

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 73154-0496**
3b. Phone No. (include area code) **405-767-4275**

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
1980 FNL 660 FEL SENE SEC 25-23S-33E

5. Lease Serial No.

NMNM 112940

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

BRININSTOOL 25 FEDERAL 1

9. API Well No.

30-025-37582

10. Field and Pool, or Exploratory Area

PALOMA BLANCO

11. County or Parish, State

LEA 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 type="checkbox"/> Other
	<input checked="" 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 recomple 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 recomple 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.)

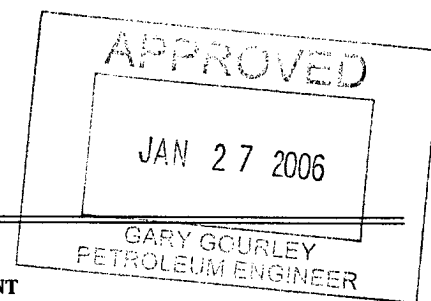
Chesapeake respectfully requests to change the surface casing point from 1,300' to 800' on the Brininstool 25 Federal 1. The reason for the shallower casing point is because severe losses are expected from 300' to 600'. Setting casing across this section as soon as possible will help prevent sticking problems (drill pipe and casing). We will cement the 13-3/8", 48#, H40, STC casing to surface. The anticipated cement volume is 400 sx of lead (12.7 ppg and 1.89 yield) and 325 sx of tail (14.8 ppg and 1.35 yield).

Additionally, we will drill the next hole section (12-1/4") with fresh water to the top of the Rustler formation at 1,275', and continue with casing plans as stated in the APD.

Chesapeake will use the Lea County Alternative Conditions of Approval that are attached.

BLM Nationwide Bond #NM2634.

(CHK PN 819660)



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

LINDA GOOD

Title **PERMITTING AGENT**

Signature

Linda Good

Date

01/25/2006

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

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.

Title

Date

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.

(Instructions on page 2)

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ALTERNATIVE CONDITIONS OF APPROVAL - DRILLING

Drilling Fluids, Casing and Cementing Requirements for Most of Lea County:

Casing and Cementing

Surface casing is to be set at a sufficient depth to protect useable water zones and cement circulated to surface. In areas where the salt section (Salado) is present, surface casing should be set at least 25 feet into the top of the Rustler Anhydrite and cement circulated to the surface.

As an alternative, surface casing may be set through the Santa Rosa Formation or other potable water bearing zones and circulate cement to surface. For wells requiring an intermediate casing string, such string shall be cemented to the ground surface. In the case where intermediate casing is not required the operator shall case and cement the production hole to the ground surface.

While drilling from the surface casing to the Rustler formation it is recommended that operators periodically sweep the hole with viscous low water loss pills to help build a filter cake across useable water zones in the redbeds.

Drilling Fluid

Fresh water or fresh water spud mud shall be used to drill to surface casing depth. If surface casing is set at a lesser depth than the top of the Rustler formation, fresh water spud mud may be used to drill down to the first salt in the Rustler Formation. after which brine or fresh water may be used.

Non-toxic or biodegradable water based polymers, drilling paper, starch and gels may be used in the mud system in order to retard seepage into the redbeds.

Two to five percent diesel or crude oil may be used in the redbed section in order to control heaving shales and mudstones.

Caustics and Lime shall not be used in the red beds but may be added when the Rustler formation is reached. However, sodium carbonate maybe used for alkalinity or ph control while drilling the redbeds above the Rustler formation.

Additionally, questions of whether an additive may be used should be referred to the Roswell Field office.

DeLaO

To David (Chesapeake)
From Gary Gourley BLM PE Roswell 1- 505-627-0249

In Regards to allowing a shallower surface casing setting depth in mid west Lea County areas, due to the severe lost circulation that have been encountered, my discussion with David DeLaO (Chesapeake), emphasized the attempt to help seal off potable water zones between the shoe depth and the Rustler Anhydrite by incorporating the Lea County Alternative Conditions of Approval, (attached to this fax), namely the use of a mud make-up of paper, gel and starch while using Fresh water as the drilling medium from under the 13 3/4 surface shoe. An anti hardness treatment may also be necessary to prevent cement contamination vs the Bentonite. David will recheck and try to pinpoint the Salt Tops to detour premature use of brine water additions. The Company man and rig personnel shall be informed to add these products in an attempt to seal any possible potable waters that may exist in lieu of setting the surface casing to the Rustler Anhydrite at approximately 1275 ft. of depth. Area wells that have total lost circulation have experienced surface casing strings getting stuck at about 600 to 800 feet and not making it to the targeted footage of 1200 or so feet.