

CONFIDENTIAL

Form 3160-3
(April 2004)

OCD-HOBBS

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

5. Lease Serial No. NMLC 071949	
6. If Indian, Allottee or Tribe Name	
7. If Unit or CA Agreement, Name and No.	
8. Lease Name and Well No. <35730> KELLER 27 FEDERAL 3	
9. API Well No. 30-025-37907	
10. Field and Pool, or Exploratory Bell Lake ANTELOPE RIDGE Delaware East	
11. Sec., T. R. M. or Blk. and Survey or Area <96322> 27-23S-34E	
12. County or Parish LEA	13. State NM
14. Distance in miles and direction from nearest town or post office* APPROX. 20 MILES NW OF JAL, NM.	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of acres in lease 320
17. Spacing Unit dedicated to this well 40	18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.
19. Proposed Depth 8800	20. BLM/BIA Bond No. on file NM2634
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3440 GR 3452 KB	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:

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

25. Signature 	Name (Printed/Typed) HENRY HOOD	Date 3/1/06
Title SR. VICE PRESIDENT - LAND & LEGAL		
Approved by (Signature) /s/ Tony J. Herrell	Name (Printed/Typed) /s/ Tony J. Herrell	Date MAY 19 2006
Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

Application approval 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.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

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)

Witness Surface Casing

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED**

Chesapeake Operating Inc.
Keller 27 Federal 3
1997 FNL 1862 FWL
SENV of Section 27-23S-34E
Lea County, NM

Confidential – Tight Hole
Lease No. NMLC 071949

#24 Attachment to Application for Permit to Drill or Re-enter

Chesapeake Operating, Inc. respectfully requests permission to drill a well to 8800' 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 Plan as required by Onshore Order No. 1. A general rig plat is attached as Exhibit D. A final rig plat will be submitted prior to spud. Exhibit E Archeological Survey to follow

Chesapeake Operating, Inc. has an agreement with the grazing lessee.

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.



State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I

1825 N. FRENCH DR., HOBBES, 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

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.

Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-025-37907	Pool Code 96322	Pool Name Bell Lake; Delaware, East
Property Code 35730	Property Name KELLER 27 FEDERAL	Well Number 3
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 3476'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	27	23-S	34-E		1997	NORTH	1862	WEST	LEA

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

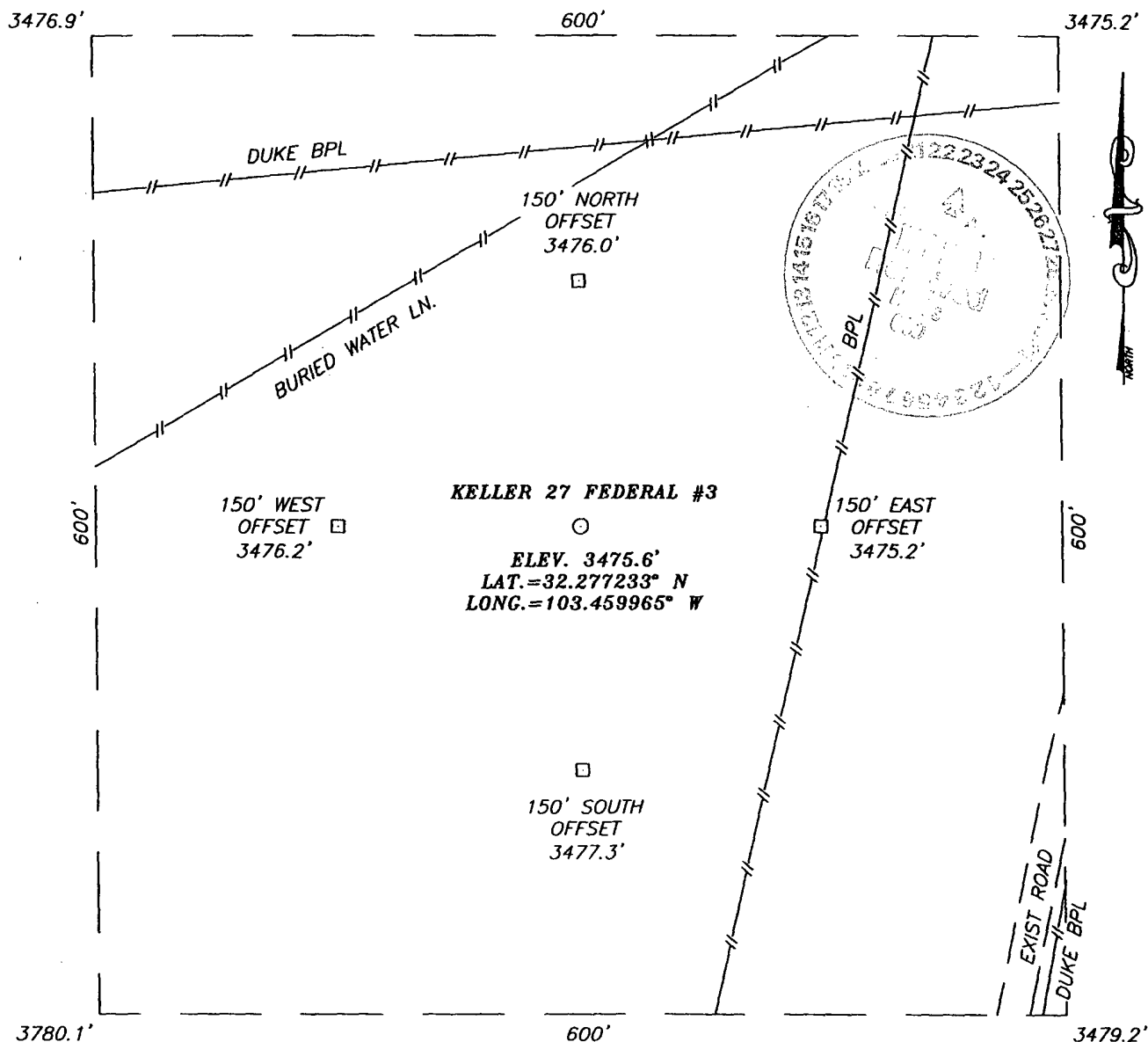
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Kathy F. Blick</i> 2/15/06 Signature Date</p> <p><i>Kathy F. Blick</i> Printed Name</p>
	<p>SURVEYOR CERTIFICATION</p> <p>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 supervision, and that the same is true and correct to the best of my belief.</p> <p>FEBRUARY 1, 2006</p> <p>Date Surveyed JR</p> <p>Signature & Seal of Professional Surveyor</p> <p><i>GARY EIDSON</i> 2/13/06 06.11.0240</p> <p>Certificate No. GARY EIDSON 12841</p>
	<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=465673.6 N X=769926.2 E</p> <p>LAT.=32.277233° N LONG.=103.459965° W</p>

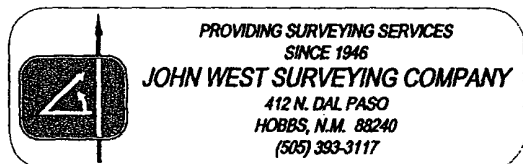
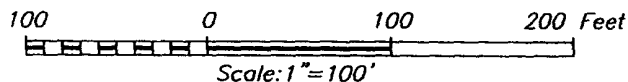
EXHIBIT A-1

SECTION 27, TOWNSHIP 23 SOUTH, RANGE 34 EAST, N.M.P.M.,
 LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF CO. RD. E-21 (DELAWARE BASIN RD.) AND ANTELOPE RD., GO SOUTH ON ANTELOPE RD. APPROX. 3.2 MILES TO ADOBE RD., TURN LEFT (EAST) AND GO APPROX. 1.1 MILES TO A CALICHE ROAD ON THE RIGHT. TURN RIGHT (SOUTH) AND GO APPROX. 0.53 MILES. THIS LOCATION IS APPROX. 300' WEST OF ROAD.



CHESAPEAKE OPERATING, INC.

KELLER 27 FEDERAL #3 WELL
 LOCATED 1997 FEET FROM THE NORTH LINE
 AND 1862 FEET FROM THE WEST LINE OF SECTION 27,
 TOWNSHIP 23 SOUTH, RANGE 34 EAST, N.M.P.M.,
 LEA COUNTY, NEW MEXICO.

Survey Date: 2/01/06	Sheet 1 of 1 Sheets
W.O. Number: 06.11.0240	Dr By: J.R.
Date: 2/09/06	Disk: CD#6
06110240	Scale: 1"=100'

EXHIBIT A-2

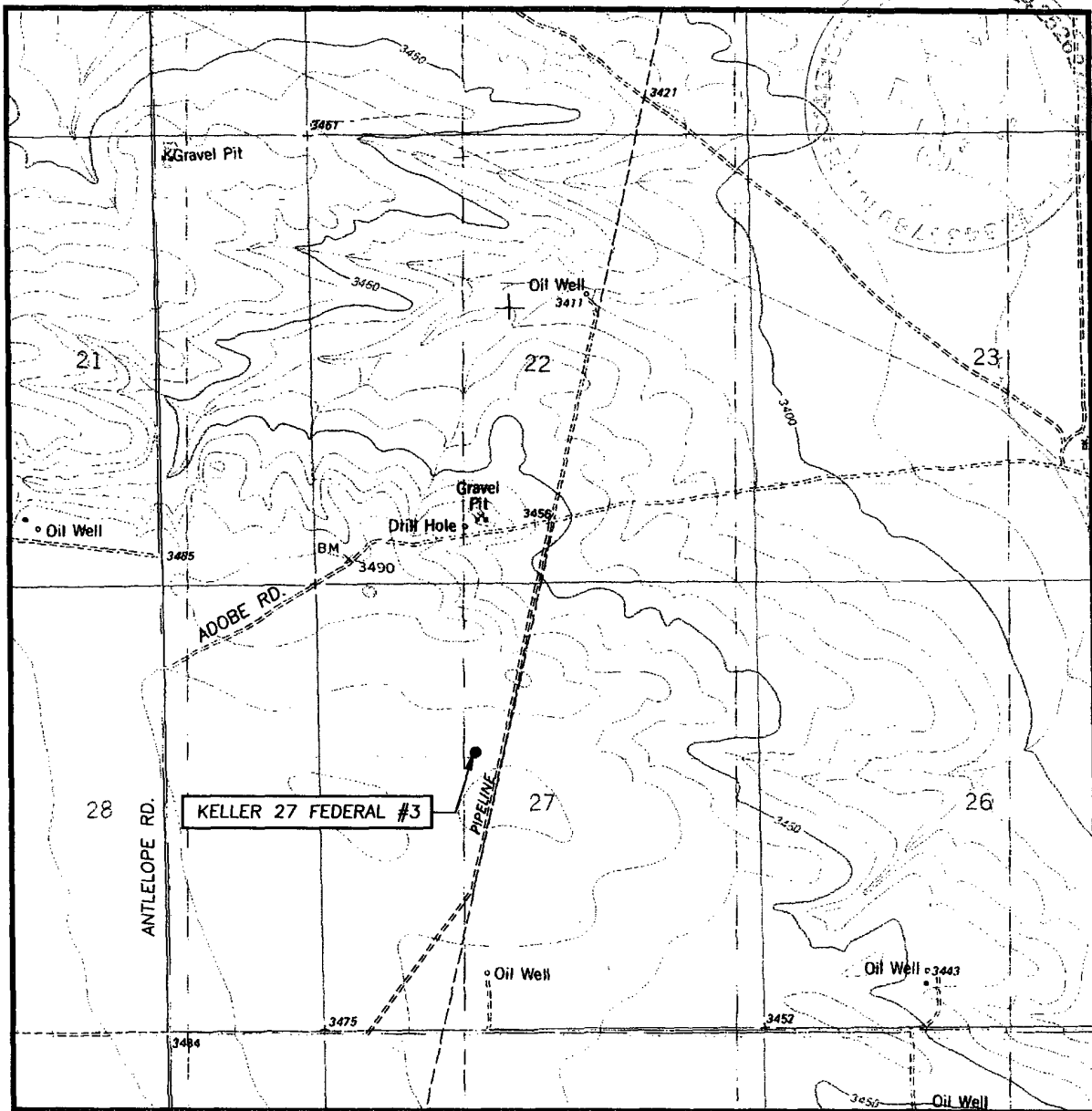
11222924-25



SEC. 27 TWP. 23-S RGE. 34-E
SURVEY _____ N.M.P.M. _____
COUNTY LEA STATE NEW MEXICO
DESCRIPTION 1997' FNL & 1862' FWL
ELEVATION 3476'
OPERATOR CHESAPEAKE
OPERATING, INC.
LEASE KELLER 27 FEDERAL



LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
SAN SIMON SINK, N.M. - 10'

SEC. 27 TWP. 23-S RGE. 34-E

SURVEY _____ N.M.P.M.

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 1997' FNL & 1862' FWL

ELEVATION 3476'

OPERATOR CHESAPEAKE OPERATING, INC.

LEASE KELLER 27 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
SAN SIMON SINK, N.M.

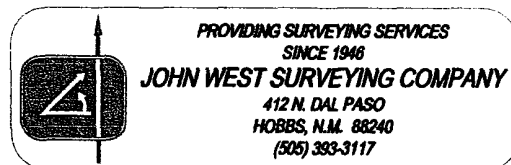


EXHIBIT A-4



Linda Good
Permitting Agent

May 4, 2006

VIA FACSIMILE (505) 234-5927

Mr. Cody Layton
United States Department of the Interior
Bureau of Land Management
Carlsbad Field Office
620 E. Greene Street
Carlsbad, NM 88220-6292

Re: Pit Dimensions

Dear Cody:

Chesapeake Operating, Inc. proposes to use a modified loop system for the wells below. There will be a pit 130' long x 10' wide x 10' deep to be used for cuttings only.

Keller 22 Federal 1
Keller 27 Federal 1, 2 & 3
Lotus C Federal 907
Lotus 10 Federal 6

We propose that the in-ground pit dimensions for the wells below will be 130' long x 15' wide x 10' deep.

Livestock Federal 3-9, Lea County
Sun Pearl 28 Federal 7, Lea County

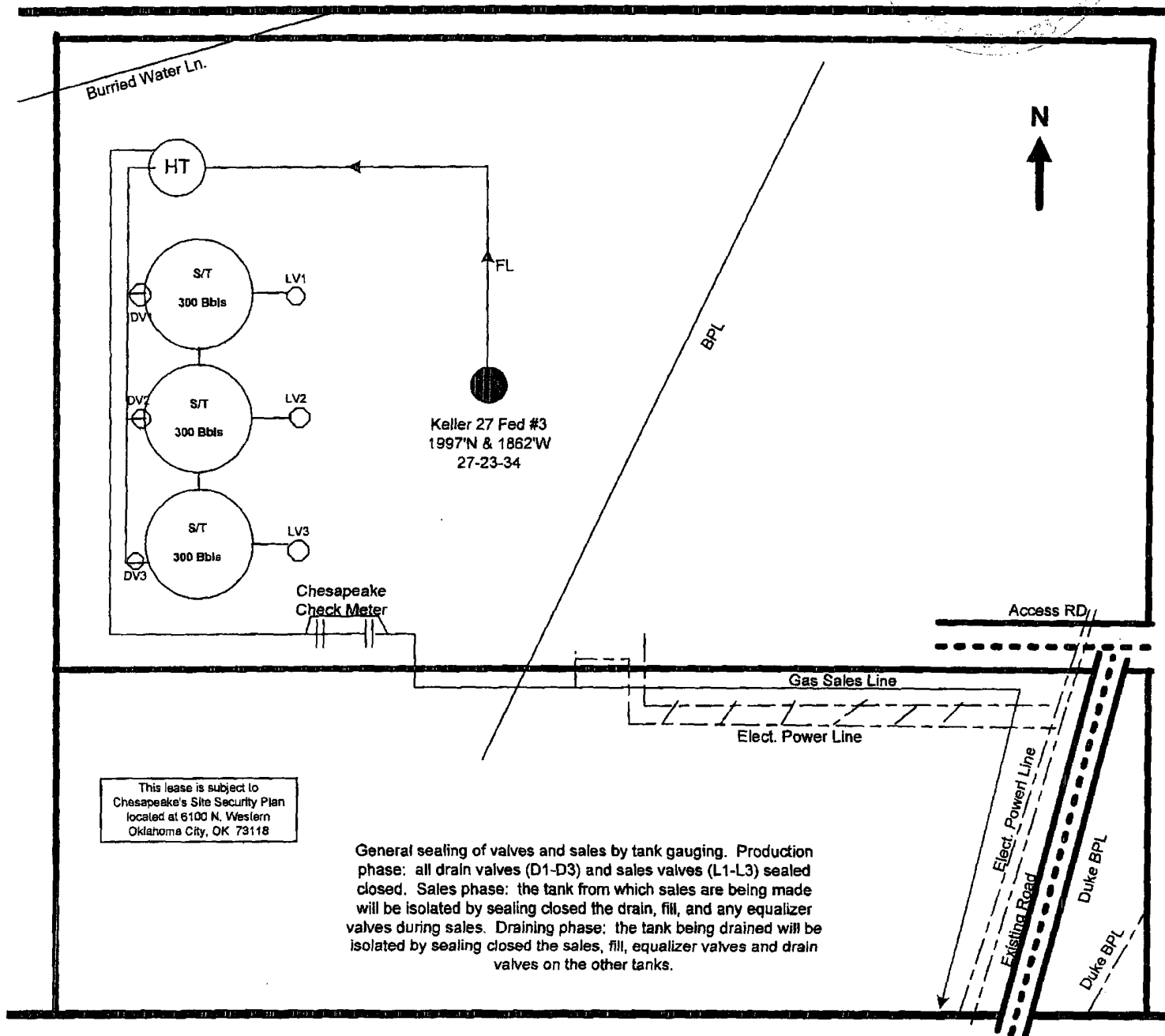
If you have any further questions, please contact me at 405-767-4275.

Sincerely,

CHESAPEAKE OPERATING, INC.

A handwritten signature in cursive script that reads "Linda Good".

Linda Good
Federal Regulatory

CHESAPEAKE OPERATING, INC.**KELLER 27 FEDERAL 3****27-23S-34E****LEA COUNTY, NM**

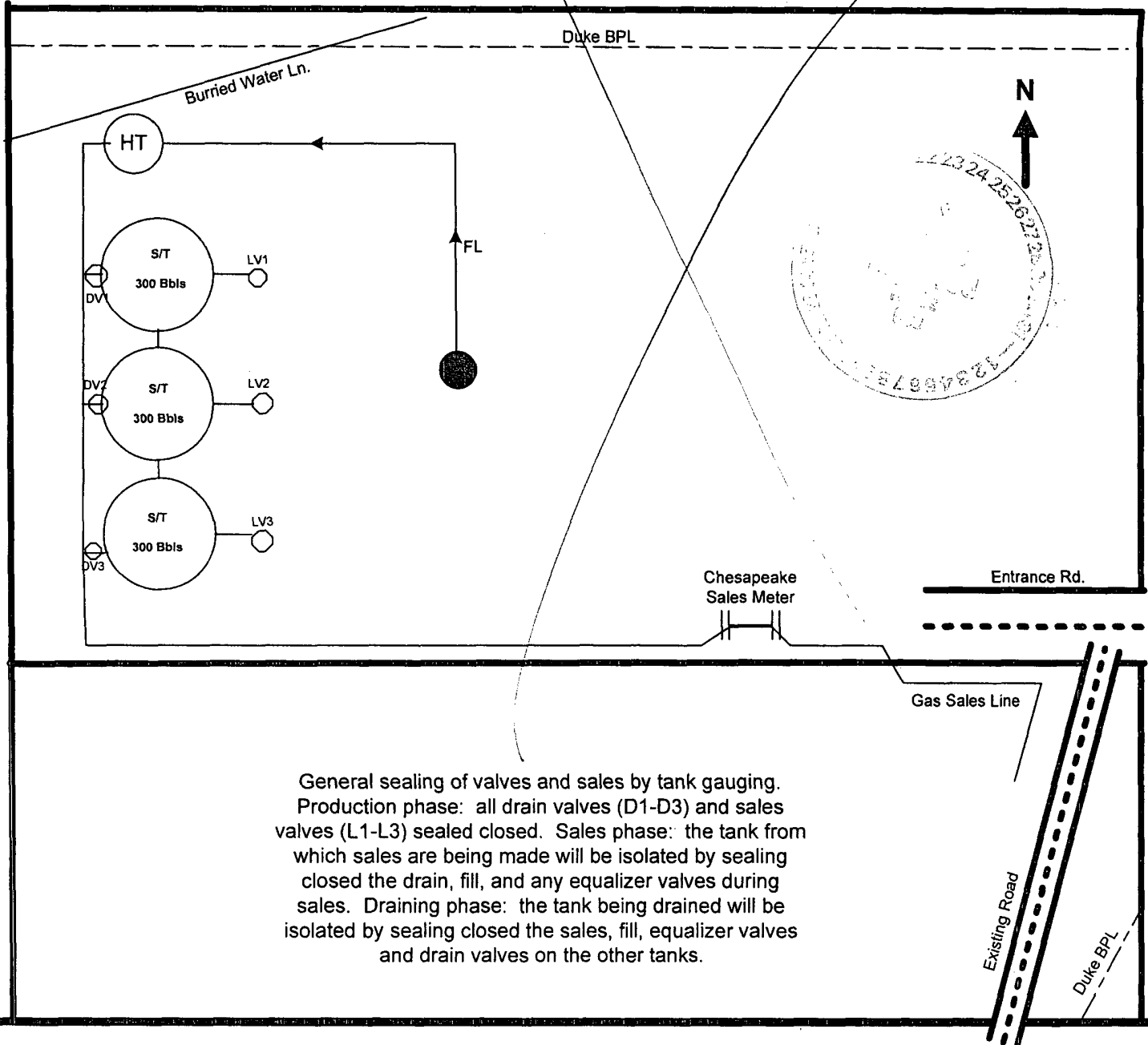
KELLER 27 FEDERAL #3 610219

Prepared by: **DEBBIE HERNANDEZ**
 Date: **02-23-2006**

Approved by:
 Date:

EXHIBIT C

CHESAPEAKE OPERATING, INC.
KELLER 27 FEDERAL 3
27-23S-34E
LEA COUNTY, NEW MEXICO



KELLER 27 FEDERAL #3 610219

Prepared by: DEBBIE HERNANDEZ
Date: 02-23-2006

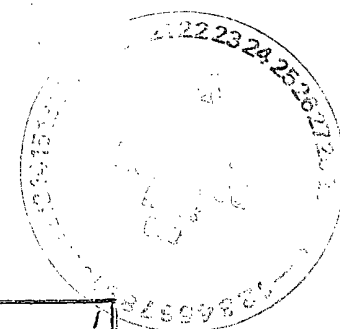
Approved by:
Date:

This lease is subject to
Chesapeake's Site Security Plan
located at 6100 N. Western
Oklahoma City, OK 73118

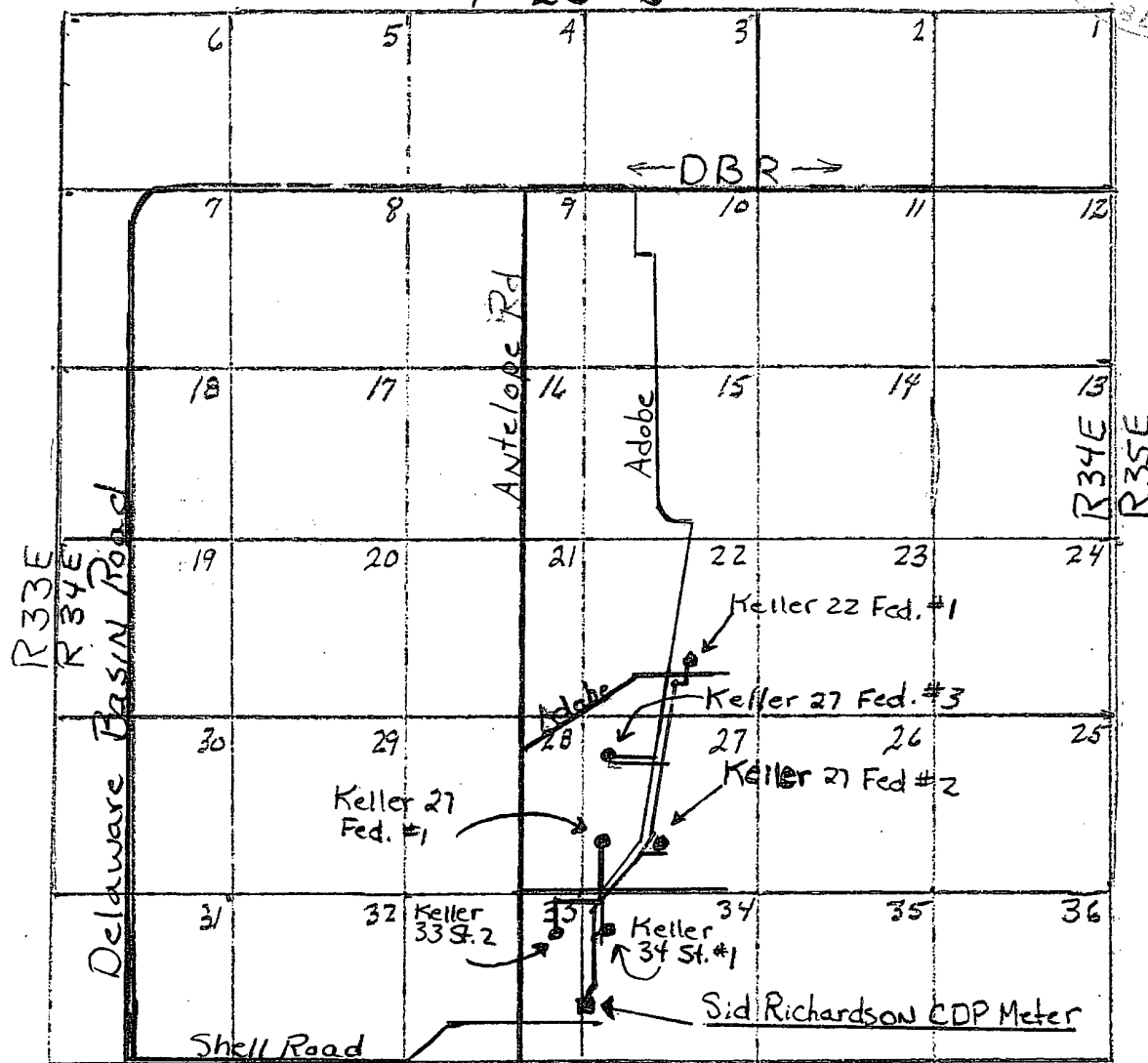
EXHIBIT

C

Chesapeake Keller Gas Flow Lines



T-23-S



Cody the Keller 33 St. #2 production line will go over to the Keller 34 St. #1. All other wells will have their own separate batteries.

Chesapeake will measure the gas at each battery and deliver the gas to Sid Richardson/Southern Union at location marked above.

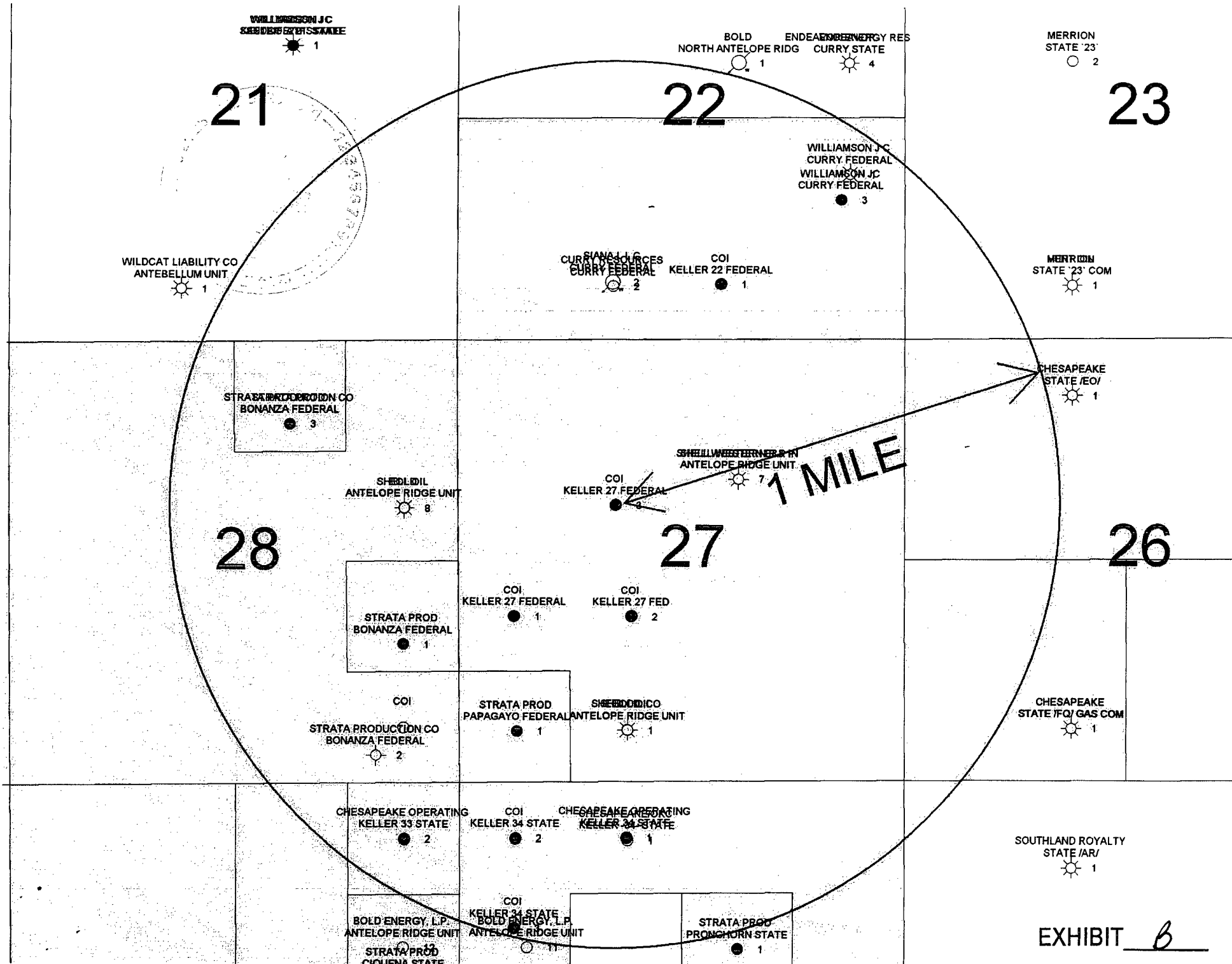
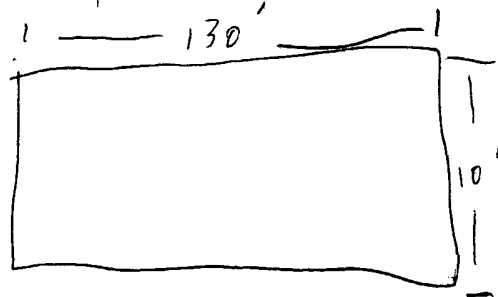
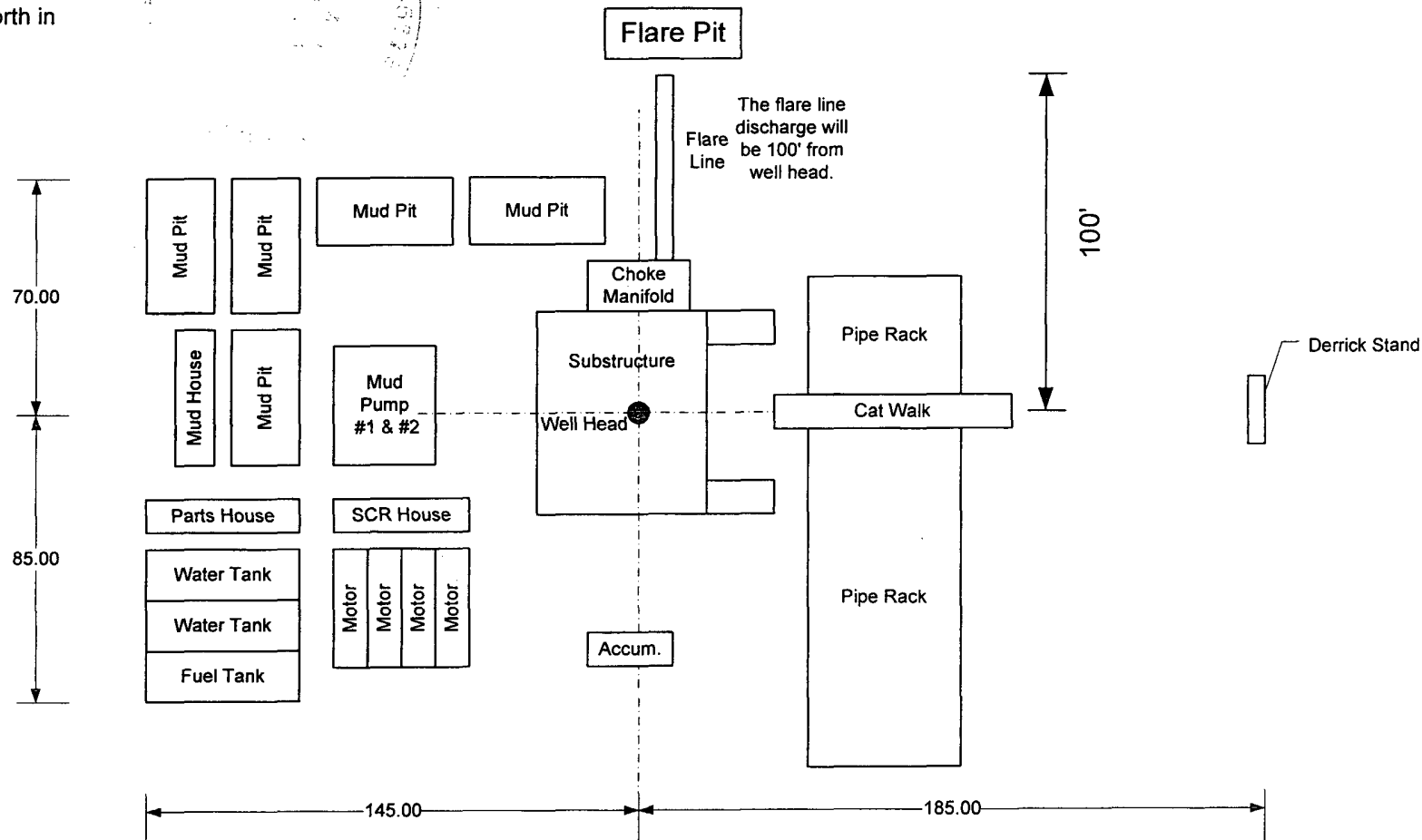


EXHIBIT B

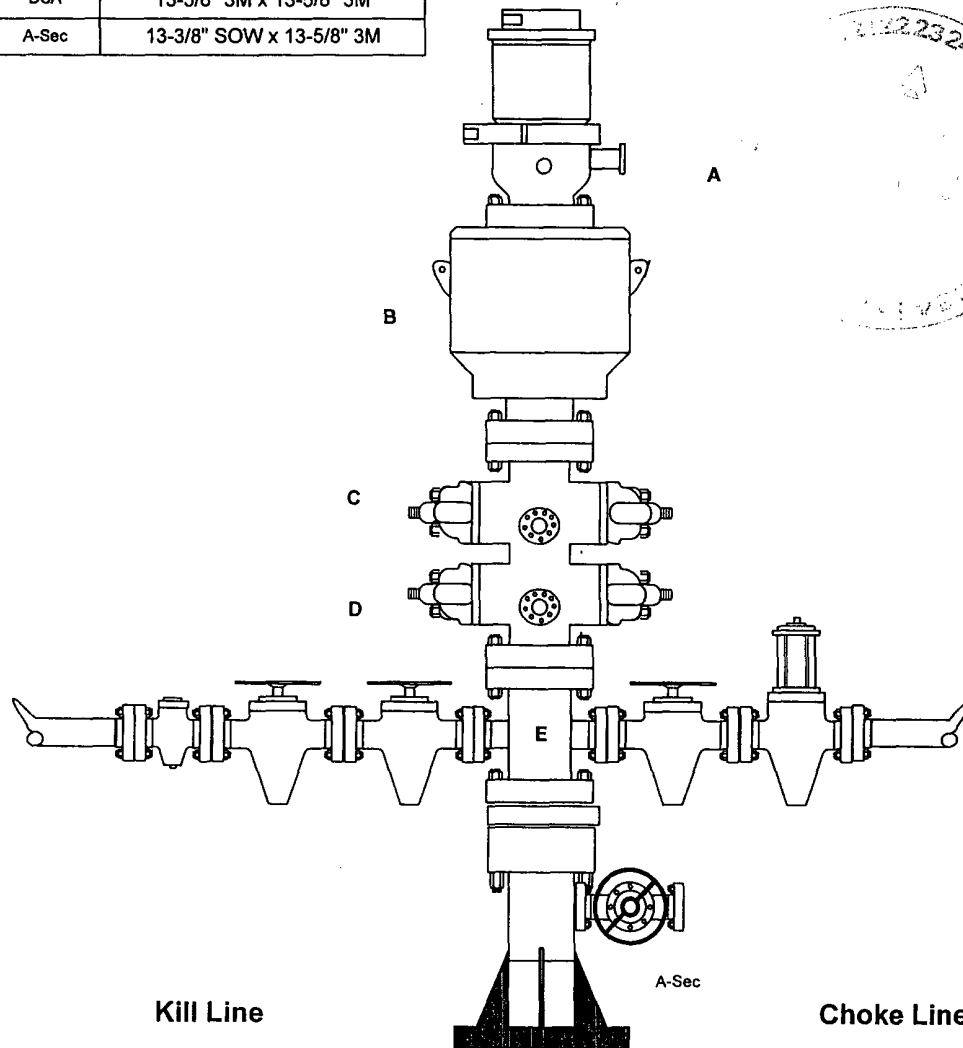
Prevailing Winds from the North in Winter and from the South in Summer.



Chesapeake Operating, Inc				
General Rig Layout				
SIZE	FSCM NO	DWG NO		REV
SCALE	Not to Scale	SHEET		1 OF 1

CHESAPEAKE OPERATING INC

OPERATION: Drill out below 13-3/8" Casing

[illegible]

SIZE	PRESSURE	DESCRIPTION
2"	3,000#	Check Valve
2"	3,000#	Gate Valve
2"	3,000#	Gate Valve

EXHIBIT F-1

SIZE	PRESSURE	DESCRIPTION
4"	3,000#	Gate Valve
4"	3,000#	HCR Valve

BLOWOUT PREVENTOR SCHEMATIC

CHESAPEAKE OPERATING INC

WELL : KELLER 27 FEDERAL 3

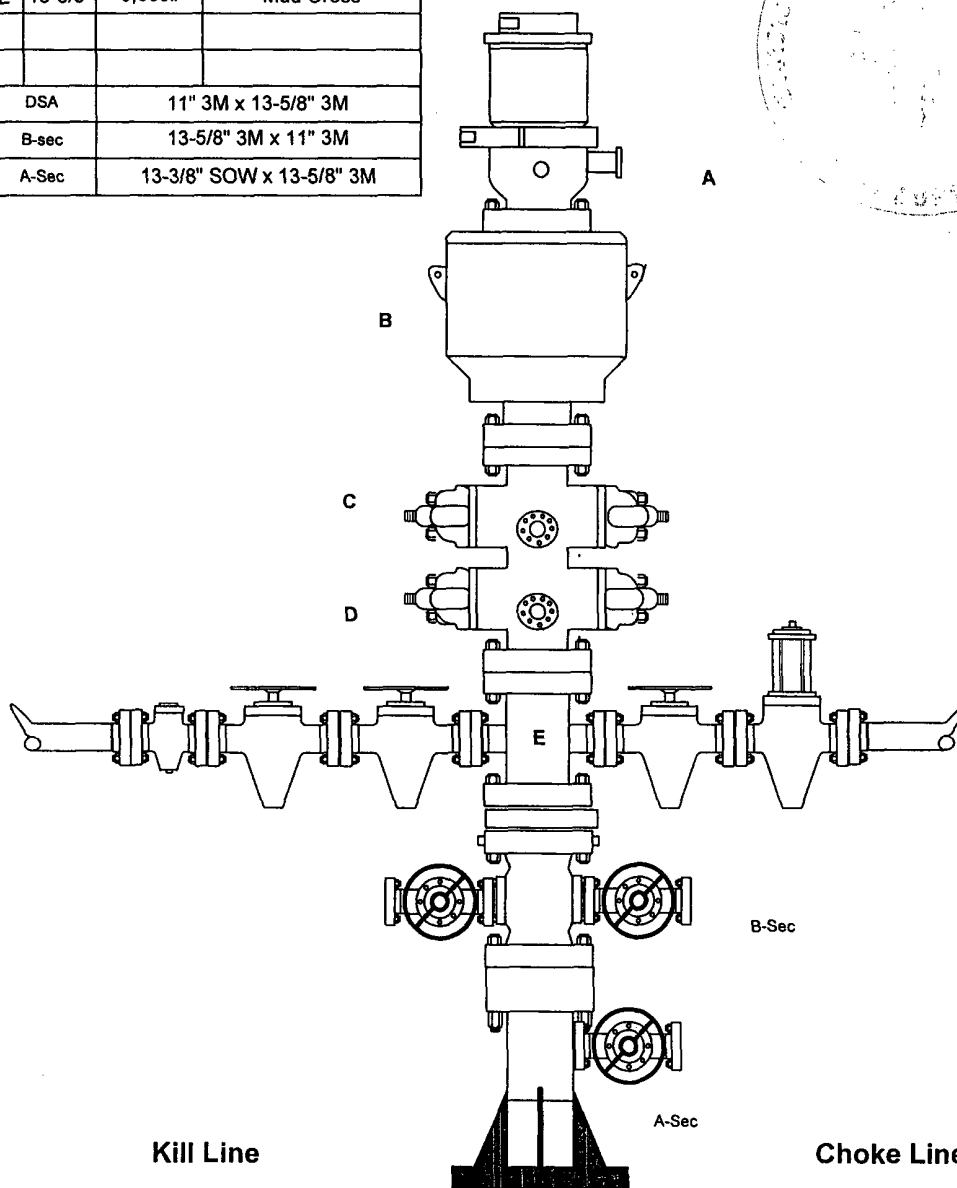
RIG :

COUNTY : Lea

STATE: New Mexico

OPERATION: Drill out below 8-5/8" Casing

	SIZE	PRESSURE	DESCRIPTION
A	13-5/8"	500#	Rot Head
B	13-5/8"	3,000#	Annular
C	13-5/8"	3,000#	Pipe Rams
D	13-5/8"	3,000#	Blind Rams
E	13-5/8"	3,000#	Mud Cross
DSA		11" 3M x 13-5/8" 3M	
B-sec		13-5/8" 3M x 11" 3M	
A-Sec		13-3/8" SOW x 13-5/8" 3M	



SIZE	PRESSURE	DESCRIPTION
2"	3,000#	Check Valve
2"	3,000#	Gate Valve
2"	3,000#	Gate Valve

SIZE	PRESSURE	DESCRIPTION
4"	3,000#	Gate Valve
4"	3,000#	HCR Valve

EXHIBIT F-2

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

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Form C-144
June 1, 2004

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☐

Type of action: Registration of a pit or below-grade tank ☐ Closure of a pit or below-grade tank ☐

Operator: Chesapeake Operating Inc. Telephone: (432)687-2992 e-mail address: bcoffman@chkenergy.com
Address: P. O. Box 11050 Midland, TX 79702-8050
Facility or well name: Keller 27 Federal #3 API#: 30-025-37907 U/l or Qtr/ Qtr F Sec 27 T 23S R 34E
County: Lea Latitude 32.277233 N Longitude 103.459965 W NAD: 1927 ☒ 1983 ☐ Surface Owner Federal ☒ State ☐ Private ☐ Indian ☐

Pit Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness <u>12</u> mil Clay <input type="checkbox"/> Pit Volume <u>12129</u> bbl		Below-grade tank Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not: _____	
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet	(20 points)	
	50 feet or more, but less than 100 feet	(10 points)	
	100 feet or more	(0 points)	0
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes	(20 points)	
	No	(0 points)	0
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet	(20 points)	
	200 feet or more, but less than 1000 feet	(10 points)	10
	1000 feet or more	(0 points)	
Ranking Score (Total Points)			10

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if you are burying in place) onsite ☐ offsite ☐ If offsite, name of facility _____ (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments:

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Date: 05/31/2006

Printed Name/Title: Brenda Coffman Regulatory Analyst

Signature: Brenda Coffman

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

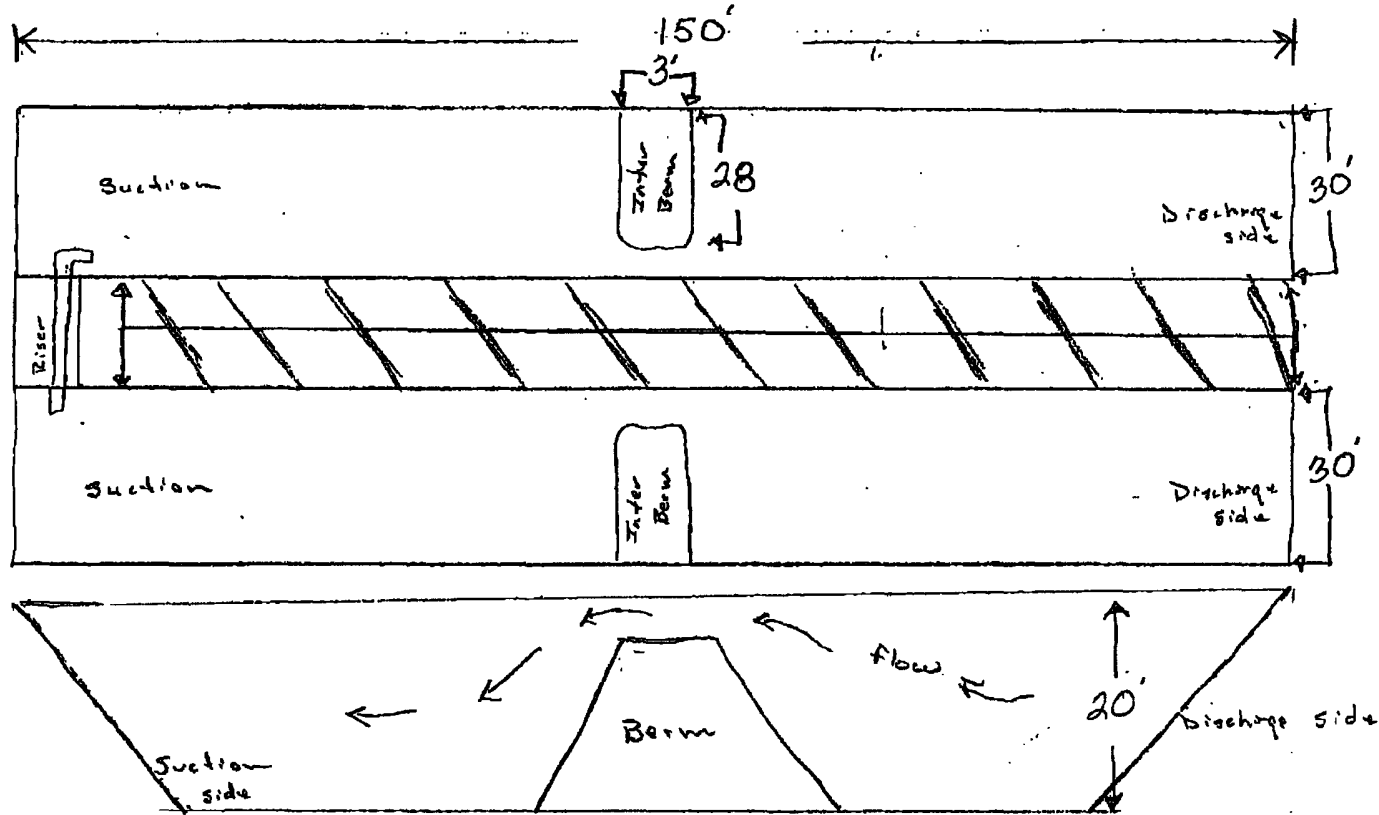
Approval:

Printed Name/Title: _____

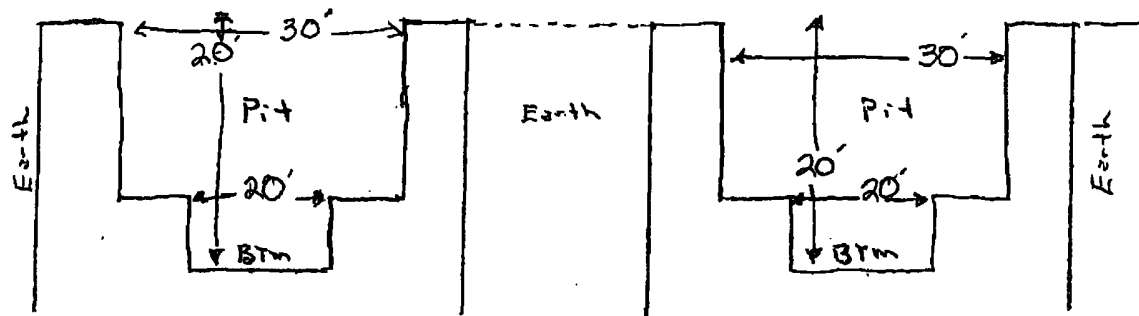
Signature: [Signature]


Date: JUN 05 2006

PETROLEUM ENGINEER



$18' \times 30' \times 140' = 75600 \text{ ft}^3 \div 5.6146 = 13464.8 \text{ bbls} \times 2 = 26929.7 \text{ bbls}$, with 18' of fluid & cuttings in pits.
 $20' \times 30' \times 140' = 90000 \text{ ft}^3 \div 5.6146 = 16029.6 \text{ bbls} \times 2 = 32059.2 \text{ bbls}$ with 20'



 The sender of this message has requested a read receipt. [Click here to send a receipt.](#)

Mull, Donna, EMNRD

From: Phillips, Dorothy, EMNRD
To: Mull, Donna, EMNRD
Cc:
Subject: RE: Financial Assurance Requirement
Attachments:

Sent: Mon 6/5/2006 9:18 AM

All have blankets and one appear on Jane's list.

From: Mull, Donna, EMNRD
Sent: Monday, June 05, 2006 8:06 AM
To: Phillips, Dorothy, EMNRD
Cc: Macquesten, Gail, EMNRD; Sanchez, Daniel J., EMNRD
Subject: Financial Assurance Requirement

Dorothy,

Is the Financial Assurance Requirement for these Operators OK?

Pogo Producing Co (17891)
Devon Energy Production Co LP (6137)
Pride Energy Co (151323)
BTA Oil Producers (3002)
Chesapeake Operating Inc (147179)
B C Operating Inc (160825)

I have check the inactive well list for each of these operators.

Please let me know. Thanks and have a nice day. Donna