30-005-29205

CONFIDENTIAL – TIGHT HOLE SURFACE USE PLAN

HOBBS OCD

ONSHORE OIL & GAS ORDER NO. 1 Approval of Operations on Onshore Federal and Indian Oil and Gas Leases Nereid 1 Federal 2H

RECEIVED

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1. EXISTING ROADS/LEASE ROADS

Driving directions are Maljamar, NM. East on HWY 82 1.0 miles. North on CR 249 /172 for 11.6 miles. Northeast on Wanda Rd, North 0.65 miles. East 1.0 mile. Southeast 0.4 miles. East 0.8 miles. North 1005' to location.

The proposed lease road 1005' in length and 14' in travel way width with a maximum disturbance area of 30' will be used, and in accordance with guidelines set forth in the BLM Onshore Orders. No turnouts are expected.

Existing county and lease roads will be used to enter proposed access road.

Surface disturbance and vehicular travel will be limited to the approved location and approved access route. Any additional area needed will be approved in advance.

Location, access, and vicinity plats attached hereto. See Exhibits A-1 to A-4.

2. NEW OR RECONSTRUCTED ACCESS ROADS AND FLOWLINE

There will be approximately 1005.2' of new access to be constructed.

The new access road will be upgraded to a crowned and ditched road and will be graveled as needed for drilling. If requested by the surface owner, upgrading of this portion of the road will be kept to a minimum.

All existing roads (previously improved) will be used "as is" with the exception of minor blading as needed.

Surface disturbance and vehicular travel will be limited to the approved access route. Any additional area will be approved in advance.

Road Width: 14 - 20 feet traveling surface.

Maximum Grade: Road gradient less than 8%

Crown Design: 2%

Turnouts will be installed along the access route as needed.

Ditch design: Drainage, interception and outlet.

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Erosion Control: 6" rock under road.

Re-vegetation of Disturbed Area: All disturbed areas will be seeded by Broadcast or Drill and Crimp. Ground conditions will determine the method used.

Cattle guard(s) will be installed as needed.

Major Cuts and Fills: 2:1 Slope.

Surfacing material (road base derived from caliche or river rock) will be placed on the access road during construction. All surface disturbing activities will be discussed with and agreed to with the surface owner.

Topsoil will be placed on East side of the Location.

Flowline will be 3 $\frac{1}{2}$ " Steel line that is 1005.2' in length and laid on Surface for indefinite use.

3. LOCATION OF EXISTING WELLS

All wells located within a 1-mile radius of the proposed location. See Exhibit B.

4. LOCATION OF PRODUCTION FACILITIES

It is anticipated that production facilities will be located on the Nereid 1- #2H Federal Facility Pad well pad and oil to be sold at that tank battery.

5. LOCATION AND TYPES OF WATER SUPPLY

Water will be obtained from a private water source, Surface Owner. (Private Surface)

Chesapeake will utilize the fresh water holding facility in section 11 15 31 for fresh water.

A temporary 10" aluminum transfer line will run approx. 2.0 mile from the fresh water facility in section 11 to the location. All transfer lines will be laid along the road on already disturbed areas. The temporary line will be removed once all Nereid wells have been fract.

6. CONSTRUCTION MATERIALS

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All construction materials will be used from Medlin Ranch. All material (i.e. shale) will be acquired from private or commercial sources.

No construction material will be needed for well pad construction; subsurface spoil material will be utilized.

Surfacing material (caliche) will be purchased from a supplier having a permitted source of materials.

The entire location will be fenced with barb/woven wire and bermed with spoil dirt or gravel.

7. METHODS FOR HANDLING WASTE DISPOSAL

A closed system will be utilized consisting of above ground steel tanks.

All wastes accumulated during drilling operations will be contained in a portable trash cage and removed from location and deposited in a state approved facility.

Disposal of cuttings:

8. ANCILLARY FACILITIES None

9. WELLSITE LAYOUT

The proposed site layout plat is attached showing the Trinidad #110 orientation and equipment location. See Exhibit D.

In order to level the location, cut and fill will be required. Please see attached Well Location and Acreage Dedication Plat – Exhibits A-1 to A-4.

Any fences cut will be repaired. Cattle guards will be installed, if needed.

10. PLANS FOR RECLAMATION OF THE SURFACE

In the Event of Production

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Interim reclamation will consist of reclaiming the pad to 50 feet outside the anchors or approximately 200 x 200 feet.

In the Event of a Dry Hole/Final Reclamation

Upon final abandonment of the well, caliche material from the well pad and access road will be removed and utilized to re-contour to a final contour that blends with the surrounding topography as much as possible. Any caliche material not used will be utilized to repair roads within the lease. Topsoil will be distributed over the reclamation area and cross ripped to control erosion; the site will be seeded with an approved BLM mixture.

The location will be restored to as near as original condition as possible. Reclamation of the surface shall be done in strict compliance with the existing New Mexico Oil Conservation Division regulations and BLM regulations.

11. SURFACE TENANT Billy R. Medlin POB 50 Maljamar, NM 88264

ROAD OWNERSHIP

All access roads are located on public lands.

CHESAPEAKE OPERATING, INC. HAS AN AGREEMENT WITH THE SURFACE OWNER, AND WILL MAKE A GOOD FAITH EFFORT TO PROVIDE THE SURFACE USE PLAN OF OPERATION TO THE SURFACE OWNER.

12. ADDITIONAL INFORMATION

Class III cultural resource inventory report was prepared by Boone Archaeological Services, Carlsbad, New Mexico for the proposed location. A copy of the report has been sent to the BLM office under separate cover and is also attached for reference.

13. CHESAPEAKE REPRESENTATIVES

Drilling and Completion Operations

District Manager Jay Stratton P.O. Box 18496 Oklahoma City, OK 73154 405-935-6164 (Office) 405-831-3994 (Cell) jay.stratton@chk.com

Field Representative

Toby Reid 1616 W. Bender Hobbs, NM 88241 575-391-1462, x 86413 (Office) 575-725-84977293 (Cell) treid@chevron.com

Geologist

Corey Dimond P.O. Box 18496 Oklahoma City, OK 73154 405-935-3527 (Office) 405-628-9346 (Cell) corey.dimond@chk.com

Regulatory Compliance Technician

Erin Carson P.O. Box 18496 Oklahoma City, OK 73154 405-935-2896 (Office) 405-849-2896 (Fax) erin.carson @chk.com

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Drilling Engineer Chris Gray P.O. Box 18496 Oklahoma City, OK 73154 405-935-4346 (Office) 405-301-6515 (Cell) chris.gray@chk.com

Asset Manager

Shannon Glancy P.O. Box 18496 Oklahoma City, OK 73154 405-935-8109 (Office) 405-415-5229 (Cell)

Geoscience Coordinator David Godsey P.O. Box 14896 Oklahoma City, OK 73154 405-935-7995 (Office) 405-618-0474 (Cell) david.godsey@chk.com

District Land Coordinator Craig Barnard

P.O. Box 18496 Oklahoma City, OK 73154 405-879-8401 (Office) 405-397-8404 (Cell) craig.barnard@chk.com ONSHORE ORDER NO. 1 Chesapeake Agent for Chevron Eddy County, NM CONFIDENTIAL – TIGHT HOLE OPERATOR CERTIFICATION

CERTIFICATION

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Executed this 17th day of December , 2012

Name:

Toby Reid - Field Superintendent

Toby Reid - Fleid Superintendent

Address: 1616 W Bender Blvd Hobbs, NM 88240

Telephone: 575-725-8497

E-mail: treid@chevron.com



United States Department of the Interior BUREAU OF LAND MANAGEMENT

Pecus District

Roswell Field Office 2909 W. Second St. Roswell, NM 88021



Carlsbad Field Office 620 E. Greene Carlsbad, NM 88220

www.nm.blm.gov

In reply refer to 1310 (500)

NOV 132006

Dear Operator:

Both the Bureau of Land Management (BLM) and the oil and gas industry recognize that mineral development is one of many uses on the public lands in New Mexico. Since oil and gas development is only meant to be a temporary use of the surface, interim reclamation of disturbed areas not needed for active support of production operations is a very important 'best management practice'. In an effort to insure continued access and availability of public minerals, it is in the best interests of the oil and gas industry and BLM to work together towards reclaiming lands not actively used for safe and economical production.

Recognizing that a "one size fits all" approach is not practical, I am asking our lessees and operators to work with BLM staff to find solutions on reclaiming disturbed areas. In keeping with best management practices, locations and roads should have the smallest surface impact possible while balancing the need for safety, terrain, depth of the well and good engineering practices. As I have indicated at our working group meetings, where terrain permits, roads and locations may be built with minimal or no caliche for surfacing. The BLM acknowledges that there will be areas, such as in sandy soils, where surfacing materials may be necessary for a well pad, or portions of the road. These details can be worked out at the time of the onsite inspection.

At the time reserve pits are to be reclaimed, operators should work with a BLM surface management specialist to devise the best strategies to reduce the size of the location. BLM is aware that safety requirements do not allow vehicles within the area of guy anchors. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas. We also recognize that pad sizes will vary depending upon whether a tank battery is present, onsite terrain and soils at each location. Our goal is to minimize the footprint required for safe operations, while achieving our commitment to multiple land use.

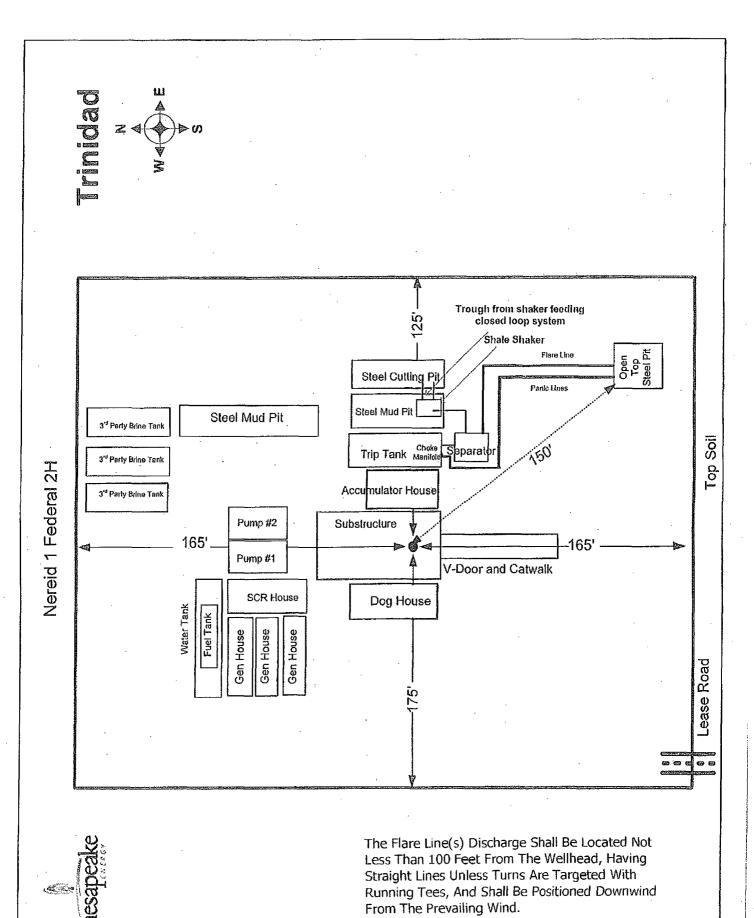
During reclamation, the removal of caliche from a road and location when that material is no longer necessary is important to increasing the success of revegetating the site. Removed caliche may be used in road repairs, or for building other roads and locations. We also recognize that in sandy dunal areas significant interim reclamation may not be feasible. In addition, in order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed, since they will usually do little or no damage to the surface. If there is significant disturbance and loss of vegetation, the area will need to be revegetated within a reasonable period after use. The BLM also acknowledges that there will be exceptions, and I urge operators to communicate with the appropriate BLM office if an exemption to interim reclamation is needed.

While change does not come easy for any of us, our combined efforts to reduce the footprint of mineral activities will go a long way in demonstrating our ability to harmonize oil and gas development with other uses on the public lands. I really appreciate your efforts in this area and look forward to our continued work together.

Sincerely,

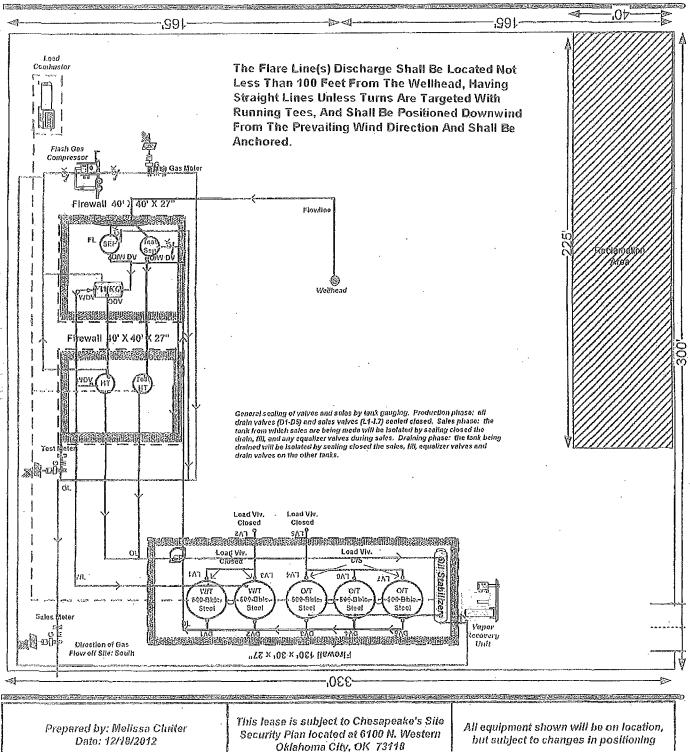
Douglas J. Burger

Pecos District Manager



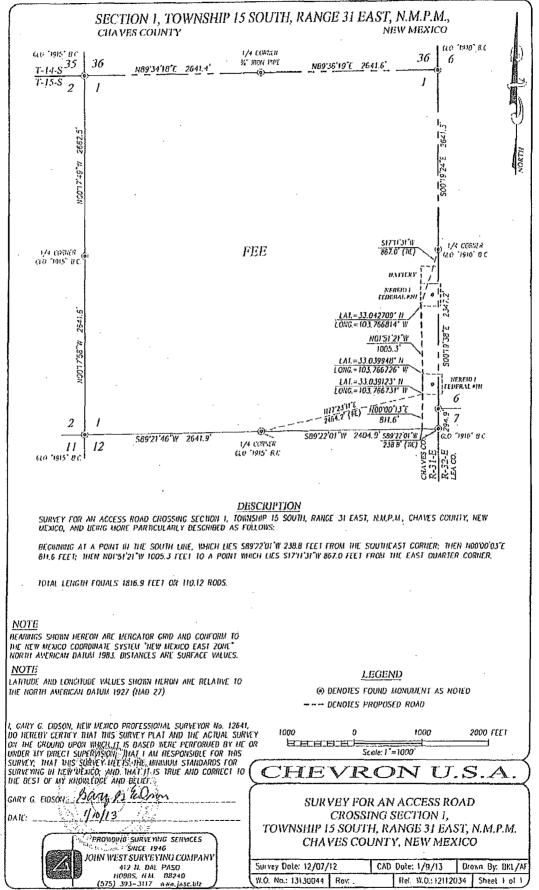
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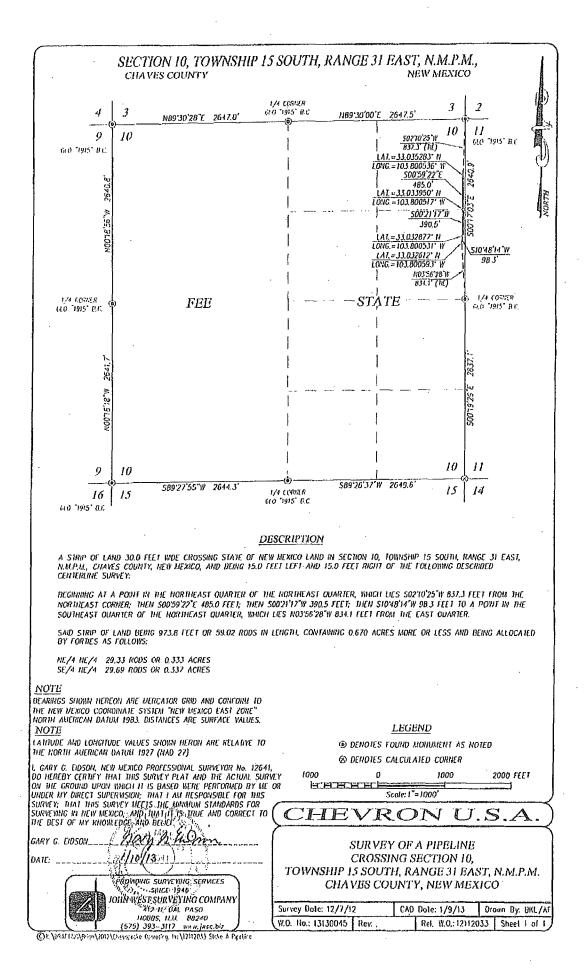


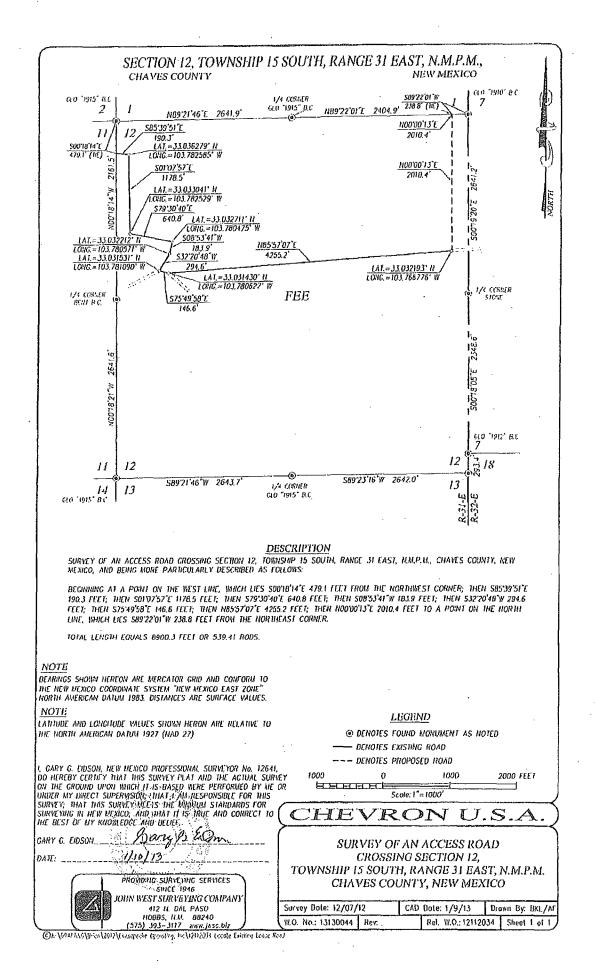
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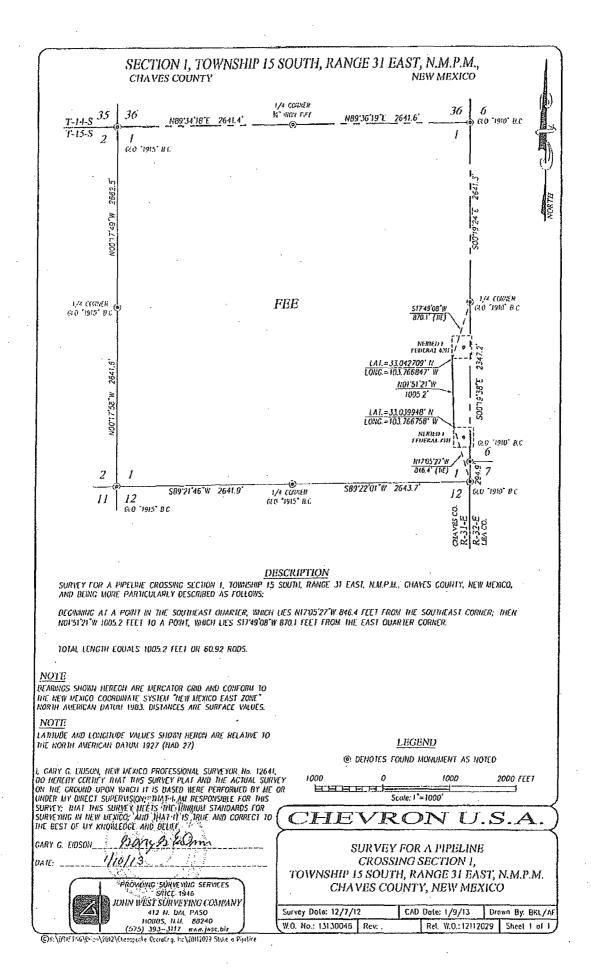
Chesapeake

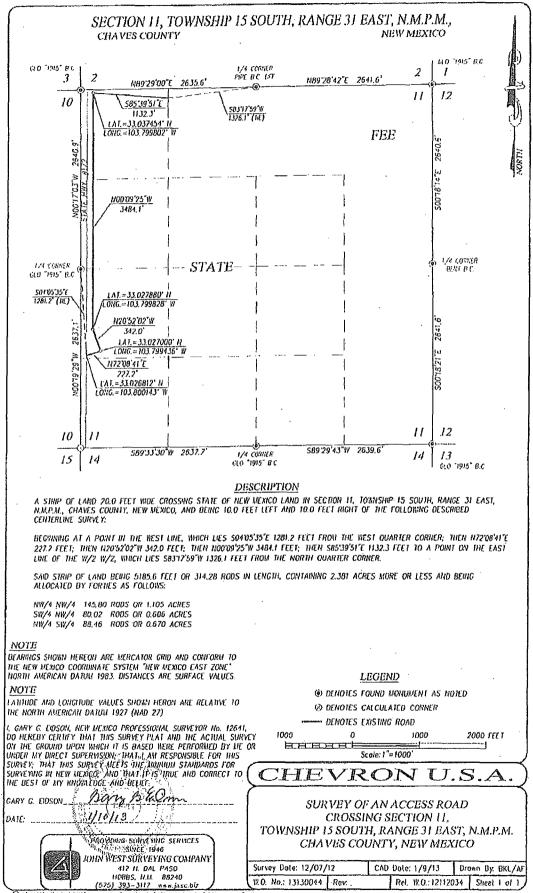


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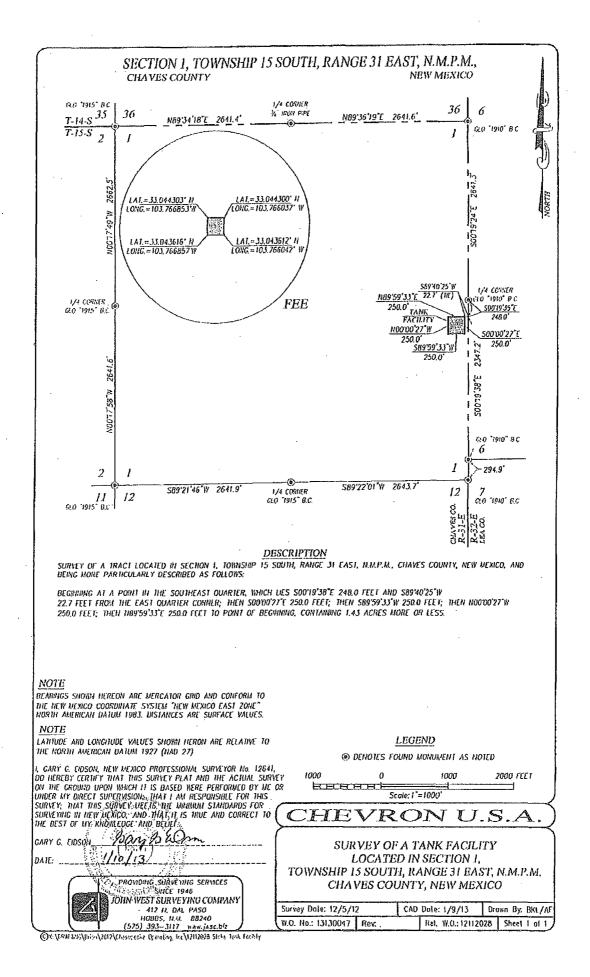


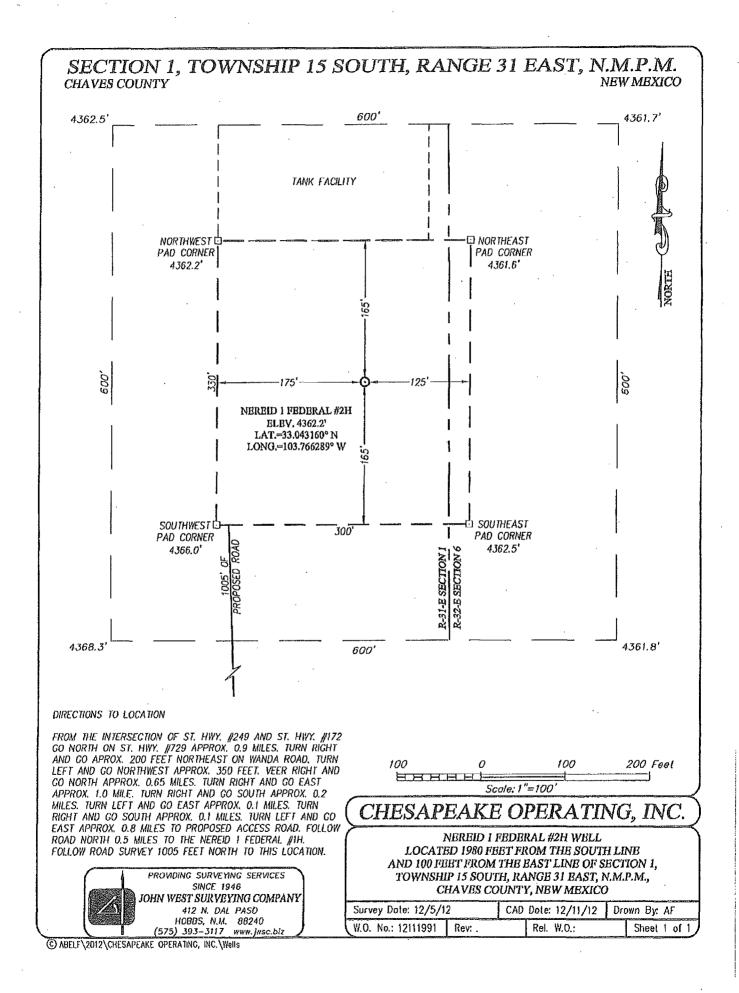


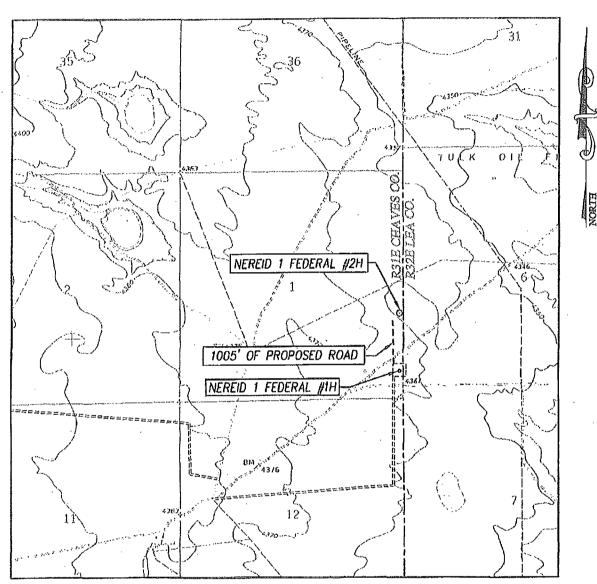




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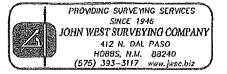


LOCATION VERIFICATION MAP

SCALE: 1'' = 2000'

SEC. <u>1</u> TWP. <u>15–S</u> RGE. <u>31–E</u> SURVEY <u>N.M.P.M.</u> COUNTY <u>CHAVES</u> STATE <u>NEW MEXICO</u> DESCRIPTION <u>1980' FSL & 100' FEL</u> ELEVATION <u>4362'</u> OPERATOR <u>CHESAPEAKE OPERATING, INC.</u> LEASE <u>NEREID 1 FEDERAL</u> U.S.C.S. TOPOCRAPHIC MAP

U.S.G.S. TOPOGRAPHIC MAP CEDAR POINT SE, N.M. CONTOUR INTERVAL: CEDAR POINT SE, N.M. - 10'



VICINITY MAP

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LEA COUNTY

SCALE: 1'' = 2 MILES

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SEC. <u>1</u> TWP.<u>15–S</u> RGE.<u>31–E</u> SURVEY<u>N,M.P.M.</u> COUNTY<u>CHAVES</u> STATE <u>NEW MEXICO</u> DESCRIPTION <u>1980' FSL & 100' FEL</u> ELEVATION<u>4362'</u> OPERATOR <u>CHESAPEAKE OPERATING, INC.</u> LEASE<u>NEREID 1 FEDERAL</u>

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