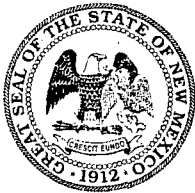


1R - 475

## APPROVALS

YEAR(S):

2000



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

**Oil Conservation Division**

**December 22, 2006**

Harlan Brown  
Chesapeake Energy Corporation  
P.O. Box 18496  
Oklahoma City, Oklahoma 73154-0496

**RE: 1R0475; Response to Conditions of Approval, dated December 4, 2006**  
**Ollie J. Boyd Tank Battery**  
**Unit Letter C, Section 23, Township 22 South, Range 37 East, Lea County, NM**

Dear Mr. Brown:

The New Mexico Oil Conservation Division (OCD) has reviewed the Response to Conditions dated December 4, 2006. Regarding Condition #4 of the OCD remediation plan approval of October 27, 2006, the OCD concurs that Chesapeake has adequately met this condition. Regarding Condition #6, The OCD has concluded (under consultation with the Environmental Bureau Chief) that Chesapeake has failed to demonstrate that the contamination in the area around BH-3 was not part of or on the Chesapeake lease. Chesapeake remains the Responsible Person under OCD Rule 116; and therefore, is responsible for the remediation of contamination at the entire lease site.

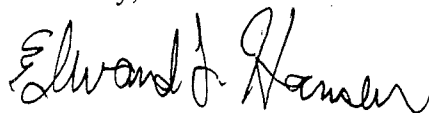
The OCD approves the remediation plan as submitted in the Response with the conditions set forth in the OCD approval of October 27, 2006, including Condition #6; i.e., the area around BH-3 shall be part of the clean-up activities. Further, the area around BH-3 must be remediated in a similar manner as specified in the remediation plan for the areas around BH-5 and BH-6. Therefore, Chesapeake may proceed at risk with the remediation. In addition, a progress report must be submitted to the OCD by March 2, 2007.

Harlan Brown  
December 22, 2006  
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Please be advised that NMOCD approval of this plan does not relieve the owner/operator of responsibility should operations pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD approval does not relieve the owner/operator of responsibility for compliance with any OCD, federal, state, or local laws and/or regulations.

If you have any questions regarding this matter, please contact me at (505) 476-3489 or <mailto:edwardj.hansen@state.nm.us>.

Sincerely,



Edward J. Hansen  
Hydrologist  
Environmental Bureau

EJH:ejh

cc: Wayne Price, Environmental Bureau Chief, OCD, Santa Fe  
Mark J. Larson, Larson & Associates, Inc., Midland, Texas  
Chris Williams, OCD Hobbs District Supervisor  
Larry Johnson, OCD Hobbs