

OCD-HOBBS

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

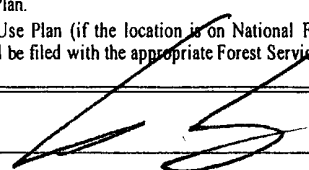
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM 110843
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator CHESAPEAKE OPERATING, INC. ATTN: LINDA GOOD		7. If Unit or CA Agreement, Name and No.
3a. Address P.O. BOX 18496, OKLAHOMA CITY, OK 73154-0496		8. Lease Name and Well No. YOUNG 11 FEDERAL 2
3b. Phone No. (include area code) 405-767-4275		9. API Well No. 30-025-37804
4. Location of Well (Report location clearly and in accordance with any State requirements) At surface SE NW 2282 FNL 2402 FWL At proposed prod. zone SE NW 1674 FNL 1690 FWL		10. Field and Pool, or Exploratory BRONCO; WOLFCAMP
14. Distance in miles and direction from nearest town or post office* APPROX. 14 MILES WNW OF TATUM, NEW MEXICO		11. Sec., T. R. M. or Blk. and Survey or Area 11 - 13S - 38E
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 286.610	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 9300	20. BLM/BIA Bond No. on file NM2634
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3801 GR KB 3820 EST.	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. I, 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 4/24/06
Title SR. VICE PRESIDENT - LAND & LEGAL		
Approved by (Signature) /s/ Tony J. Herrell	Name (Printed/Typed) /s/ Tony J. Herrell	Date MAY 26 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)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

KZ

COPY

Chesapeake Operating Inc.
Young 11 Federal 2
SHL: 2282 FNL 2402 FWL, SE NW
BHL: 1674 FNL 1690 FWL, SE NW
Lea County, NM

Confidential – Tight Hole
Lease No. NMNM 110843

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

Chesapeake Operating, Inc. respectfully requests permission to drill a well to 9300' to test the Burrus Pay. 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 surface owner.

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

DISTRICT I

1825 N. FRENCH DR., HOBBS, NM 88240

Energy, Minerals and Natural Resources Department

Form C-102

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-025-37904	Pool Code 7600	Pool Name Bronco; Wolfcamp
Property Code 34549	Property Name YOUNG 11 FEDERAL	Well Number 2
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 3801'

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	11	13-S	38-E		2282	NORTH	2402	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
F	11	13-S	38-E		1674	NORTH	1690	WEST	LEA

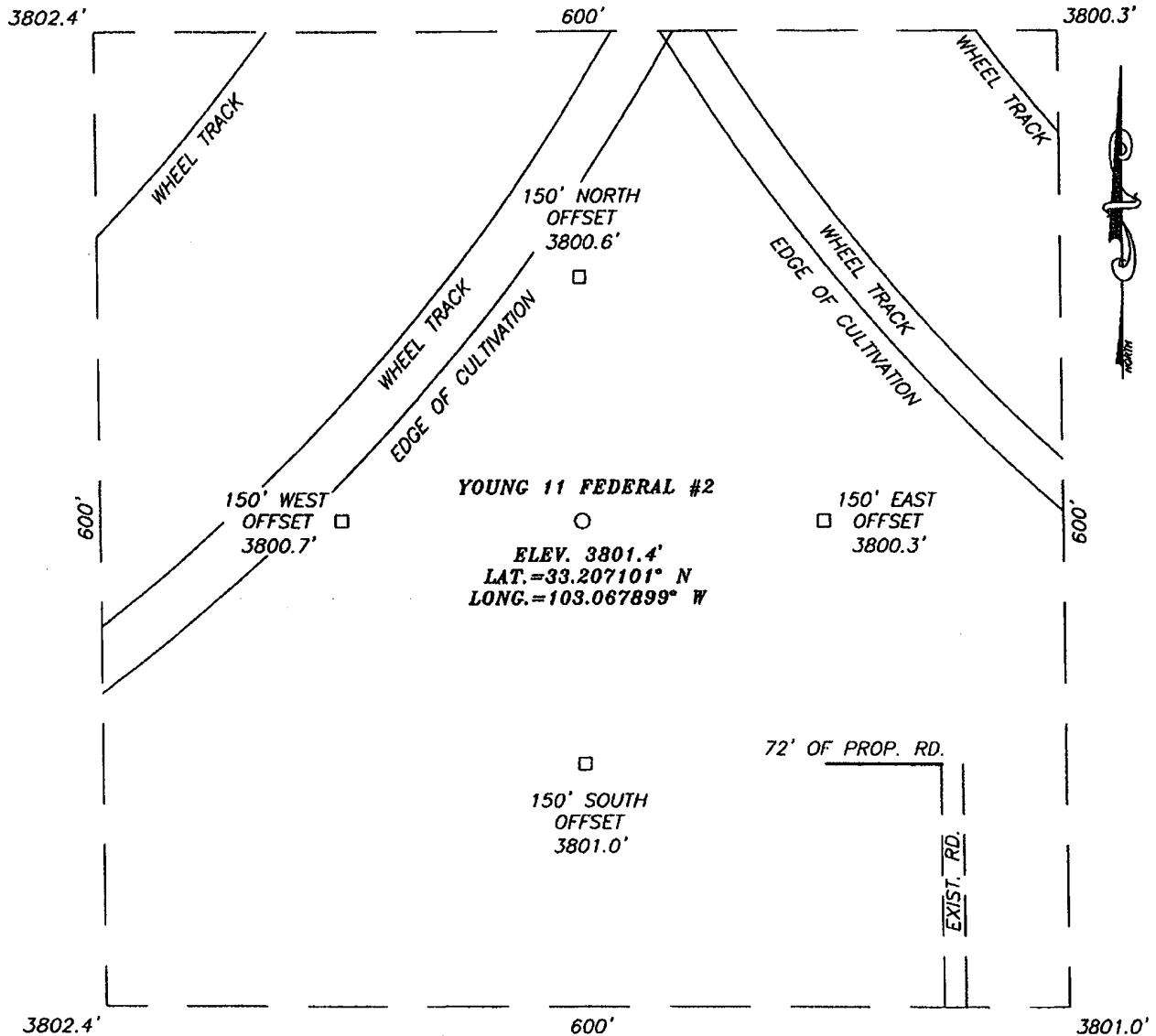
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION 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. <i>Lynda F. Townsend</i> Signature _____ Date _____ Printed Name Lynda F. Townsend
	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 supervision, and that the same is true and correct to the best of my belief. APRIL 4, 2006 Date Surveyed _____ MR Signature & Seal of Professional Surveyor <i>Gary E. Edson</i> 4/10/06 06.11.0548 Certificate No. GARY EDSON 12641
	GEODETIC COORDINATES NAD 27 NME Y=805201.7 N X=887064.7 E LAT.=33.207101° N LONG.=103.067899° W
	BOTTOM HOLE Y=805800.4 N X=886347.5 E

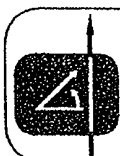
EXHIBIT A-1

SECTION 11, TOWNSHIP 13 SOUTH, RANGE 38 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY 380 AND FM 769, GO SOUTH ON FM 769 APPROX. 3.7 MILES. TURN RIGHT AND GO WEST APPROX. 0.4 MILES. TURN RIGHT AND GO NORTH APPROX. 0.2 MILES. THIS LOCATION IS APPROX. 277 FEET NORTH.



PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

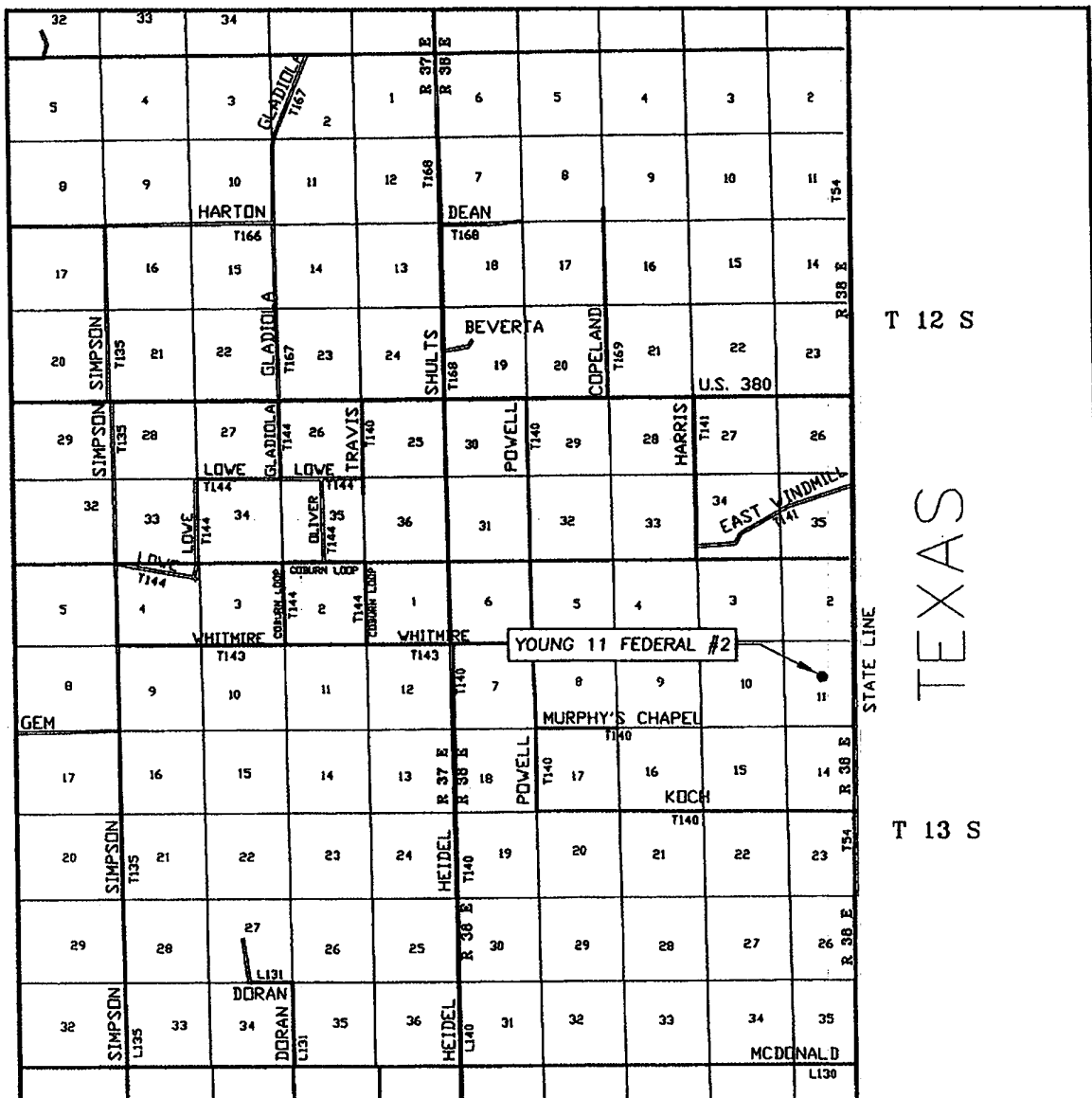
CHESAPEAKE OPERATING, INC.

YOUNG 11 FEDERAL #2
LOCATED 2282 FEET FROM THE NORTH LINE
AND 2402 FEET FROM THE WEST LINE OF SECTION 11,
TOWNSHIP 13 SOUTH, RANGE 38 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

Survey Date: 04/04/06	Sheet 1 of 1 Sheets
W.O. Number: 06.11.0548	Dr By: M.R.
Date: 04/06/06	Disk: CD#6
06110548	Scale: 1"=100'

EXHIBIT A-2

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 11 TWP. 13-S RGE. 38-E

SURVEY N.M.P.M.

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 2282' FNL & 2402' FWL

ELEVATION 3801'

OPERATOR CHESAPEAKE OPERATING, INC.

LEASE YOUNG 11 FEDERAL

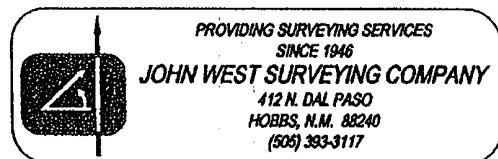
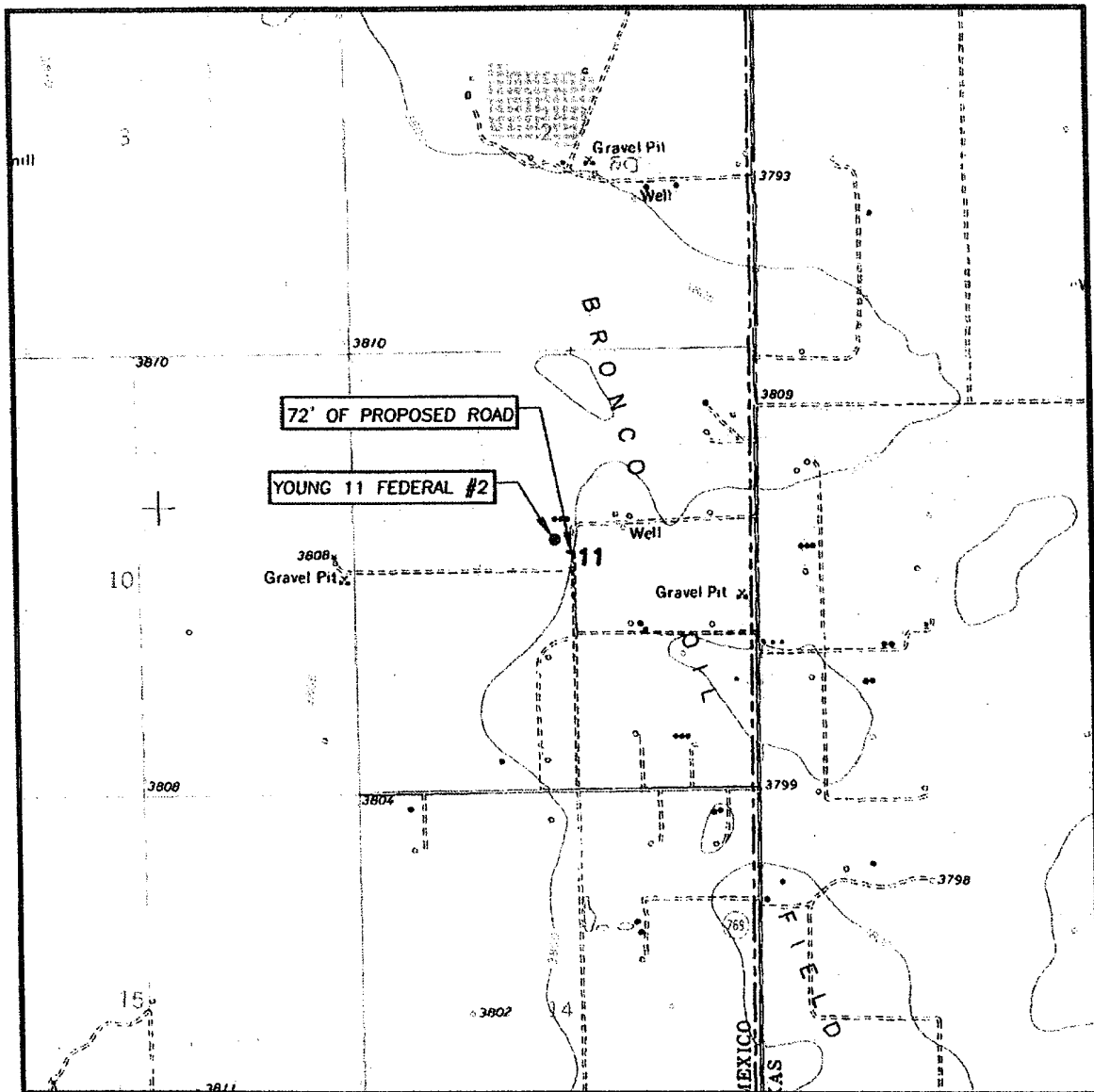


EXHIBIT A-3

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
PRAIRIEVIEW NE, N.M. - 5'

SEC. 11 TWP. 13-S RGE. 38-E

SURVEY N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 2282' FNL & 2402' FWL

ELEVATION 3801'

OPERATOR CHESAPEAKE OPERATING, INC.

LEASE YOUNG 11 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
PRAIRIEVIEW NE, N.M.

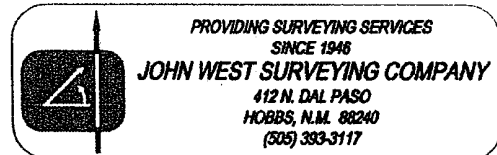
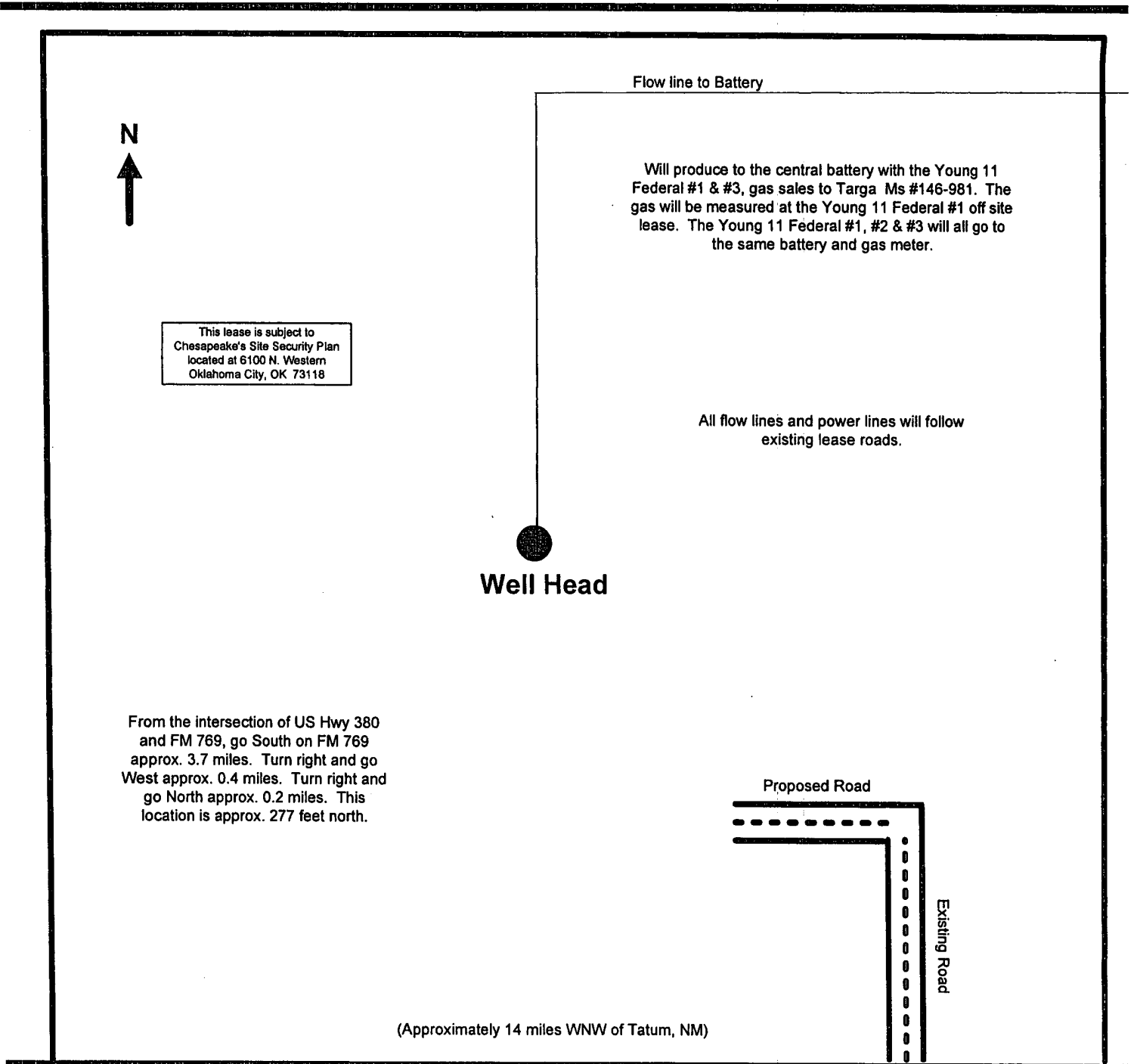


EXHIBIT A-4



CHESAPEAKE OPERATING, INC.

**YOUNG 11 FEDERAL 2
11-13S-38E
LEA COUNTY, NM**



Prepared by: Linda Good
Date: 4/27/2006

Approved by:
Date:

EXHIBIT C

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

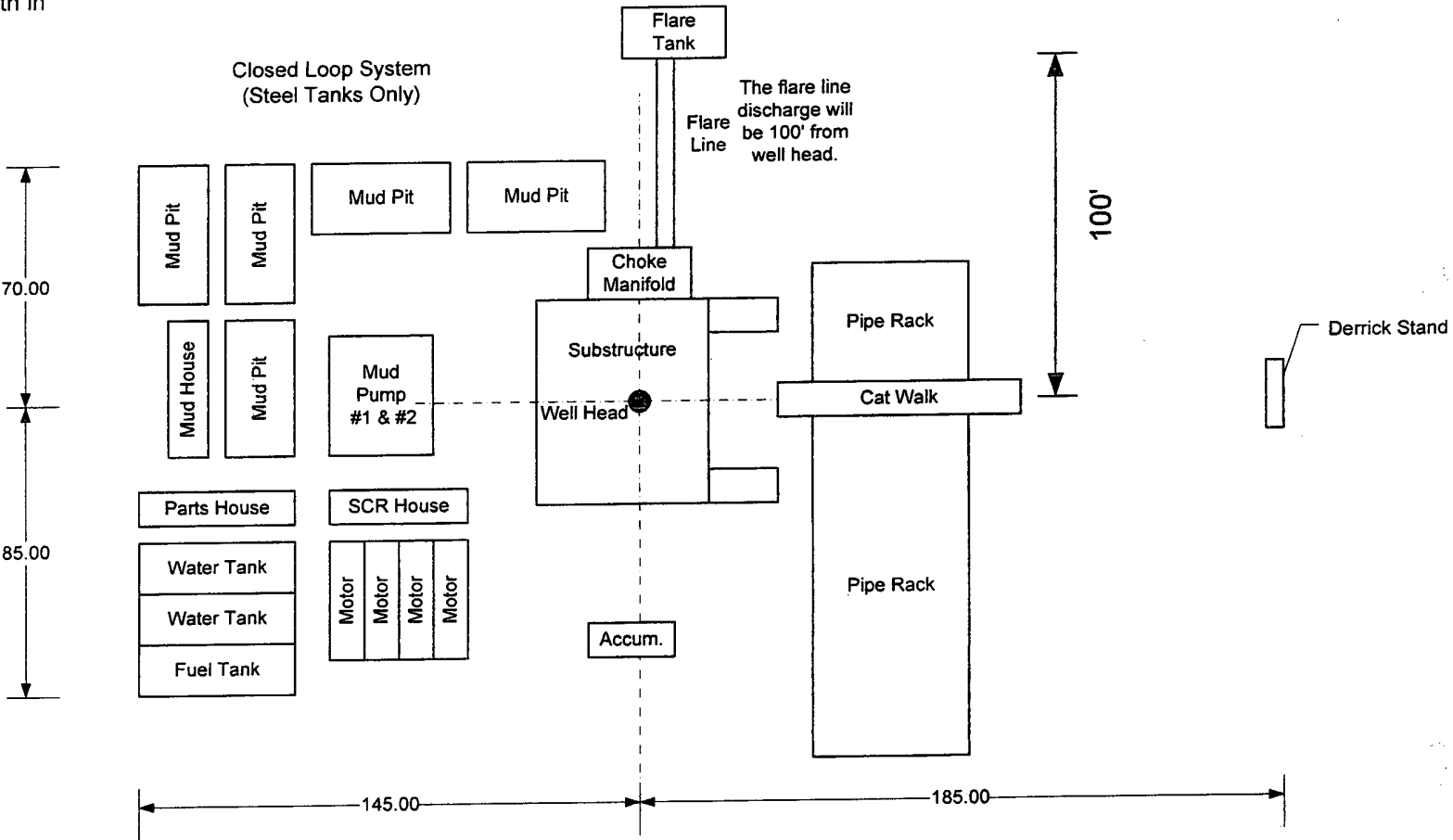


EXHIBIT D

Young 11 Federal 2

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

BLOWOUT PREVENTOR SCHEMATIC

CHESAPEAKE OPERATING INC

WELL : Young 11 Federal #2

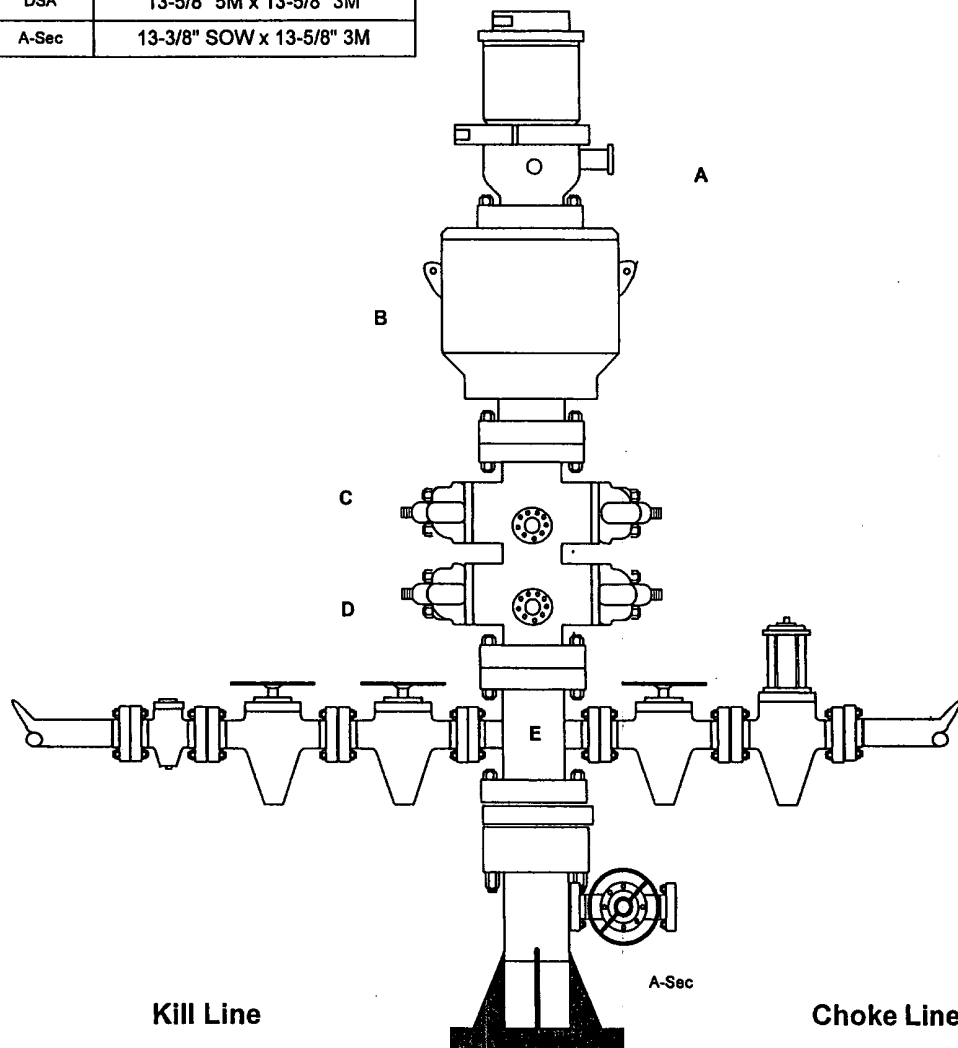
RIG :

COUNTY : Lea

STATE: New Mexico

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

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



SIZE	PRESSURE	DESCRIPTION
2"	5,000#	Check Valve
2"	5,000#	Gate Valve
2"	5,000#	Gate Valve

SIZE	PRESSURE	DESCRIPTION
4"	5,000#	Gate Valve
4"	5,000#	HCR Valve

EXHIBIT F-1

BLOWOUT PREVENTER SCHEMATIC

CHESAPEAKE OPERATING INC

WELL : Young 11 Federal #2

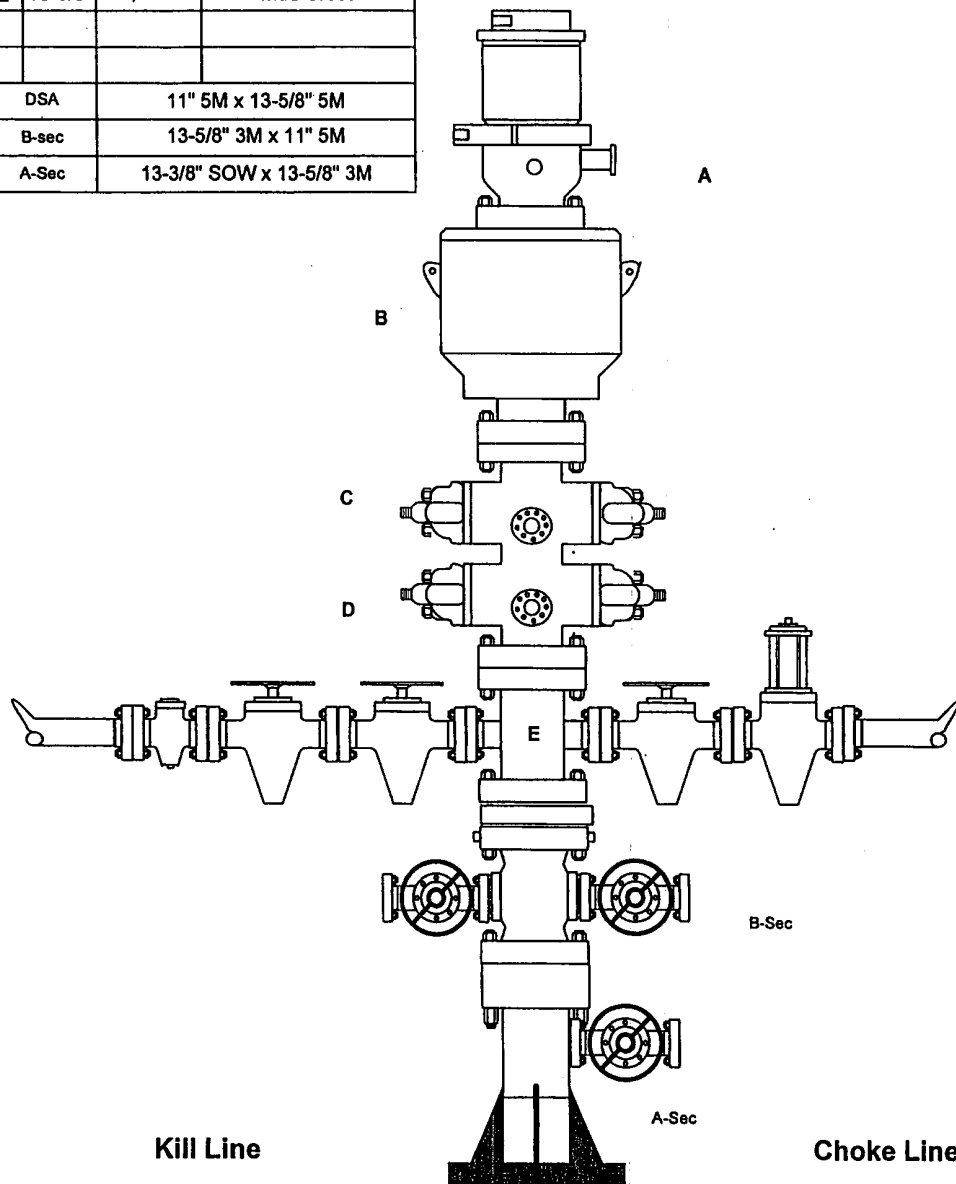
RIG :

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



	SIZE	PRESSURE	DESCRIPTION
	2"	5,000#	Check Valve
	2"	5,000#	Gate Valve
	2"	5,000#	Gate Valve

	SIZE	PRESSURE	DESCRIPTION
	4"	5,000#	Gate Valve
	4"	5,000#	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 ResourcesOil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505Form C-144
June 1, 2004For drilling and production facilities, submit to
appropriate NMOCDD District Office.
For downstream facilities, submit to Santa Fe
office

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.comAddress: P. O. Box 11050 Midland, TX 79702-8050Facility or well name: Young 11 Federal #2 API #: 30-025-37404 U/L or Qtr/Qtr F Sec 11 T 13S R 38ECounty: Lea Latitude 33.207101 N Longitude 103.067899 W NAD: 1927 ☒ 1983 ☐ Surface Owner Federal ☒ State ☐ Private ☐ Indian ☐

Pit

Type: Drilling ☐ Production ☐ Disposal ☐Workover ☐ Emergency ☐Lined ☐ Unlined ☐Liner type: Synthetic ☐ Thickness mil Clay ☐Pit Volume bbl

Below-grade tank

Volume: bbl Type of fluid: Construction material: Double-walled, with leak detection? Yes ☐ 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)

10

100 feet or more

(0 points)

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)

20

200 feet or more, but less than 1000 feet

(10 points)

1000 feet or more

(0 points)

Ranking Score (Total Points)

30

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:

We will use a closed loop system.

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 NMOCDD guidelines ☒, a general permit ☐, or an (attached) alternative NMOCDD-approved plan ☐.

Date: 05/31/2006Printed Name/Title: Brenda Coffman Regulatory AnalystSignature: Brenda Coffman

Your certification and NMOCDD 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 or regulations.

JUN 07 2006

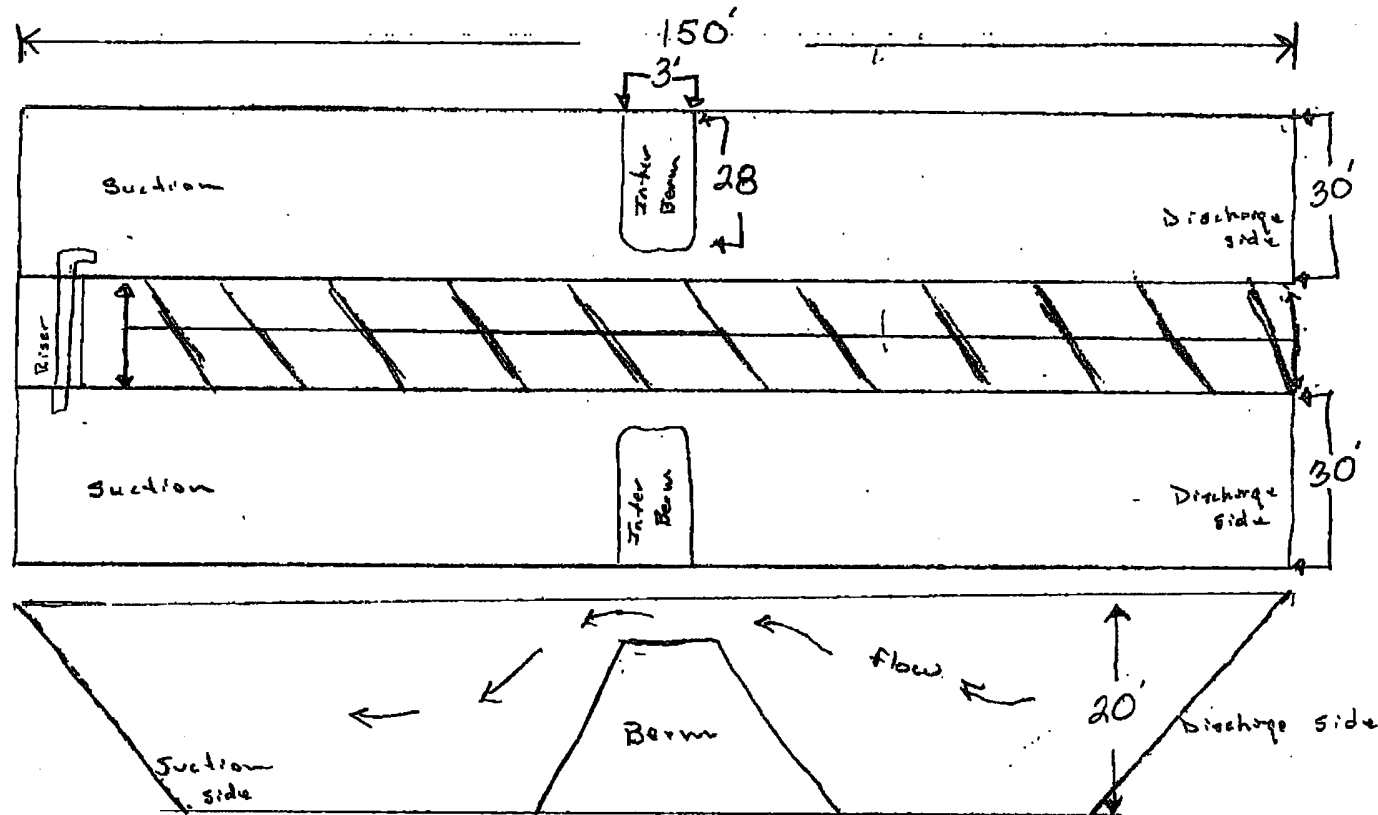
Approval:

PETROLEUM ENGINEER

Printed Name/Title: Signature:

Date:

JUN 07 2006

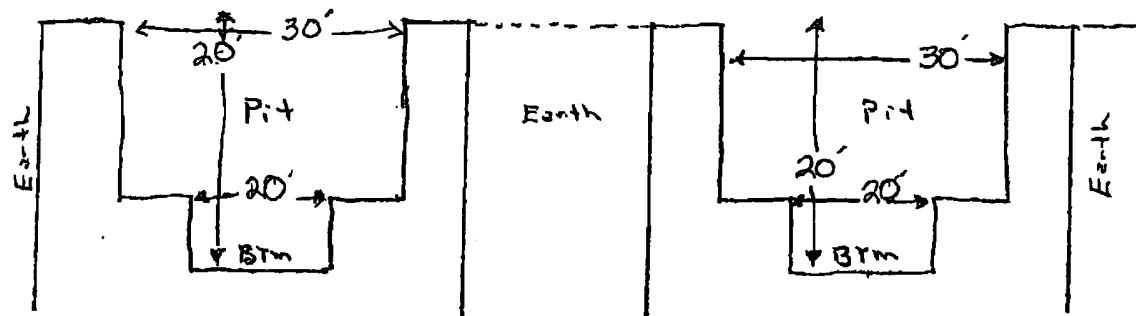


12 mm plate
over all

Top View

Side View

$18' \times 30' \times 140' = 75600 \text{ ft}^3 \div 5.6146 = 13464.8 \text{ bbls} \times 2 = 26929.7 \text{ bbls}$, 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'



End
cross section

ONSHORE ORDER NO. 1
 Chesapeake Operating, Inc.
 Young 11 Federal 2
 SHL: 2282 FNL 2402 FWL, SE NW
 BHL: 1674 FNL 1690 FWL, SE NW
 of Section 11-13S-38E
 Lea County, New Mexico
 pressures:

CONFIDENTIAL - TIGHT HOLE
 Lease Contract No. NMNM 110843

DRILLING PROGRAM

Page 4

<u>System Pressure</u>	<u>Remaining Pressure At Conclusion of 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.

4. CASING AND CEMENTING PROGRAM

- a. The proposed casing program will be as follows:

<u>Purpose</u>	<u>Interval</u>	<u>Hole Size</u>	<u>Casing Size</u>	<u>Weight</u>	<u>Grade</u>	<u>Thread</u>	<u>Condition</u>
Surface	0-430'	17-1/2"	13-3/8"	48#	H40		
Intermediate	430'-4500'	11"	8-5/8"	32#	J55		
Production	4500' - 9,300'	7-7/8"	5-1/2"	17#	L80		

- b. Casing design subject to revision based on geologic conditions encountered.
- c. The cementing program will be as follows:

<u>Interval</u>	<u>Type</u>	<u>Amount</u>	<u>Yield</u>	<u>Washout</u>	<u>Excess</u>
Surface	35:65 Poz:C (Lead)	155 sx	2.07	20%	100%
	Class C (Tail)	235 sx	1.34		100%
Intermediate	50:50 Poz:C (Lead)	1000 sx	2.48	20%	75%
	Class C (Tail)	150 sx	1.32		50%
Production	50:50 Poz:H (Lead)	380 sx	2.5	10%	25%
	50:50 Poz:H (Tail)	295 sx	1.35		25%

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>
Surface	Native/Spud Mud	8.6 - 9	29-38	NC
Intermediate	Brine	9.2 - 10	29-32	NC
Production	FW-Cut Brine	8.4 - 9	29-34	NC-12

 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