



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

*Field Inspection Program
"Preserving the Integrity of Our Environment"*

14-Dec-06

CHESAPEAKE OPERATING, INC.

PO Box 190

HOBBS NM 88241

LOV NO. 028606

LETTER OF VIOLATION - Inspection

Dear Operator:

The following inspection(s) indicate that the well, equipment, location or operational status of the well(s) failed to meet standards of the New Mexico Oil Conservation Division as described in the detail section below. To comply with standards imposed by Rules and Regulations of the Division, corrective action must be taken immediately and the situation brought into compliance. The detail section indicates preliminary findings and/or probable nature of the violation. This determination is based on an inspection of your well or facility by an inspector employed by the Oil Conservation Division on the date(s) indicated.

Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

JAKE STATE No.004

E-36-24S-26E

30-015-33134-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
12/13/2006	Routine/Periodic	Mike Bratcher	Yes	No	1/15/2007	iMLB0634849676

Violations

Absent Well Identification Signs (Rule 103)

Comments on Inspection: No well sign. Violation Rule 103. East side of well pad appears to be salt impacted. Several areas of the closed drilling pit have what appears to be salt leaching to surface. The C-144 pit closure form indicates the drilling pit contents were hauled to disposal.

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown
above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order
summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to
permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of
OCD rules.

Sincerely,



Artesia OCD District Office

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data.
*Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.