

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

NMOCD - ACOI 113-A

IN THE MATTER OF CHESAPEAKE OPERATING, INC.,

Respondent.

**AMENDED
AGREED COMPLIANCE ORDER**

Pursuant to Ordering Paragraph 3 of Agreed Compliance Order 113, the Director of the Oil Conservation Division ("OCD") hereby amends that order as follows:

FINDINGS

1. Agreed Compliance Order 113 ("ACOI 113" or "Order") requires Chesapeake Operating Inc. (Operator) to return to compliance with OCD Rule 201 at least 30 of the wells identified in the Order by August 10, 2006, and file a compliance report by that date. The Order defines compliance to include the filing of the appropriate paperwork.

2. ACOI 113 further provides that if Operator returns to compliance with OCD Rule 201 at least 30 of the wells identified in Exhibit A to the Order by August 10, 2006, and files a timely compliance report, the OCD shall issue an amendment extending the terms of ACOI 113 for an additional six-month period, requiring Operator to return to compliance by that date 30 additional wells identified in Exhibit A to the Order.

3. ACOI 113 further provides that if Operator fails to return to compliance 30 of the wells identified in the Order by August 10, 2006, Operator is subject to penalties. Operator may, however, request a waiver or reduction of penalties, and request an amendment extending the terms of the Order.

4. Operator filed a timely compliance report including the wells identified below. The Oil Conservation Division ("OCD") has verified that its records show that Operator returned the following wells identified in Exhibit A to compliance:

• Alaska Cooper #003	30-025-05985
• Alexander Rodgers #002	30-025-10247
• Bertha J. Barber #008	30-025-06023
• Benson Shugart Waterflood Unit #032	30-015-23105
• Bobbi #002	30-025-26796
• Cain #002	30-025-26305
• Clyde #001	30-015-32320

• Fred Turner #002	30-025-07739
• Fred Turner #003	30-025-28539
• Government D #010	30-015-25346
• H Leonard B #002	30-025-10917
• Harrison #003	30-025-11699
• J A Akens #019	30-025-30729
• Jill Federal #002	30-005-63182
• La Rica Federal #001	30-025-25140
• Lotos 11 Federal #002	30-015-28821
• Lou Wortham A #002	30-025-22134
• Merchant 8 Federal #001	30-025-36318
• Merlot #001	30-025-36215
• Pech State #001	30-025-04879
• Pech State #002	30-025-04880
• Pech State #003	30-025-04862
• Pecos Irrigation Co A #002	30-015-26582
• PJ Federal #001	30-005-60672
• Rutter Federal #001	30-005-60635
• State 2 #001	30-015-25001
• State 2 #005	30-015-26463
• WB Maveety #005	30-025-12464

5. Operator reported that it had returned additional wells to compliance. However, the paperwork has not been received.

CONCLUSIONS

1. Operator failed to meet its goal of returning thirty of the wells identified in the Order to compliance by August 10, 2006, falling short by two wells.

2. Operator has demonstrated good faith efforts to meet its 30-well goal under the Order by returning 28 wells to compliance and by completing the field work required to return additional wells to compliance.

3. The OCD should waive the \$3,000 penalty otherwise due under the terms of the Order.

4. The OCD should amend ACOI 113 to extend its terms for an additional six-month period, and require Operator to return to compliance by that date thirty wells identified in the Order that are not identified in Findings Paragraph 4, above .

ORDER

1. Operator shall return to compliance by February 10, 2007 thirty wells from Exhibit A to ACOI 113 not identified in Findings Paragraph 4, above.

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3. Operator shall file a compliance report by February 10, 2007 using the Oil Conservation Division's web-based on-line application.

4. The terms of ACOI 113 otherwise remain in effect and are extended through February 10, 2007.

Done at Santa Fe, New Mexico this 5th day of September, 2006

By: 
p Mark Fesmire, P.E.
Director, Oil Conservation Division