

ONSHORE ORDER NO. 1
Chesapeake Agent for Chevron

CONFIDENTIAL – TIGHT HOLE
SURFACE USE PLAN

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

HOBBS OCD

MAY 29 2013

Nereid 1 Federal 3H

RECEIVED

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 1749' 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

There will be approximately 1749' 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.

MAY 30 2013

Ditch design: Drainage, interception and outlet.

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.

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 Federal 2H 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.

Chesapeake will utilize the frac pond in section 12 15 31 for fresh water.

Water to be hauled into section 15.

A temporary 10" aluminum transfer line will run approx. 2.0 mile from the pond in section 21 to the location. All transfer lines will be laid on a disturbed area.

6. CONSTRUCTION MATERIALS

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.

A locking gate will be installed at the site entrance.

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

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 OWNER

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

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Oklahoma City, OK 73154
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405-301-6515 (Cell)
chris.gray@chk.com

Field Representative

Stephen Tarr
1616 W. Bender
Hobbs, NM 88241
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432-238-6316 (Cell)
Starr@chevron.com

Asset Manager

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Oklahoma City, OK 73154
405-935-8109 (Office)
405-415-5229 (Cell)
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Geologist

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405-628-9346 (Cell)
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District Land Coordinator

Craig Barnard
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craig.barnard@chk.com

Regulatory Compliance Technician

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405-849-2896 (Fax)
carol.adler@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 19th day of March, 2013.

Name: 
Stephen Starr - Field Superintendent/Surface Landman

Address: 1616 W Bender Blvd Hobbs, NM 88240

Telephone: 432-238-6316

E-mail: Starr@chevron.com

Chesapeake Operating, Inc. respectfully requests permission to drill a well to 13,400'. If productive, casing will be run and the well completed. If dry, the well will be plugged and abandoned as per BLM and New Mexico Oil Conservation Division requirements.

Please find the Surface Use Plan and Drilling Plan as required by Onshore Order No. 1.

Attached are the Exhibit A-1 to A-4 Survey plats, Exhibit B 1 mile radius plat, Exhibit C Production facility, Exhibit D Trinidad Rig layout, Exhibit F-1 to F-2 BOP & Choke Manifold, Exhibit G Standard Planning Report, Wellbore Schematic and Form C-144 Closed Loop System Permit.

Archeological Survey will be delivered to the BLM when completed.

Chesapeake Operating, Inc. has an agreement with the grazing lessee.

Please be advised that Chesapeake Operating, Inc. is the Designated Agent for Chevron, the Operator of this unit. Chesapeake Operating, Inc. agrees to be responsible under the terms and conditions of the lease for the operations conducted upon the lease lands.



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

Pecos District

Carlsbad Field Office
620 E. Greene
Carlsbad, NM 88220

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

www.nm.blm.gov



In reply refer to
1310 (500)

NOV 13 2006

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.

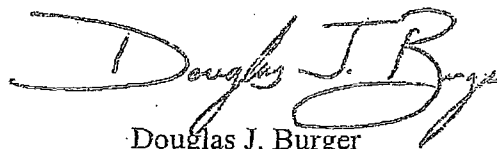
At the time reserve pits are to be reclaimed, operators should work with a BLM surface management specialist to devise the best strategies to reduce the size of the location. BLM is aware that safety requirements do not allow vehicles within the area of guy anchors. Any reductions should allow for remedial 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.

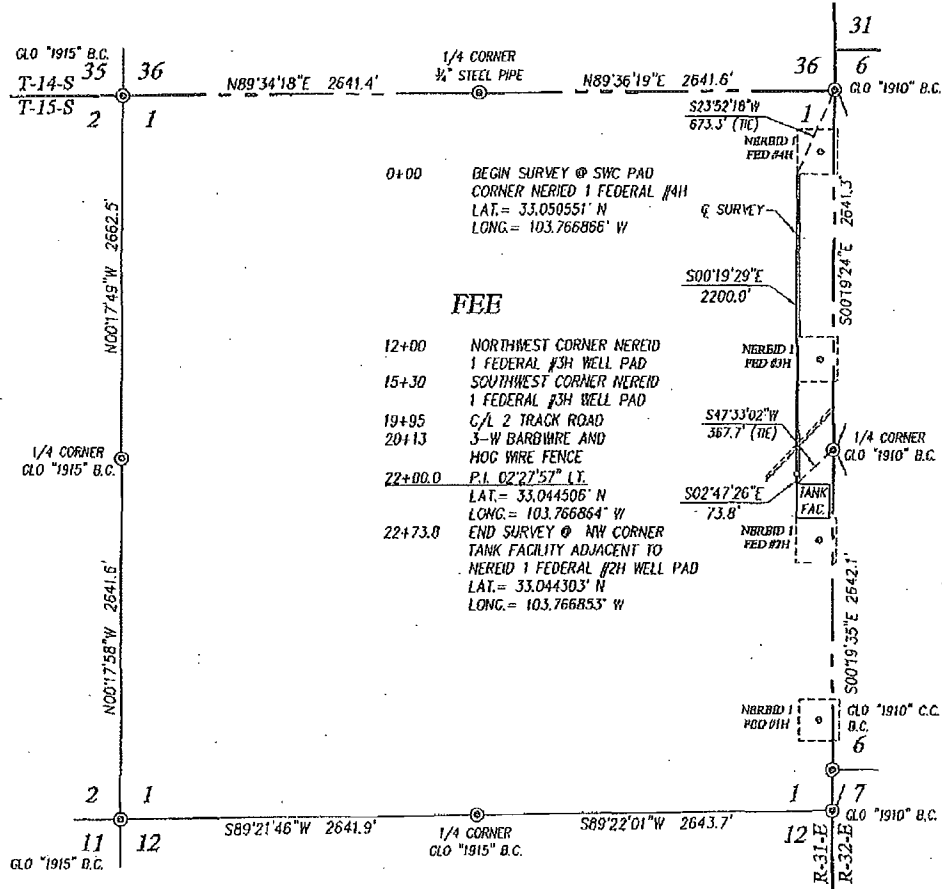
While change does not come easy for any of us, our combined efforts to reduce the footprint of mineral activities will go a long way in demonstrating our ability to harmonize oil and gas development with other uses on the public lands. I really appreciate your efforts in this area and look forward to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

Sincerely,

A handwritten signature in dark ink, appearing to read "Douglas J. Burger". The signature is fluid and cursive, with the first name "Douglas" being more prominent than the last name "Burger".

Douglas J. Burger
Pecos District Manager

SECTION 1, TOWNSHIP 15 SOUTH, RANGE 31 EAST, N.M.P.M.,
CHAVES COUNTY
NEW MEXICO



DESCRIPTION

SURVEY OF A PIPELINE CROSSING SECTION 1, TOWNSHIP 15 SOUTH, RANGE 31 EAST, N.M.P.M., CHAVES COUNTY, NEW MEXICO, AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE NORTHEAST QUARTER OF SECTION 1, WHICH LIES S23°52'18\"/>

TOTAL LENGTH EQUALS 2273.8 FEET OR 137.81 RODS.

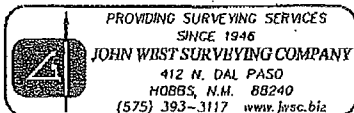
NOTE

BEARINGS SHOWN HEREON ARE MERCATOR GRID AND CONFORM TO THE NEW MEXICO COORDINATE SYSTEM "NEW MEXICO EAST ZONE" NORTH AMERICAN DATUM 1983. DISTANCES ARE SURFACE VALUES.

I, GARY G. EIDSON, NEW MEXICO PROFESSIONAL SURVEYOR No. 12641, DO HEREBY CERTIFY THAT THIS SURVEY PLAT AND THE ACTUAL SURVEY ON THE GROUND UPON WHICH IT IS BASED WERE PERFORMED BY ME OR UNDER MY DIRECT SUPERVISION; THAT I AM RESPONSIBLE FOR THIS SURVEY; THAT THIS SURVEY MEETS THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO; AND THAT IT IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

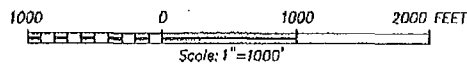
GARY G. EIDSON

DATE:



LEGEND

⊙ DENOTES FOUND CORNER AS NOTED



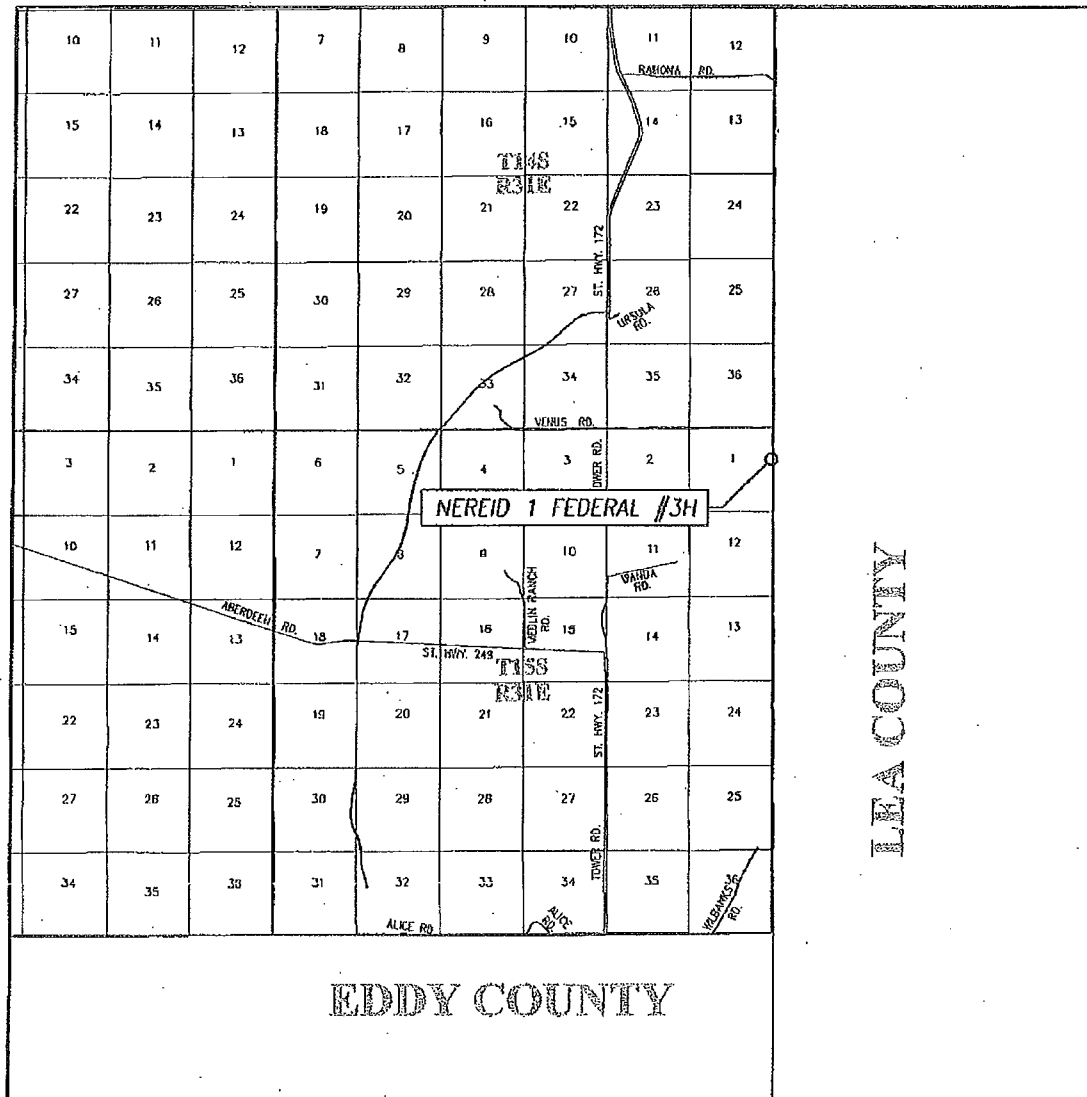
CHEVRON U.S.A.

SURVEY OF A PIPELINE
CROSSING SECTION 1,
TOWNSHIP 15 SOUTH, RANGE 31 EAST, N.M.P.M.
CHAVES COUNTY, NEW MEXICO

Survey Date: 1/9/13	CAD Date: 1/11/2013	Drawn By: BKL
W.O. No.: 13110063	Rev.:	Rel. W.O.:

Sheet 1 of 1

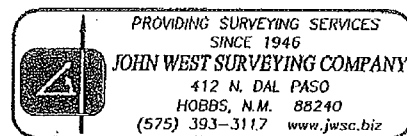
VICINITY MAP



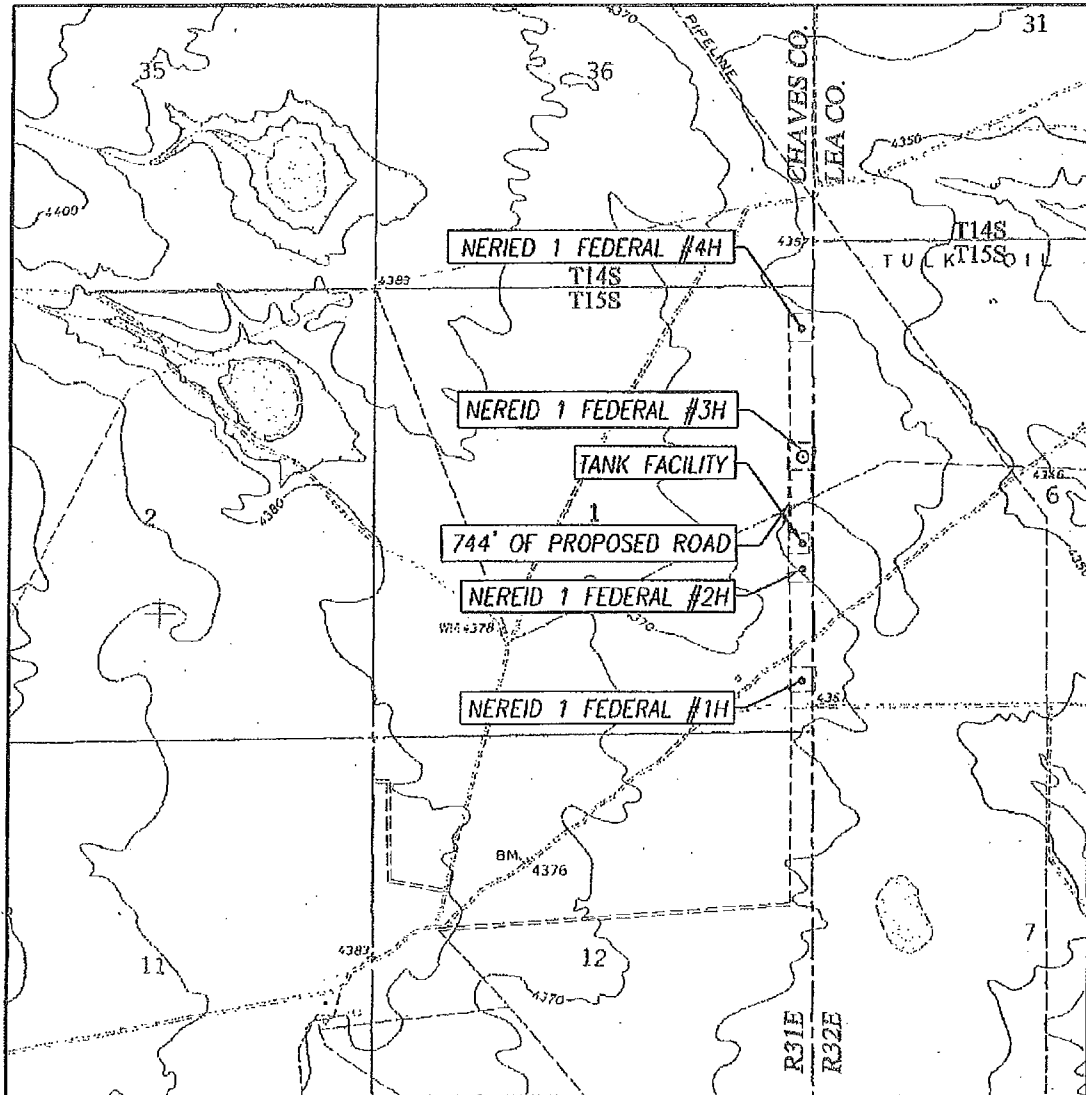
SCALE: 1" = 2 MILES

SEC. 1 TWP. 15-S RGE. 31-E
 SURVEY N.M.P.M.
 COUNTY CHAVES STATE NEW MEXICO
 DESCRIPTION 1980' FNL & 100' FEL
 ELEVATION 4363'
 OPERATOR CHEVRON OPERATING, LLC
 LEASE NEREID 1 FEDERAL

PRELIMINARY
 This Document Shall Not
 Be Recorded For Any Purpose



LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
CEDAR POINT SE, N.M. - 10'

SEC. 1 TWP. 15-S RGE. 31-E

SURVEY N.M.P.M.

COUNTY CHAVES STATE NEW MEXICO

DESCRIPTION 1980' FNL & 100' FEL

ELEVATION 4363'

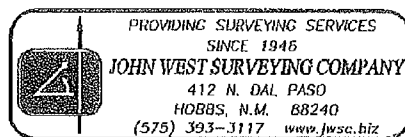
OPERATOR CHEVRON OPERATING, LLC

LEASE NEREID 1 FEDERAL

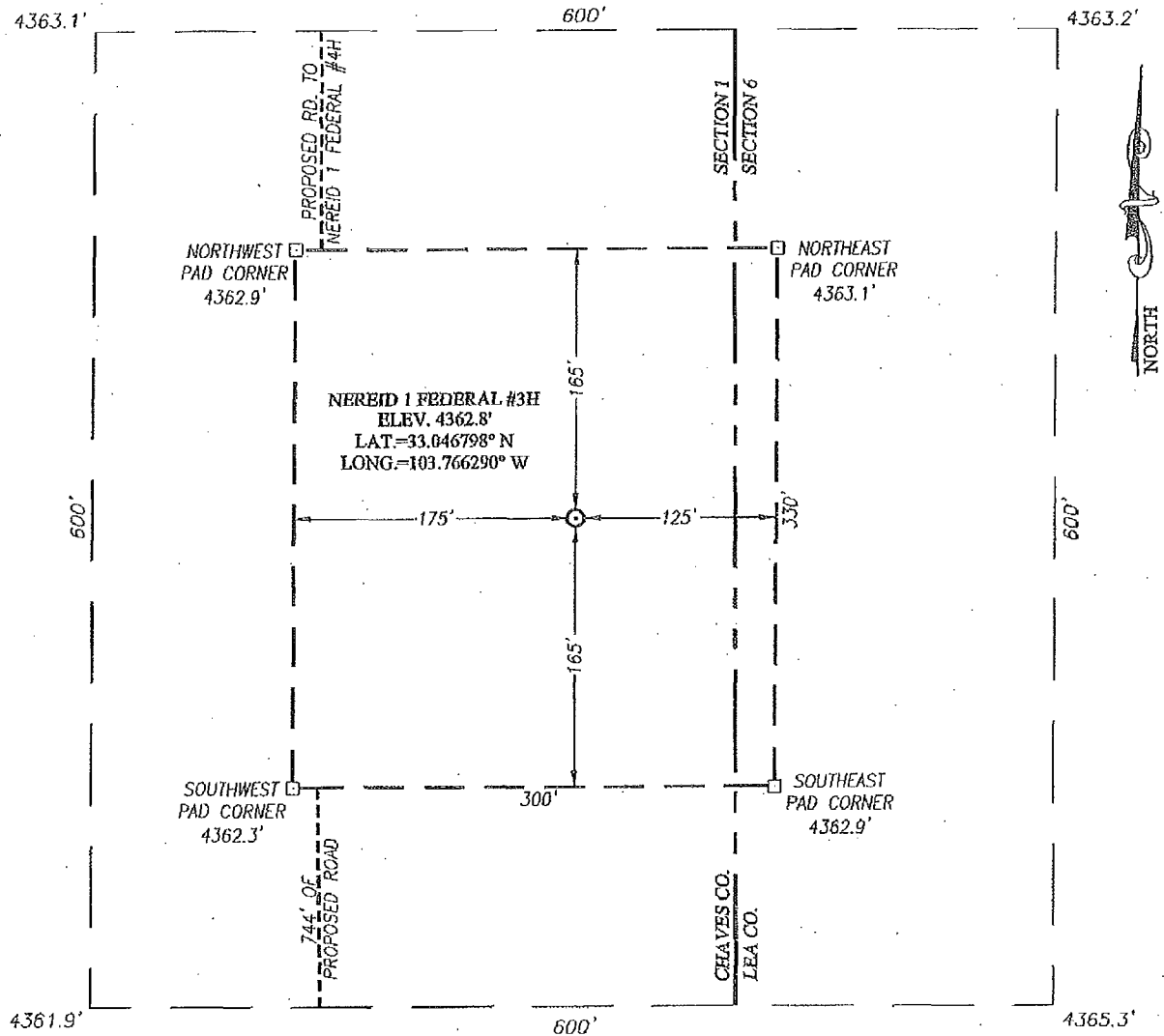
U.S.G.S. TOPOGRAPHIC MAP

CEDAR POINT SE, N.M.

PRELIMINARY
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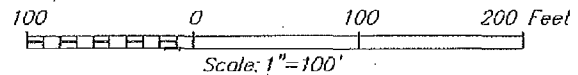
SECTION 1, TOWNSHIP 15 SOUTH, RANGE 31 EAST, N.M.P.M.
CHAVES COUNTY **NEW MEXICO**



PRELIMINARY
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DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF ST. HWY. #249 AND ST. HWY. #172 GO NORTH ON ST. HWY. #172 APPROX. 0.9 MILES. TURN RIGHT AND GO NORTHEAST APPROX. 250 FEET. TURN LEFT AND GO NORTHWEST APPROX. 350 FEET. ROAD VEERS RIGHT GO NORTH APPROX. 0.7 MILES. TURN RIGHT AND GO EAST APPROX. 1.0 MILE. TURN RIGHT AND GO SOUTH APPROX. 0.2 MILES. TURN LEFT AND GO EAST APPROX. 0.8 MILES TO THE ROAD SURVEY CONNECTING NEREID WELLS. FOLLOW ROAD SURVEY NORTH APPROX. 1.0 MILE. THIS LOCATION IS EAST APPROX. 160 FEET.

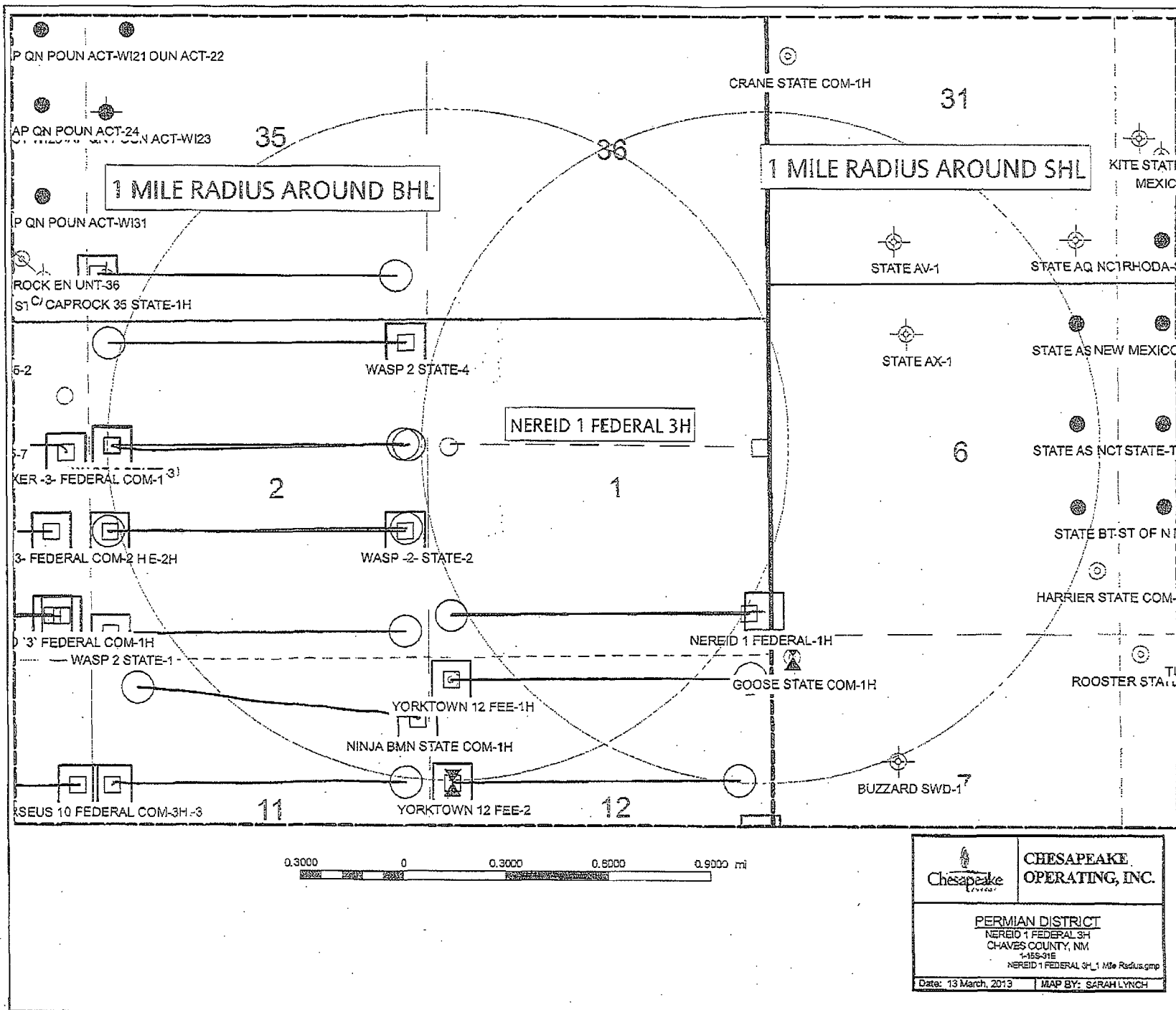


CHEVRON OPERATING, LLC

NEREID 1 FEDERAL #3H WELL
 LOCATED 1980 FEET FROM THE NORTH LINE
 AND 100 FEET FROM THE EAST LINE OF SECTION 1,
 TOWNSHIP 15 SOUTH, RANGE 31 EAST, N.M.P.M.,
 CHAVES COUNTY, NEW MEXICO

PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (575) 393-3117 www.jwsc.biz

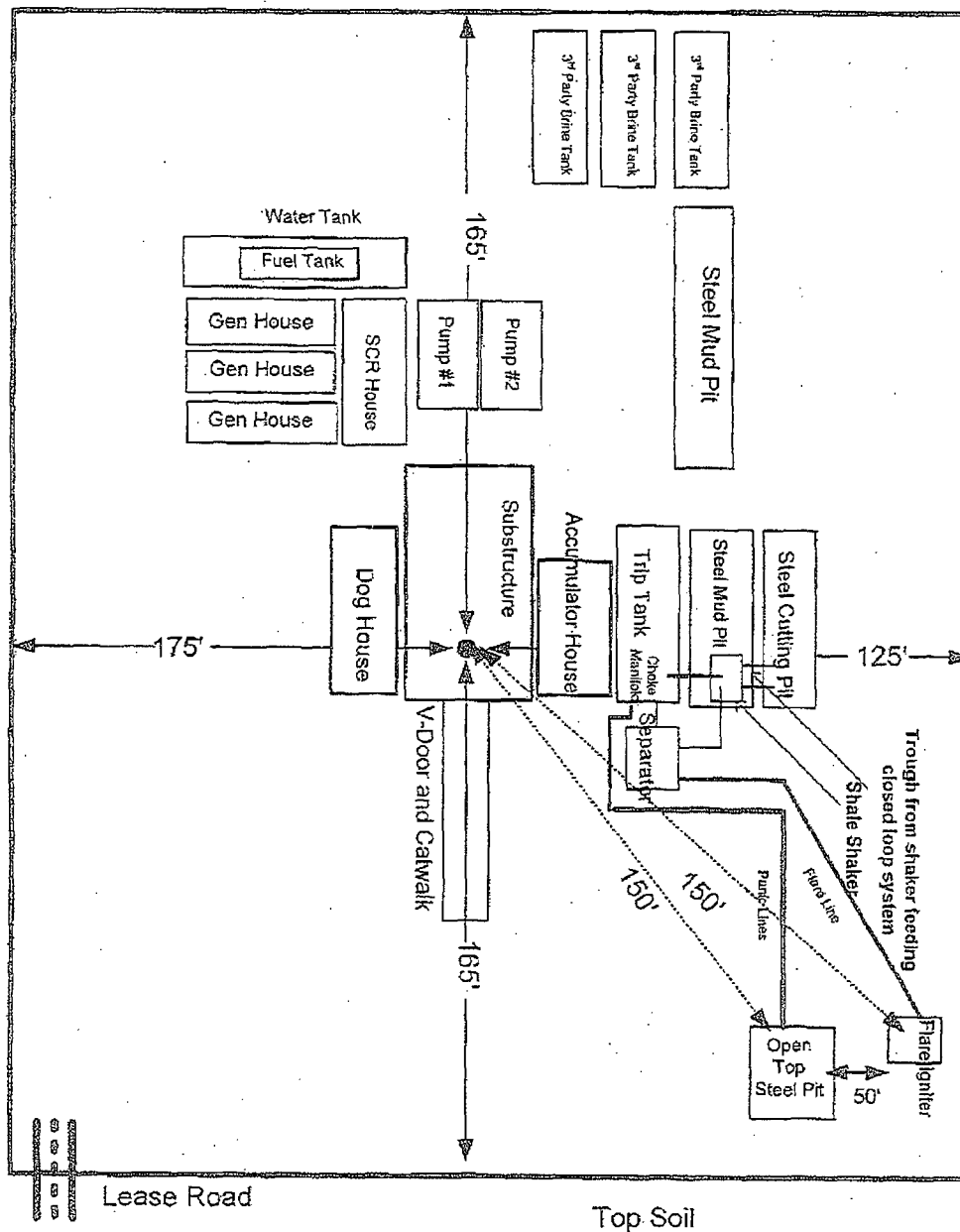
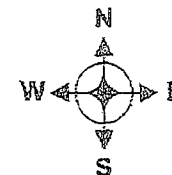
Survey Date: 1/9/13	CAD Date: 1/11/13	Drawn By: AF
W.O. No.: 13110002	Rev: .	Rel. W.O.:
		Sheet 1 of 1





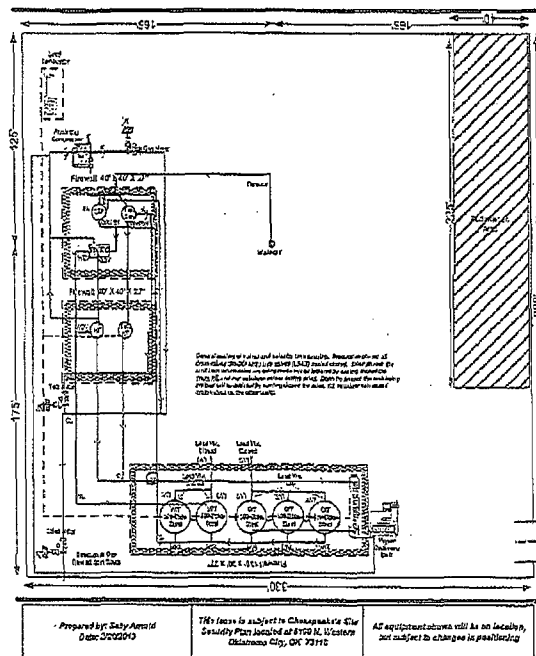
Nereid 1 Federal 3H

Trinidad





**Nereid 1 Federal
Facility Pad**
S1/T15S/R31E - 1980' FSL & 100' FEL
Chaves County, NM



Gas Meter Run (GMR)



Fill Line Valve



Draw off Valve



Load Line Valve



Equalizer Valve



Other Valve



Separator (S)



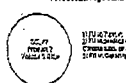
Heater Treater (HT)



Tanks and
Labels

Direction of Flow at Size: North

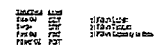
Product Storage Tank



Water Storage Tank



Prod Oil, Sep Oil, Sump, Power Oil, & Water Tank



Well Head



Production
Unit



Pumping Unit



Lease
Road



BLM Site
Security
Statement



Compressor



Steam Generation Facility (SGF)



Gun Barrel or Wash tank (GB)



PU/number of pits (1)



Automated Custody
Transfer Unit (LACT)



Connection: Piping (PL);
Truck Loading (TL)



Check Valve (CK)



Pumps: Circulating (CP);
Transfer (TP)



Free Wtr Knockout
(FWKO)



Line Heater (LH)



Header (HD)



Firewall Section



Direction of Flow
off Site

N S E W
NE NW SE SW

Item

Line Symbol

Fill line



F

Test line



T

Equalizer/overflow line



Sales line



S

Circulating lines: tank - C; pit - PC



C CP

Drain line: tank - D; prod vessel - PD



D PD

Tank vent line



V

Gas line



G

Water line



W

Bed oil line (LACT)



B

Safety valve vent line



SV

Misc. access line; royalty oil; lease use



M

Heating lines; contents - O; other media - H



O H

Fuel line - U; power oil - PO



U

Water disposal line



WD

Lines: not connected



Lines: connected



Gas roll line



R

Portable well tester outlets

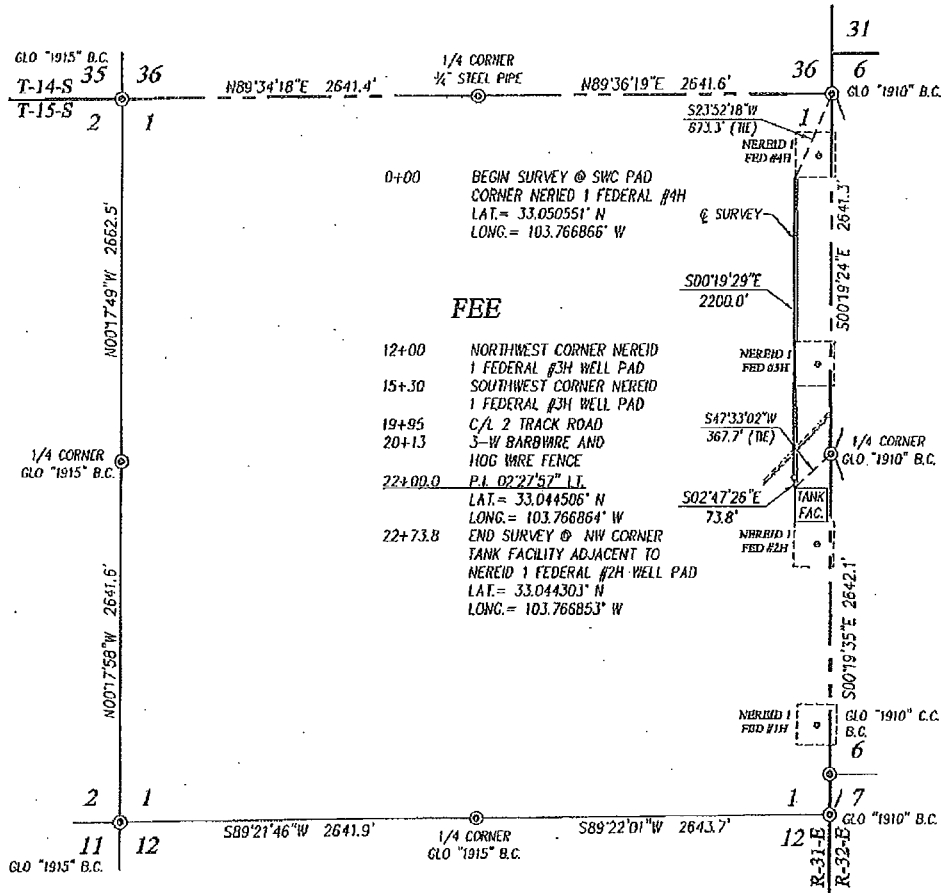


PT

Direction of Flow



**SECTION 1, TOWNSHIP 15 SOUTH, RANGE 31 EAST, N.M.P.M.,
CHAVES COUNTY
NEW MEXICO**



DESCRIPTION

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BEGINNING AT A POINT IN THE NORTHEAST QUARTER OF SECTION 1, WHICH LIES S23°52'18\"W 673.3 FEET FROM THE NORTHEAST CORNER OF SAID SECTION; THEN S00°19'29\"E 2200.0 FEET; THEN S02°47'26\"E 73.8 FEET TO A POINT IN THE SOUTHEAST QUARTER OF SAID SECTION, WHICH LIES S47°33'02\"W 367.7 FEET FROM THE EAST QUARTER CORNER OF SAID SECTION.

TOTAL LENGTH EQUALS 2273.8 FEET OR 137.81 RODS.

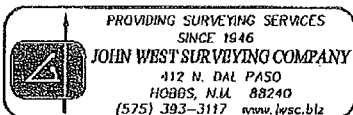
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I, GARY G. EIDSON, NEW MEXICO PROFESSIONAL SURVEYOR No. 12641, DO HEREBY CERTIFY THAT THIS SURVEY PLAT AND THE ACTUAL SURVEY ON THE GROUND UPON WHICH IT IS BASED WERE PERFORMED BY ME OR UNDER MY DIRECT SUPERVISION; THAT I AM RESPONSIBLE FOR THIS SURVEY; THAT THIS SURVEY MEETS THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO; AND THAT IT IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

GARY G. EIDSON

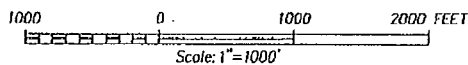
DATE:



©:IC:\DRAWING\Biom\2013\Chesapeake Operating, Inc\13110063 TISS_R31E Sec 1

LEGEND

⊙ DENOTES FOUND CORNER AS NOTED



CHEVRON U.S.A.

**SURVEY OF A PIPELINE
CROSSING SECTION 1,
TOWNSHIP 15 SOUTH, RANGE 31 EAST, N.M.P.M.
CHAVES COUNTY, NEW MEXICO**

Survey Date: 1/9/13	CAD Date: 1/11/2013	Drawn By: BKL
W.O. No.: 13110063	Rev:	Rel. W.O.:
		Sheet 1 of 1