

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

**NMOCD ACOI 174-A**

**IN THE MATTER OF CHESAPEAKE OPERATING, INC.,**

**Respondent.**

**AMENDED  
AGREED COMPLIANCE ORDER**

Pursuant to Ordering Paragraph 3 of Agreed Compliance Order 174, the Director of the Oil Conservation Division ("OCD") hereby amends that order as follows:

**FINDINGS**

1. Agreed Compliance Order 174 (ACOI 174) requires Chesapeake Operating, Inc. (Operator) to return to compliance with OCD Rule 201 at least 13 of the wells identified in the Order by March 15, 2008 and file a compliance report by that date.

2. ACOI 174 further provides that if Operator returns to compliance with OCD Rule 201 at least 13 of the wells identified in the Order by March 15, 2008 and files a timely compliance report, the OCD shall issue an amendment extending the terms of ACOI 174 for a second six-month period, requiring Operator to return an additional 15 wells to compliance by that deadline. If Operator fails to meet its compliance goal, the OCD may exercise discretion in determining whether to issue an amendment, and the Operator may be subject to a penalty of \$1,000 for each well it fell short of its goal.

3. Operator filed a timely compliance report, and the OCD has verified that OCD records indicate that Operator has returned the following 12 wells identified in the Order to compliance:

- |                                      |              |
|--------------------------------------|--------------|
| • Appleseed Fed. Com Well #001       | 30-025-20377 |
| • BSWF Unit Well #009                | 30-015-20526 |
| • Kemnitz Lwr. WC E Unit Well #002   | 30-025-21318 |
| • Kemnitz Lwr. WC E Unit Well #003   | 30-025-20604 |
| • La Rica Fed. Well #001             | 30-025-25140 |
| • Lovington Plains 2 State Well #001 | 30-025-27888 |
| • Old Indian Draw Unit #015          | 30-015-21958 |
| • State BG Com Well #001             | 30-025-33395 |
| • SV Chipshot Well #002              | 30-025-33806 |
| • Tonto Federal Well #001            | 30-025-00922 |
| • McKamey Federal Well #1Y           | 30-025-27740 |

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### CONCLUSIONS

1. Operator failed to meet its goal of returning 13 wells identified in the Order to compliance by March 15, 2008, falling short by one well.
2. Operator has demonstrated good faith in its attempt to meet its compliance goal, and the OCD should waive the applicable penalty, amend ACOI 174 to extend its terms through September 15, 2008 and require Operator to return to compliance by that date 15 additional wells identified in the Order.

### ORDER

1. The OCD waives the \$1,000 penalty that would otherwise apply under the Order.
2. Operator shall return to compliance by September 15, 2008 15 wells identified in the Order that are not identified in Findings Paragraph 3, above.
3. Operator shall file a written compliance report by September 15, 2008 identifying the wells returned to compliance in the second period, identifying each well returned to compliance, stating the date it was returned to compliance and describing how the well was returned to compliance (restored to production or other approved beneficial use, plugged wellbore, approved temporary abandonment status). The written compliance report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager so that it is received by the compliance deadline of September 15, 2008.
4. The terms of ACOI 174 otherwise remain in effect.

Done at Santa Fe, New Mexico this 14<sup>th</sup> day of April, 2008

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