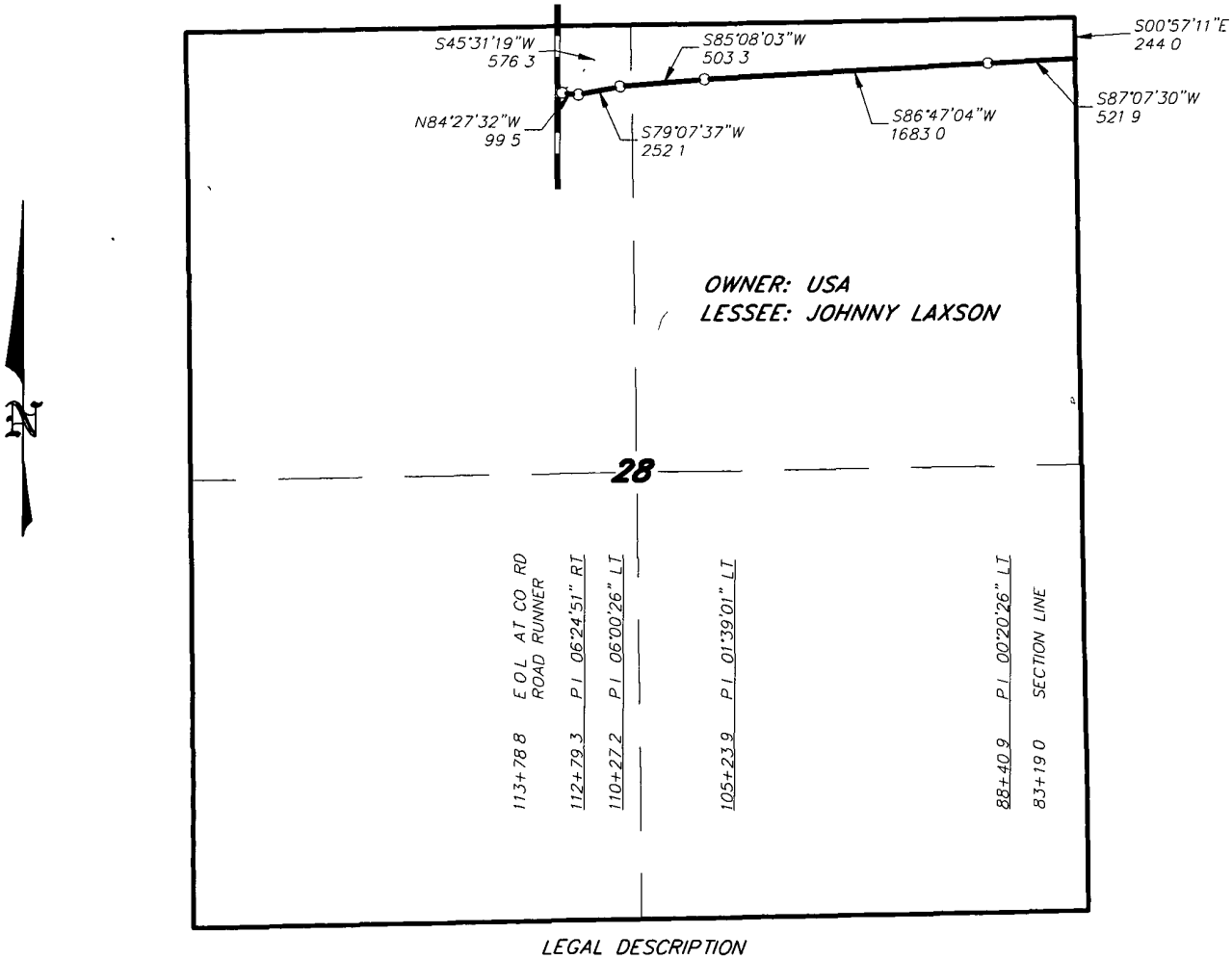
REF PROPOSED LEASE ROAD

A LEASE ROAD CROSSING USA LAND IN
SECTION 27, TOWNSHIP 25 SOUTH, RANGE 27 EAST,
N.M.P.M , EDDY COUNTY, NEW MEXICO.

W O Number 22636	Drawn By J. M SMALL		
Date 04–20–2010	Disk JMS 22636	Survey Date 04–15–2010	Sheet 3 of 4 Sheets

SECTION 28, TOWNSHIP 25 SOUTH, RANGE 27 EAST, N.M.P.M.,

EDDY COUNTY, **NEW MEXICO.**



LEGAL DESCRIPTION

A STRIP OF LAND 30 0 FEET WIDE, LOCATED IN SECTION 28, TOWNSHIP 25 SOUTH, RANGE 27 EAST, N M P M , EDDY COUNTY, NEW MEXICO AND BEING 15 0 FEET LEFT AND RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY

SECTION 28 = 3059 8 FEET = 185 44 RODS = 0 58 MILES = 2 11 ACRES

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE

GARY L JONES N M P S No 7977
TEXAS P L S No 5074

GARY L. JONES NEW MEXICO 7977 REGISTERED PROFESSIONAL LAND SURVEYOR

1000 0 1000 2000 FEET

BASIN SURVEYS P O BOX 1786 – HOBBS, NEW MEXICO

CHESAPEAKE OPERATING CO.

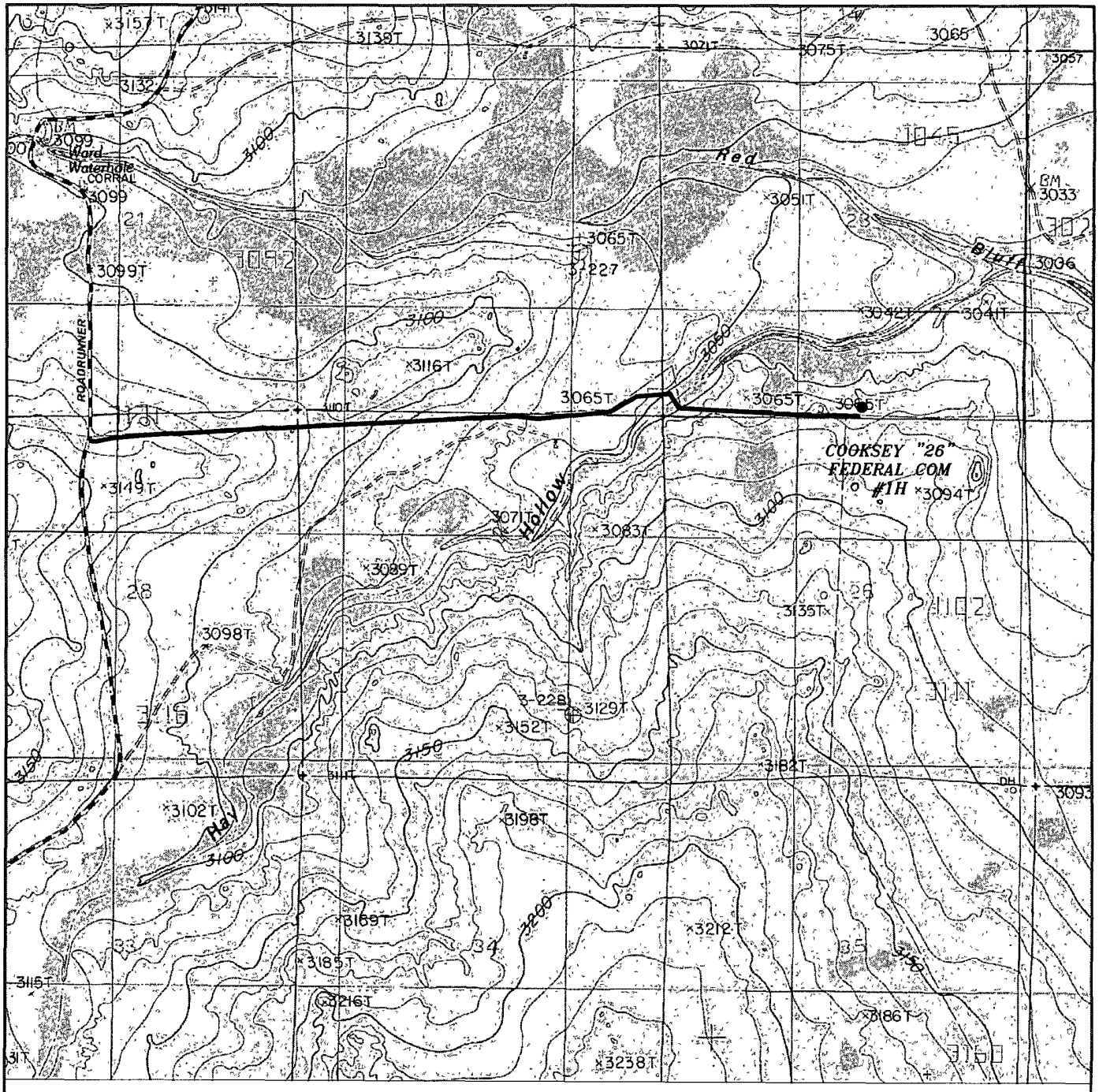
REF PROPOSED LEASE ROAD

A LEASE ROAD CROSSING USA LAND IN

SECTION 28, TOWNSHIP 25 SOUTH, RANGE 27 EAST,

N M.P.M., EDDY COUNTY, NEW MEXICO.

W O Number 22636	Drawn By J M SMALL		
Date 04–20–2010	Disk JMS 22636	Survey Date 04–15–2010	Sheet 4 of 4 Sheets



COOKSEY "26" FEDERAL COM #1H
Located 150' FSL and 2330' FEL
Section 23, Township 25 South, Range 27 East,
N.M.P.M., Eddy County, New Mexico.

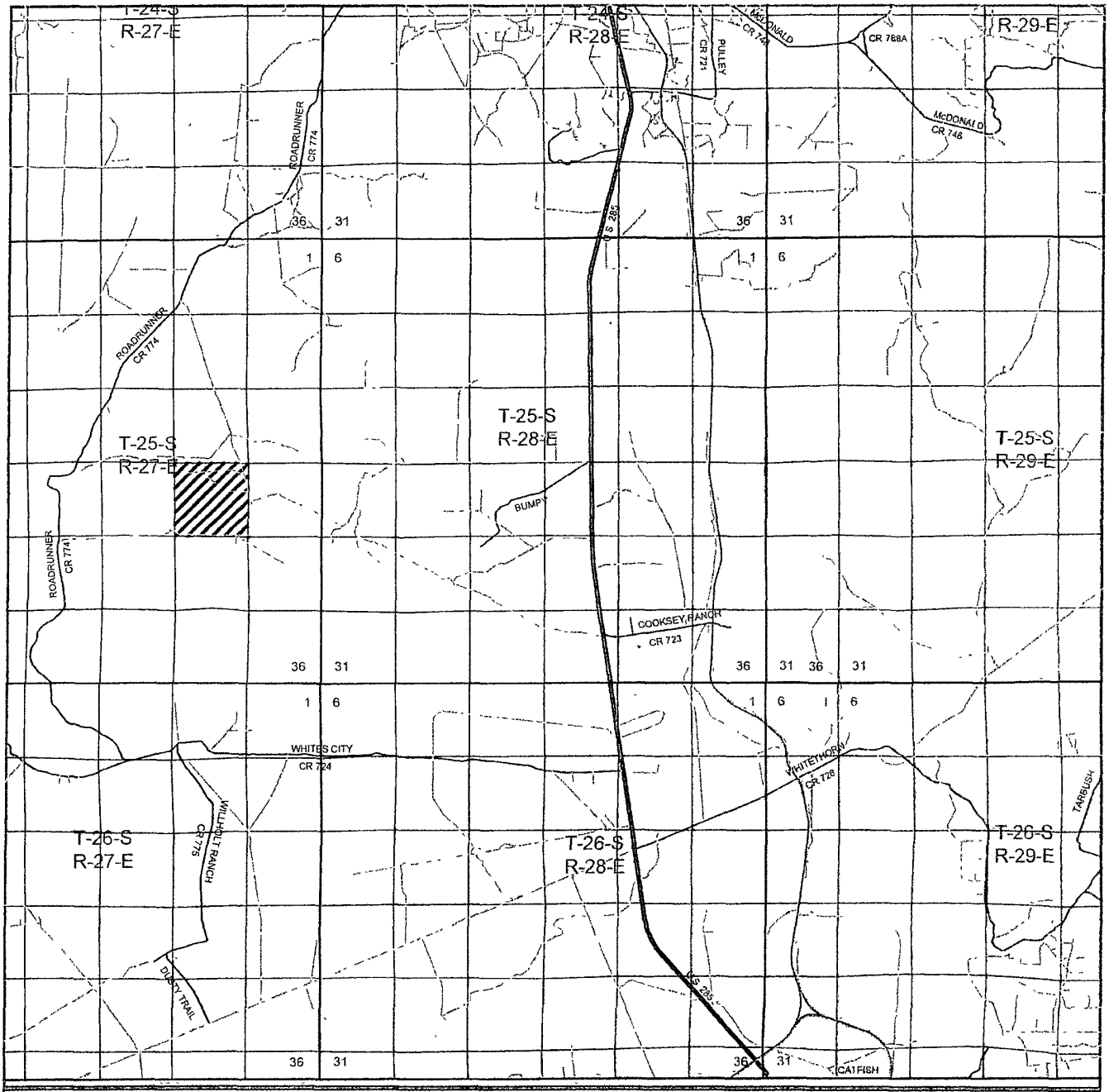
basin surveys
focused on excellence in the oilfield

P O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(575) 393-7316 - Office
(575) 392-2206 - Fax
basinsurveys.com

W O Number	JMS 22796
Survey Date.	05-13-2010
Scale	1" = 2000'
Date	05-14-2010

N

CHESAPEAKE OPERATING CO.



COOKSEY "26" FEDERAL COM #1H
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Hobbs, New Mexico 88241
(575) 393-7316 - Office
(575) 392-2206 - Fax
basinsurveys.com

W.O. Number:	JMS 22796
Survey Date:	05-13-2010
Scale:	1" = 2 Miles
Date:	05-14-2010

N

CHESAPEAKE OPERATING CO.

EXHIBIT A-4

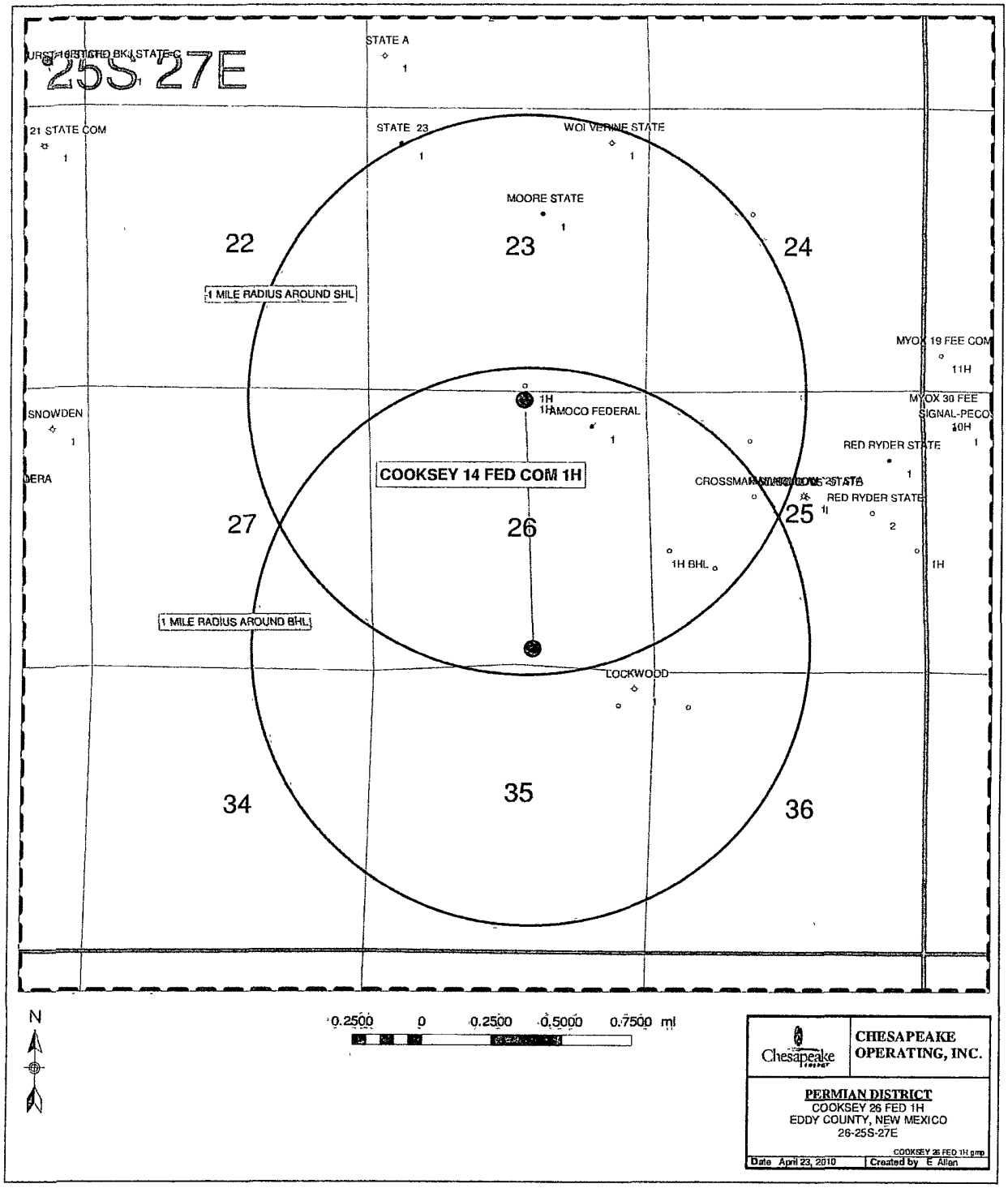
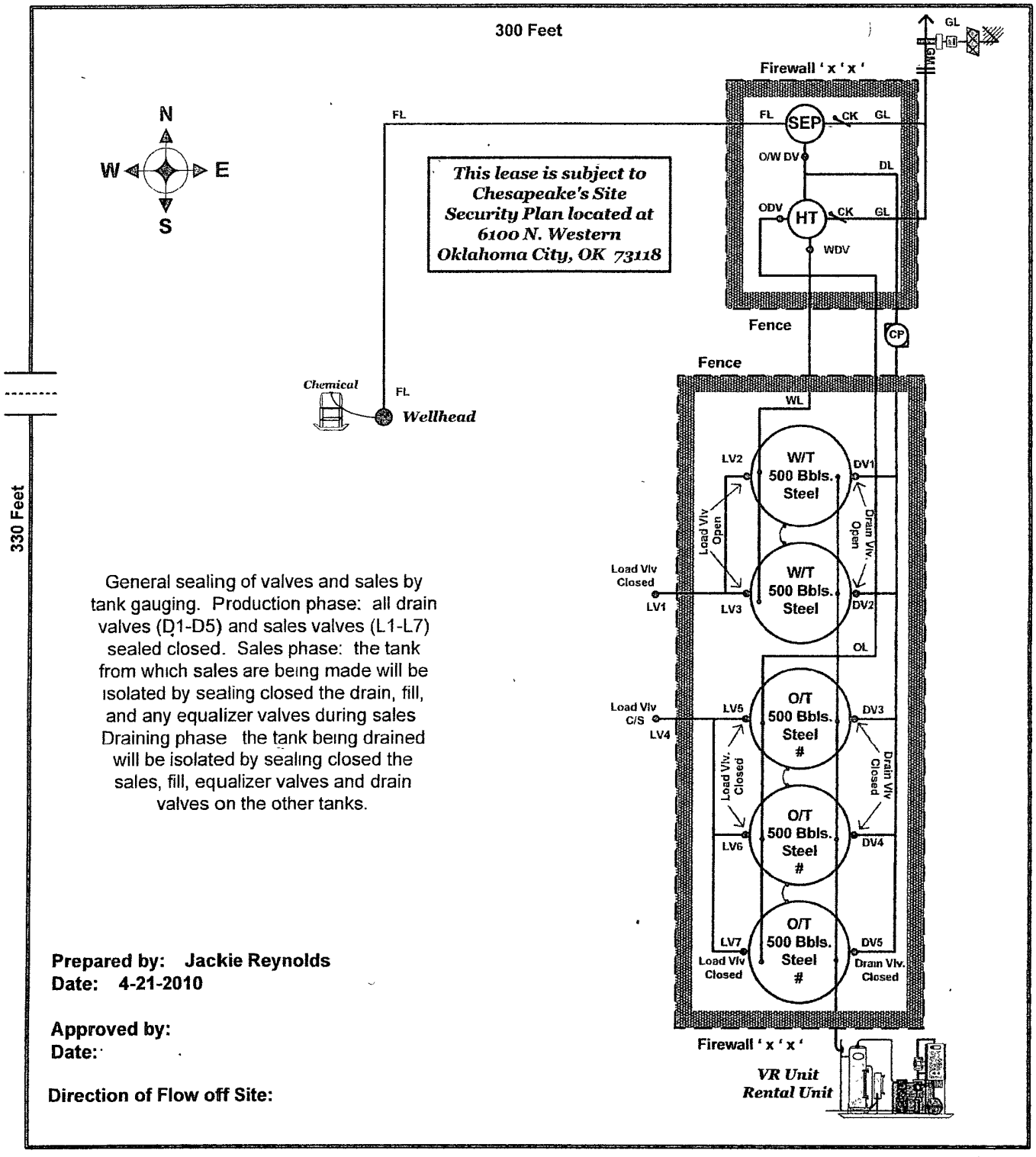

25S 27E
STATE A
21 STATE COM
STATE 23
WOI VERNIE STATE
MOORE STATE
22
23
24
1 MILE RADIUS AROUND SHL
MYOX 19 FEE COM
11H
SNOWDEN
1H
AMOCO FEDERAL
MYOX 30 FEE
SIGNAL-PECO
10H
RED RYDER STATE
COOKSEY 14 FED COM 1H
CROSSMAN
RED RYDER STATE
27
26
25
1H BHL
1H
1 MILE RADIUS AROUND BHL
LOCKWOOD
34
35
36
N
0.2500 0 0.2500 0.5000 0.7500 mi
Chesapeake
CHESAPEAKE OPERATING, INC.
PERMIAN DISTRICT
COOKSEY 26 FED 1H
EDDY COUNTY, NEW MEXICO
26-25S-27E
COOKSEY 26 FED 1H.pmp
Date April 23, 2010
Created by E Allen

EXHIBIT B

Cooksey "26" Federal Com #1H

Chesapeake ENERGY

Lat: 32.107730" – Long.: -104.159422
NW NE S26/T25S/R27E – 330 FNL & 2270 FEL
Eddy Co., New Mexico



General sealing of valves and sales by tank gauging. Production phase: all drain valves (D1-D5) and sales valves (L1-L7) sealed closed. Sales phase: the tank from which sales are being made will be isolated by sealing closed the drain, fill, and any equalizer valves during sales Draining phase the tank being drained will be isolated by sealing closed the sales, fill, equalizer valves and drain valves on the other tanks.

Prepared by: Jackie Reynolds
Date: 4-21-2010

Approved by:
Date:

Direction of Flow off Site:

EXHIBIT C

PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	CHESAPEAKE OPERATING
LEASE NO.:	NM107369
WELL NAME & NO.:	1H-COOKSEY 26 FEDERAL COM
SURFACE HOLE FOOTAGE:	0150' FSL & 2230' FEL
BOTTOM HOLE FOOTAGE	0330' FSL & 2270' FEL
LOCATION:	Section 26, T. 25 S., R 27 E., NMPM
COUNTY:	Eddy County, New Mexico

TABLE OF CONTENTS

Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

I. GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

II. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

IV. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

V. SPECIAL REQUIREMENT(S)

Berming

The north and west side of the pad will be bermed with a caliche berm approximately 1 foot high.

Construction of access road

The 11.340 feet long access road will be constructed with adequate leadouts to prevent runoff accumulation. Culverts will be installed where the access road crosses the drainage immediately to the west of the well location. Rock riprap should be installed as necessary to prevent erosion where water exits the culverts.

If necessary, the access road may be rerouted to enter on the southwest corner of the pad following completion of the well in order to minimize erosion. This action will be determined by the authorized officer.

Communitization Agreement

A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

VI. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (575) 234-5972 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

B. V-DOOR DIRECTION: west

C. TOPSOIL

The operator shall stockpile the topsoil in a low profile manner in order to prevent wind/water erosion of the topsoil. The topsoil to be stripped is approximately 6 inches in depth. The topsoil will be used for interim and final reclamation.

D. CLOSED LOOP SYSTEM

Tanks are required for drilling operations: No Pits.

The operator shall properly dispose of drilling contents at an authorized disposal site.

E. FEDERAL MINERAL MATERIALS PIT

Payment shall be made to the BLM prior to removal of any federal mineral materials. Call theCarlsbad Field Office at (575) 234-5972.

F. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

G. ON LEASE ACCESS ROADS

Road Width
The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) feet.

Surfacing
Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

Crowning

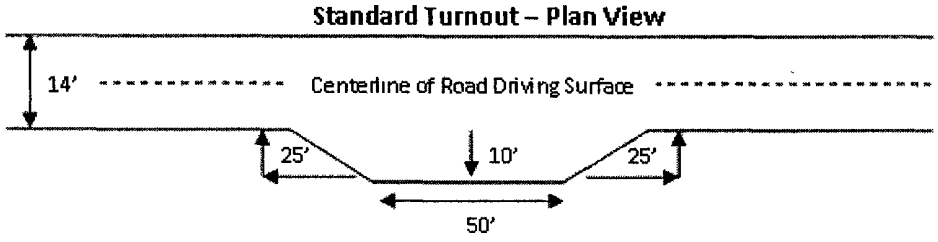
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Ditching

Ditching shall be required on both sides of the road.

Turnouts

Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:

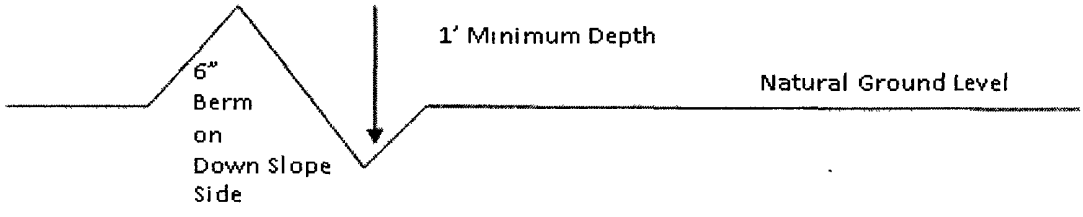


Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

Cross Section of a Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

Formula for Spacing Interval of Lead-off Ditches

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

$$\text{400 foot road with 4\% road slope: } \frac{400'}{4\%} + 100' = 200' \text{ lead-off ditch interval}$$

Culvert Installations
Appropriately sized culvert(s) shall be installed at the deep waterway channel flow crossing.

Cattleguards
An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

Any existing cattleguard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguard(s) that are in place and are utilized during lease operations.

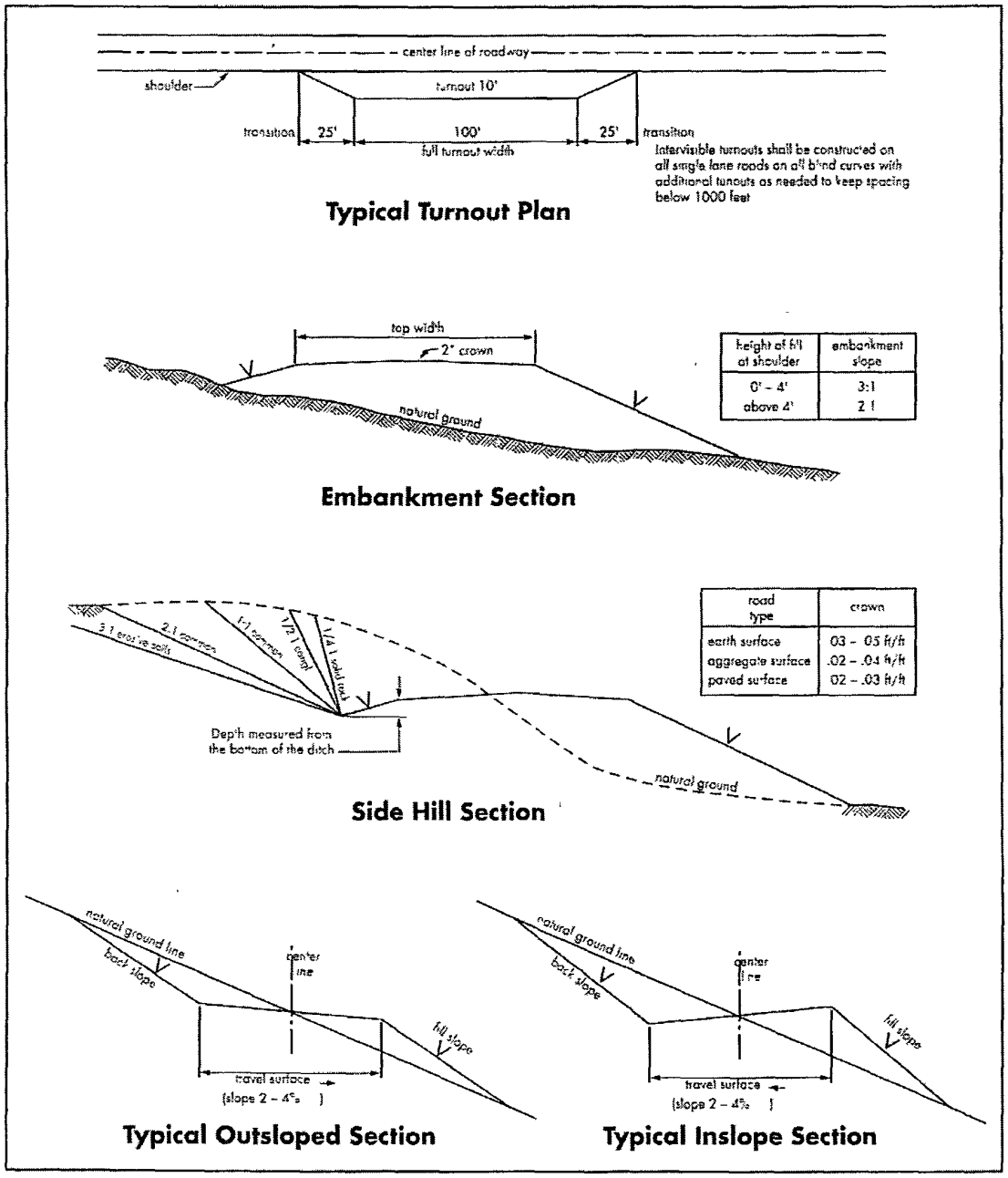
A gate shall be constructed and fastened securely to H-braces.

Fence Requirement
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fence(s).

Public Access
Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

Figure 1 – Cross Sections and Plans For Typical Road Sections



Height of fill at shoulder	embankment slope
0' – 4'	3:1
above 4'	2:1

road type	crown
earth surface	.03 – .05 ft/ft
aggregate surface	.02 – .04 ft/ft
paved surface	.02 – .03 ft/ft

VII. 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.

Medium cave potential.
Possible lost circulation in the Chinle Formation and the Delaware Group.

1. The **13-3/8** inch surface casing shall be set at **approximately 650 feet (a minimum of 25 feet into the Castile Anhydrite and above the salt)** and cemented to the surface. **Fresh water mud to be used to setting depth.**

    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 surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.

    b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.

    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.

    Formation below the 13-3/8" 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 and the mud weight for the bottom of the hole. Report results to BLM office.

2. The minimum required fill of cement behind the **9-5/8** inch intermediate casing is: **This casing is to be set at approximately 2,200 feet, within anhydrite, in the base of the Castile formation.**

   ☒ Cement to surface. If cement does not circulate see B.1.a, c-d above. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to cave/karst.**

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.

Pilot hole is required to have a kickoff plug a minimum of 500' in length.

3. The minimum required fill of cement behind the **5-1/2** inch production casing is:

   a. First stage to DV tool, cement shall:

   ☒ Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job.

   b. Second stage above DV tool, cement shall:

   ☒ Cement should tie-back at least 500 feet into previous casing string. 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 **5000 (5M)** psi. **5M system requires an HCR valve, remote kill line and annular to match. The remote kill line is to be installed prior to testing the system and tested to stack pressure.**

3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

    a. Casing cut-off and BOP installation will not be initiated until the cement has had a minimum of 8 hours setup time for a water basin. The casing shall remain stationary and under pressure for at least eight hours after the operator places the cement. In the potash area, the minimum time is 12 hours and the casing shall remain stationary and under pressure during this time period. Casing shall be under pressure if the operator uses some acceptable means of holding pressure or if the operator employs one or more float valves to hold the cement in place. Testing the BOP/BOPE against a plug can commence after meeting the above conditions plus the BOP installation time.

    b. The tests shall be done by an independent service company utilizing a test plug.

    c. The results of the test shall be reported to the appropriate BLM office.

    d. 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.**

    e. 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.

CRW 060410

VIII. PRODUCTION (POST DRILLING)

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities
Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Containment Structures
The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement
All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color
Shale Green, Munsell Soil Color Chart # 5Y 4/2

B. PIPELINES

C. ELECTRIC LINES

IX. INTERIM RECLAMATION

During the life of the development, all disturbed areas not needed for active support of production operations should undergo interim reclamation in order to minimize the environmental impacts of development on other resources and uses.

Within six (6) months of well completion, operators should work with BLM surface management specialists (Jim Amos: 575-234-5909) to devise the best strategies to reduce the size of the location. Interim reclamation should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche that is free of contaminants may be used for road repairs, fire walls or for building other roads and locations. In order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

All disturbed areas after they have been satisfactorily prepared need to be reseeded with the seed mixture provided below.

Upon completion of interim reclamation, the operator shall submit a Sundry Notices and Reports on Wells, Subsequent Report of Reclamation (Form 3160-5).

X. FINAL ABANDONMENT & RECLAMATION

At final abandonment, well locations, production facilities, and access roads must undergo "final" reclamation so that the character and productivity of the land are restored.

Earthwork for final reclamation must be completed within six (6) months of well plugging. All pads, pits, facility locations and roads must be reclaimed to a satisfactory revegetated, safe, and stable condition, unless an agreement is made with the landowner or BLM to keep the road and/or pad intact.

After all disturbed areas have been satisfactorily prepared, these areas need to be revegetated with the seed mixture provided below. Seeding should be accomplished by drilling on the contour whenever practical or by other approved methods. Seeding may need to be repeated until revegetation is successful, as determined by the BLM.

Operators shall contact a BLM surface protection specialist prior to surface abandonment operations for site specific objectives (Jim Amos: 575-234-5909).

Seed Mixture 1, for Loamy Sites

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)* per acre. There shall be no primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed will be done in accordance with State law(s) and within nine (9) months prior to purchase. Commercial seed will be either certified or registered seed. The seed container will be tagged in accordance with State law(s) and available for inspection by the authorized officer.

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (small/heavier seeds have a tendency to drop the bottom of the drill and are planted first). The holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre are to be doubled. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of at least one full growing season after seeding.

Species to be planted in pounds of pure live seed* per acre:

Species	lb/acre
Plains lovegrass (Eragrostis intermedia)	0.5
Sand dropseed (Sporobolus cryptandrus)	1.0
Sideoats grama (Bouteloua curtipendula)	5.0

*Pounds of pure live seed:

Pounds of seed **x** percent purity **x** percent germination = pounds pure live seed