

**EC**UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

OCD Hobbs

FORM APPROVED  
OMB NO. 1004-0135  
Expires: July 31, 2010**SUNDRY NOTICES AND REPORTS ON WELLS**  
*Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.***SUBMIT IN TRIPLICATE - Other instructions on reverse side.**

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NMNM24683
2. Name of Operator CHESAPEAKE OPERATING, INC. Contact: LINDA GOOD E-Mail: linda.good@chk.com		6. If Indian, Allottee or Tribe Name
3a. Address P.O. BOX 18496 OKLAHOMA CITY, OK 73154-0496	3b. Phone No. (include area code) Ph: 405-935-4275	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sec 8 T22S R33E SESW 880FSL 1760FWL		8. Well Name and No. MERCHANT 8 FEDERAL 1
		9. API Well No. 30-025-36318
		10. Field and Pool, or Exploratory UNDES DAGGER LAKE DEL
		11. County or Parish, and 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 checked="" type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input 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 recomplete 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 recompletion 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.)

SQUEEZE PERFS AND RECOMPLETE 2ND BONE SPRING:

CHESAPEAKE, RESPECTFULLY REQUESTS PERMISSION TO RECOMPLETE THIS WELL PER THE FOLLOWING PROCEDURE:

1. PU 7" 29# CICR. TIH & set @ 8,550'.
2. Unsting to pressure test. Sting back into CICR and establish rate into the Brushy Canyon perforations.
3. RU cement crew. Pump cmt squeeze while hesitating in. Unsting and reverse out. TOH. RD cement crew.
4. PU 6" bit and drill collars. TIH to CICR @ 8,550'. Drill and clean out to PBD @ 11,665'. TOH. LD bit & collars.
5. PU 4" PPG perforating guns loaded w/2 SPF, 120o phasing, 22.7g charges, w/0.40" holes. Correlate

**SEE ATTACHED FOR  
CONDITIONS OF APPROVAL****RECEIVED**

OCT 06 2010

HOBBS

14. I hereby certify that the foregoing is true and correct. Electronic Submission #92402 verified by the BLM Well Information System For CHESAPEAKE OPERATING, INC., sent to the Hobbs	
Name (Printed/Typed) LINDA GOOD	Title SR. REGULATORY COMPLIANCE SPEC
Signature (Electronic Submission)	Date 09/08/2010
<b>THIS SPACE FOR FEDERAL OR STATE OFFICE USE</b>	
Approved By	Title PETROLEUM ENGINEER
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office /s/ Dustin Winkler
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly to make any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.	

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

## Additional data for EC transaction #92402 that would not fit on the form

### 32. Additional remarks, continued

w/Gray Wireline CBL, CCL, GR ran on 1/26/10 and perforate as follows:

Formation Depth	Interval	SPF	Total Shots
2nd Bone Spring	10,825?	? 28?	3? 2 6
2nd Bone Spring	10,835?	? 57?	22? 2 44
2nd Bone Spring	10,862?	? 84?	22? 2 44
2nd Bone Spring	10,887?	? 95?	8? 2 16
2nd Bone Spring	10,899?	? 90?	3? 2 6
77?	58?	116	

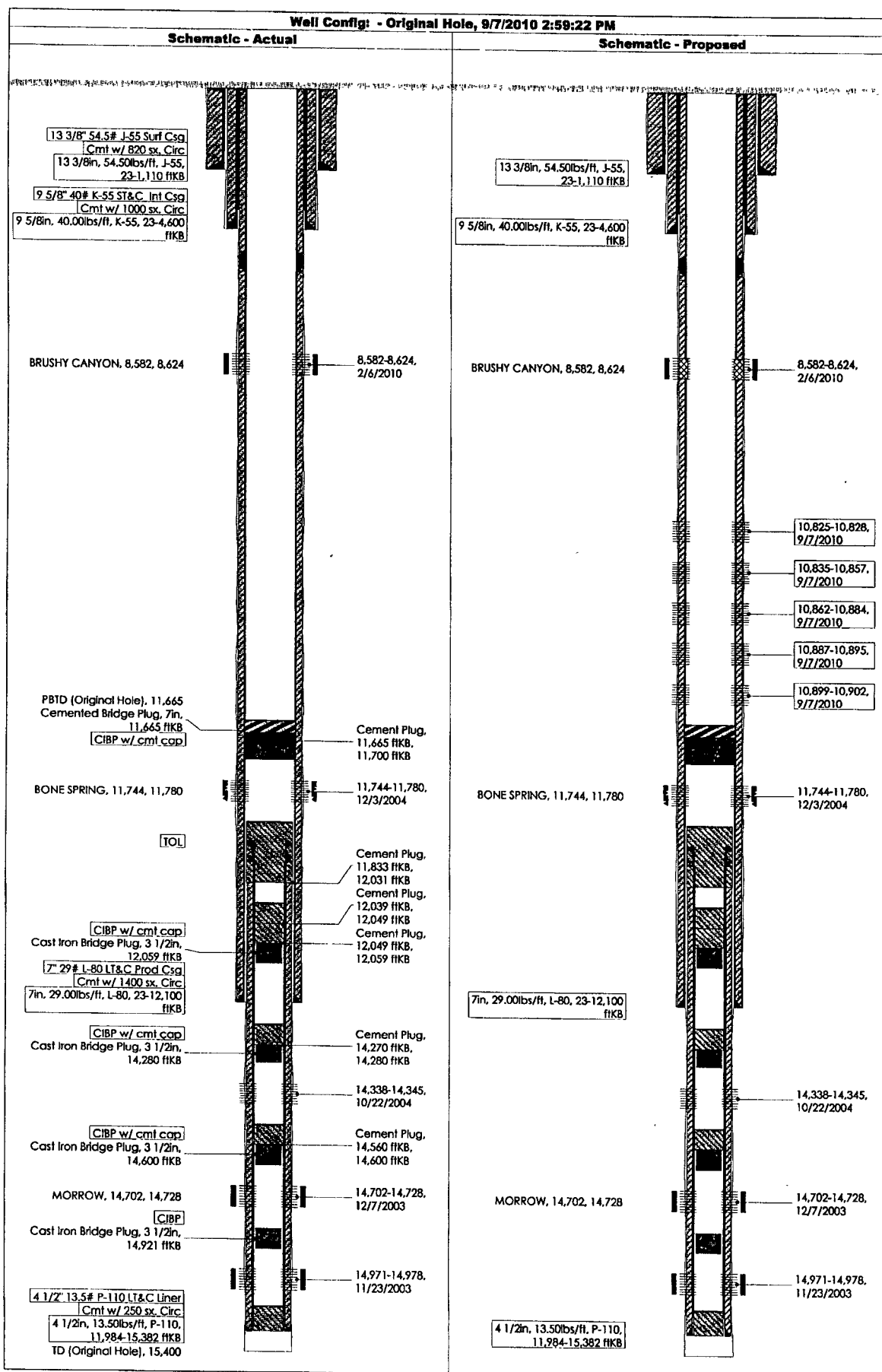
6. PU 7" 29# completion packer. TIH and set @ 10,800'.

7. RU acid crew. Acidize 2nd Bone Spring w/7500 gal of 15% HCL @ 5-6 BPM while dropping 177 balls evenly throughout the job. Flush to the EOT and over flush with one tbq volume. RD acid crew.

8. Swab test the 2nd Bone Spring for hydrocarbons.

Wellbore Diagram and Procedure attached.

(CHK PN 819462)



Merchant 8 Fed 1  
 Sec. 8-T22S-R33E, 880 FSL & 1760 FWL  
 Lea County, NM  
 API #3002536318



## 2nd Bone Spring Test

### Well Data

Casing: 7" 29# L-80 LTC @ 12,100'  
 Liner: 4.5" 13.5# P-110 LTC @ 11,984' – 15,382'  
 TD: 15,400'  
 PBD: 11,665' (CIBP w/ cmt cap)  
 Elevation: 3,594' KB 3,571' GL

**RECEIVED**

OCT 06 2010

**HOBBSOCD**

### Perforations:

Brushy Canyon 8,582' – 624'  
 3rd Bone Spring 11,744' – 80' (Under CIBP w/ cmt cap @ 11,665')

### Proposed Perforations:

2nd Bone Spring 10,825' – 28', 10,835' – 57', 10,862' – 84', 10,887' – 95', 10,899' – 902' (59' @ 2 SPF w/ 120° phasing)

### Procedure Overview

1. PU 7" 29# CICR. TIH & set @ 8,550'.
2. Unsting to pressure test. Sting back into CICR and establish rate into the Brushy Canyon perforations.
3. RU cement crew. Pump cmt squeeze while hesitating in. Unsting and reverse out. TOH. RD cement crew.
4. PU 6" bit and drill collars. TIH to CICR @ 8,550'. Drill and clean out to PBD @ 11,665'. TOH. LD bit & collars.
5. PU 4" PPG perforating guns loaded w/ 2 SPF, 120° phasing, 22.7g charges, w/ 0.40" holes. Correlate w/ Gray Wireline CBL, CCL, GR ran on 1/26/10 and perforate as follows:

Formation	Depth	Interval	SPF	Total Shots
2nd Bone Spring	10,825' – 28'	3'	2	6
2nd Bone Spring	10,835' – 57'	22'	2	44
2nd Bone Spring	10,862' – 84'	22'	2	44
2nd Bone Spring	10,887' – 95'	8'	2	16
2nd Bone Spring	10,899' – 902'	3'	2	6
	77'	58'		116

6. PU 7" 29# completion packer. TIH and set @ 10,800'.
7. RU acid crew. Acidize 2nd Bone Spring w/ 7500 gal of 15% HCL @ 5-6 BPM while dropping 177 balls evenly throughout the job. Flush to the EOT and over flush with one lbm volume. RD acid crew.
8. Swab test the 2nd Bone Spring for hydrocarbons.

Chesapeake Operating, Inc.  
NM-24683: Merchant 8 Federal #1  
API: 30-025-36318  
Lea County, New Mexico

RE: Recomplete – Conditions of Approval

There is to be no surface disturbance beyond the originally approved pad. A closed loop system is to be used. H2S monitoring and protection equipment is to be on site.

3000 (3M) BOP to be used. All blowout preventer (BOP) and related equipment (BOPE) shall comply with reasonable well control requirements. A two ram system with a blind ram and a pipe ram designed for the size of the work string shall be adequate. Tapered work strings will require an additional pipe ram. The manifold shall comply with Onshore Oil and Gas Order #2 Attachment I (2M Diagrams of Choke Manifold Equipment). The accumulator system shall have an immediately available power source to close the rams and retain 200 psi above pre-charge. The pre-charge test shall follow requirements in Onshore Order #2.

Submit subsequent report and completion report once work is completed.

DHW 092810