

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

Form C-144 CLEZ
July 21, 2008

For closed-loop systems that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, submit to the appropriate NMOCD District Office

Closed-Loop System Permit or Closure Plan Application

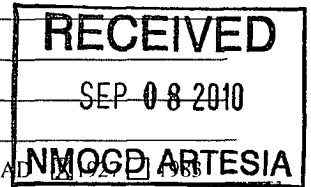
(that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)

Type of action: Permit Closure

Instructions: Please submit one application (Form C-144 CLEZ) per individual closed-loop system request. For any application request other than for a closed-loop system that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, please submit a Form C-144.

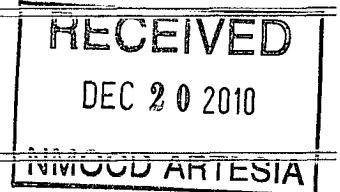
Please be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances.

1
Operator: Chesapeake Operating, Inc OGRID #: 147179
Address: P.O. Box 18496 Oklahoma City, OK 73154-0496
Facility or well name: Phillips SWD Federal # 1 Order SWD - 1241
API Number: 30-015-25530 OCD Permit Number: 210748
U/L or Qtr/Qtr: 0 Section: 1 Township: 26 South Range: 29 East County: Eddy
Center of Proposed Design: Latitude: 32 065220 Longitude: -103.93526 NAD 83
Surface Owner: Federal State Private Tribal Trust or Indian Allotment



2
 Closed-loop System: Subsection H of 19.15.17.11 NMAC
Operation: Drilling a new well Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) P&A
 Above Ground Steel Tanks or Haul-off Bins

3
Signs: Subsection C of 19.15 17.11 NMAC
 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers
 Signed in compliance with 19.15 3 103 NMAC



4
Closed-loop Systems Permit Application Attachment Checklist: Subsection B of 19 15 17.9 NMAC
Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.
 Design Plan - based upon the appropriate requirements of 19.15 17.11 NMAC
 Operating and Maintenance Plan - based upon the appropriate requirements of 19 15 17.12 NMAC
 Closure Plan (Please complete Box 5) - based upon the appropriate requirements of Subsection C of 19.15 17.9 NMAC and 19 15 17.13 NMAC
 Previously Approved Design (attach copy of design) API Number: _____
 Previously Approved Operating and Maintenance Plan API Number: _____

5
Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only: (19.15.17.13.D NMAC)
Instructions: Please identify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required.
Disposal Facility Name: Controlled Recovery, Incorporated Disposal Facility Permit Number: NM-01-0006
Disposal Facility Name: Sundance Dsiposal Disposal Facility Permit Number: NM-01-0003
Will any of the proposed closed-loop system operations and associated activities occur on or in areas that will not be used for future service and operations?
 Yes (If yes, please provide the information below) No
Required for impacted areas which will not be used for future service and operations
 Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15 17.13 NMAC
 Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15 17 13 NMAC
 Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19 15 17.13 NMAC

6
Operator Application Certification:
I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief
Name (Print): Bryan Arrant Title: Senior Regulatory Compl Sp
Signature: [Signature] Date: 09/06/2010
e-mail address: bryan.arrant@chk.com Telephone: (405)935-3782

7. **OCD Approval:** Permit Application (including closure plan) Closure Plan (only)

OCD Representative Signature: James R Dade Approval Date: 09/14/2010

Title: Dist R Supervisor OCD Permit Number: 210748

8. **Closure Report (required within 60 days of closure completion):** Subsection K of 19 15 17 13 NMAC

Instructions: Operators are required to obtain an approved closure plan prior to implementing any closure activities and submitting the closure report. The closure report is required to be submitted to the division within 60 days of the completion of the closure activities. Please do not complete this section of the form until an approved closure plan has been obtained and the closure activities have been completed.

Closure Completion Date: 11-8-10

9. **Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:**

Instructions: Please identify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use attachment if more than two facilities were utilized.

Disposal Facility Name: Controlled Recovery Inc Disposal Facility Permit Number NM-01-006

Disposal Facility Name: _____ Disposal Facility Permit Number _____

Were the closed-loop system operations and associated activities performed on or in areas that *will not* be used for future service and operations?

Yes (If yes, please demonstrate compliance to the items below) No

Required for impacted areas which will not be used for future service and operations

Site Reclamation (Photo Documentation)

Soil Backfilling and Cover Installation

Re-vegetation Application Rates and Seeding Technique

10. **Operator Closure Certification:**

I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.

Name (Print) Pat Richards Title Production Assistant

Signature: Pat Richards Date: 12-15-10

e-mail address: pat.richardse@chk.com Telephone: (575) 391-1462

**Chesapeake Operating, Inc.'s Closed Loop System
Phillips SWD Federal # 1
Unit O, Sec. 1, T-26-S R-29-E
Eddy Co., NM
API #: 30-015-25530**

Equipment & Design:

**Chesapeake Operating, Inc. is to use a closed loop system in our request to convert this well to salt water disposal. (SWD Order 1241)
(1) 500 bbl frac tank will be on location.**

Operations & Maintenance:

During each and every tour, the rig's crew will inspect and monitor closely the fluids contained within the frac tank and visually monitor any spill which may occur.

Within 48 hours should a spill, release or leak occur, the NMOCD District II office in Artesia (575-748-1283) will be notified. Please note that notifications may be made earlier to the district office should a greater release occur.

Closure:

After operations are completed, fluids will be hauled and disposed to Controlled Recovery, Inc.'s location.

The permit number for Controlled Recovery, Inc. is: NM-01-0006

The alternative disposal facility will be Sundance Disposal.

Their permit # is: NM-01-0003.