

AP - 061

**GENERAL
CORRESPONDENCE**

2007 - 2006



RECEIVED

AUG 14 2007

Oil Conservation Division
Environmental P

August 8, 2007

Mr. Glenn Von Gonten
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

**SUBJECT: STAGE 1 ABATEMENT PLAN (AP-061)
HERRADURA NO. 3**

Dear Mr. Von Gonten:

I am writing to inquire on the status of the above referenced Abatement Plan No. AP-061 for the Chesapeake Energy Herradura No.3.

The Abatement Plan was submitted to you on December 8, 2006.

Chesapeake Energy would like to move forward on this investigation as soon as possible.

I would appreciate an approval by August 24, 2007 so we can schedule investigation activities. It is anticipated to begin investigation activities by the end of September of the first of October 2007.

I look forward to your response.

Sincerely,
Chesapeake Energy

A handwritten signature in cursive script that reads "Bradley Blevins".

Bradley Blevins
Environmental Field Technician

cc: Wayne Price-NMOCD, Santa Fe, NM
Curtis Blake-Chesapeake Energy, Hobbs, NM
Harlan Brown-Chesapeake Energy, Oklahoma City, OK
Cliff Brunson-BBC International, Inc., Hobbs, NM

VonGonten, Glenn, EMNRD

From: Cliff P. Brunson [cbrunson@bbcinternational.com]
Sent: Friday, December 08, 2006 11:13 AM
To: VonGonten, Glenn, EMNRD
Subject: RE: Chesapeake Herradura No. 3 - Stage 1 Abatement Plan

Thanks for letting me know Glenn.

Cliff

From: VonGonten, Glenn, EMNRD [mailto:Glenn.VonGonten@state.nm.us]
Sent: Friday, December 08, 2006 10:21 AM
To: Cliff P. Brunson
Subject: RE: Chesapeake Herradura No. 3 - Stage 1 Abatement Plan

Cliff,

I received the AP at 10:15 am, this morning.

Glenn

From: Cliff P. Brunson [mailto:cbrunson@bbcinternational.com]
Sent: Thursday, December 07, 2006 7:24 PM
To: VonGonten, Glenn, EMNRD
Cc: Bradley Blevins; Harlan Brown
Subject: Chesapeake Herradura No. 3 - Stage 1 Abatement Plan

Glenn,

This is to inform you that the Stage 1 Abatement Plan for the Chesapeake Herradura No. 3 was sent via Fed-Ex today for delivery tomorrow (12/8/06) to you.

Regards,

Cliff

Confidentiality Notice: This electronic transmission (and any attached documents) is intended only for the person(s) to whom it is addressed and may contain information that is privileged, confidential, or otherwise protected from disclosure. If you have received this transmission in error, please immediately notify the sender by e-mail or by collect telephone call to (505) 397-6388 for handling instructions. Any disclosure or distribution of the contents of this transmission by anyone other than the named recipient(s) is strictly prohibited.

Cliff P. Brunson, CEI, CRS
President
BBC International, Inc.
World-Wide Environmental Specialists
Mailing Address:
P. O. Box 805
Hobbs, NM 88241-0805 USA
Shipping Address:
1324 W. Marland Blvd.
Hobbs, NM 88240 USA
Phone: (505) 397-6388
Fax: (505) 397-0397
E-mail: cbrunson@bbcinternational.com
Web: www.bbcinternational.com

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Version: 7.5.432 / Virus Database: 268.15.15/579 - Release Date: 12/7/2006 1:31 PM

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6/19/2007

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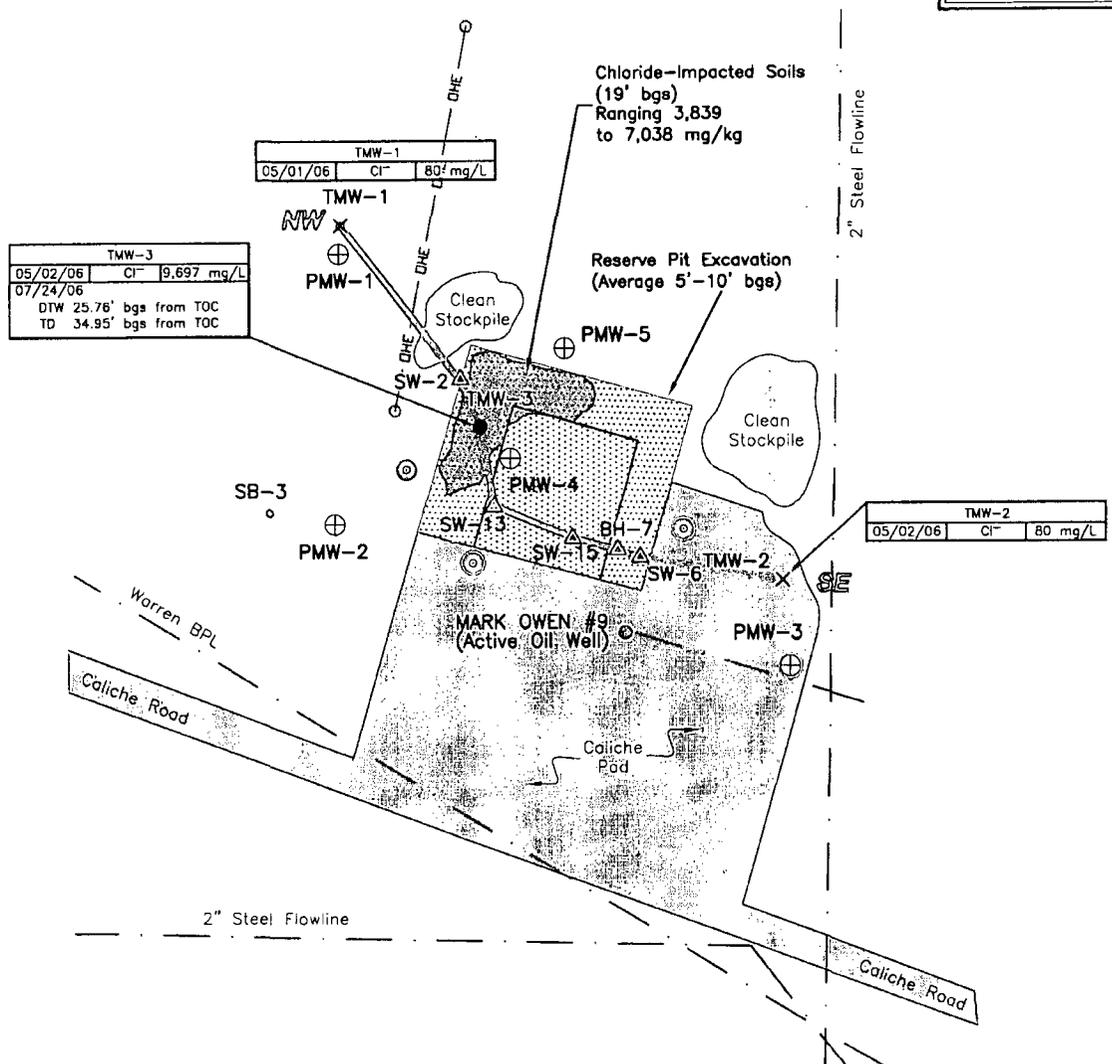
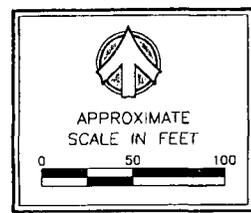
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LEGEND			
●	Monitoring Well Location	○	Soil Boring Location
●	Oil Well Location	bgs	Below Ground Surface
×	Plugged Monitoring Well	DTW	Depth to Water
⊕	Proposed Monitoring Well	TOC	Top of Casing
⊙	Proposed Soil Boring	—	Line of Section
		TD	Total Depth
		Cl ⁻	Chlorides (groundwater)
		mg/Kg	Milligrams per Kilogram (soils)
		mg/L	Milligrams per Liter (groundwater)
		△	Soil Sample Location

NOTES:

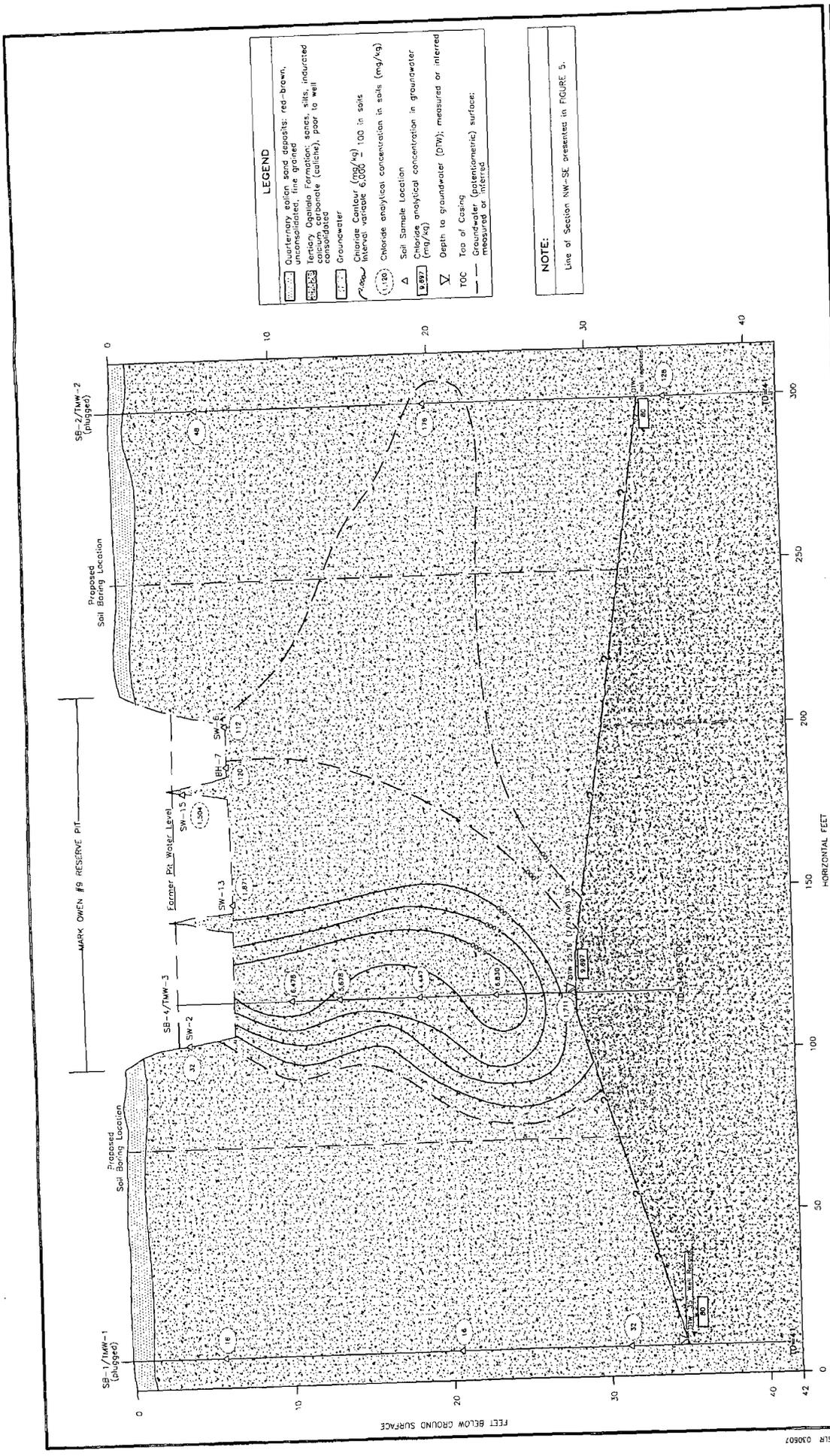
1. TMW-1, TMW-2, and TMW-3 groundwater analyzed for benzene, toluene, ethylbenzene, and xylenes by EPA SW-846 Method 8260 in May 2006. Results were <0.002 mg/L for the respective analytes in all monitor wells.
2. NW-SE Cross Section - site conditions presented as FIGURE 4.

046121 SLR 030607



PROPOSED SOIL BORING AND MONITORING WELL LOCATION MAP
 CHEVRON ENVIRONMENTAL MANAGEMENT COMPANY
 MARK OWEN #9 RESERVE PIT
 NW/4 OF SE/4 SECTION 34; T-21-S, R-37-E LEA COUNTY, NM

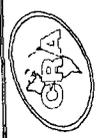
JOB No.
 046121
 FIGURE
 5



JOB No.
046121

FIGURE
4

NW-SE CROSS SECTION - SITE CONDITIONS
 NW-SE CROSS SECTION - SITE CONDITIONS
 CHEVRON ENVIRONMENTAL MANAGEMENT COMPANY
 MARK OWEN #9 RESERVE PIT
 LEA COUNTY, NM
 NW/4 OF SE/4 SECTION 34, T-21-S, R-37-E



VonGonten, Glenn, EMNRD

From: Cliff P. Brunson [cbrunson@bbcinternational.com]
Sent: Monday, October 30, 2006 7:59 PM
To: VonGonten, Glenn, EMNRD
Cc: Price, Wayne, EMNRD; Bradley Blevins; Harlan Brown; Ken Swinney; Jennifer Gilkey; Amy C. Ruth
Subject: Stage 1 Abatement Plan-Chesapeake Herradura Well #3-Extension

Glenn,

This e-mail is to confirm our conversation on Thursday, October 26, 2006 concerning the Stage 1 Abatement Plan for the Chesapeake Herradura Well #3 in Hobbs. During our conversation, you and Wayne Price agreed to an extension date of November 15, 2006 for the submittal of the Stage 1 Plan.

I appreciate your cooperation in granting the extension. If you would please reply back to this message with your concurrence, I would appreciate it.

Regards,

Cliff

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World-Wide Environmental Specialists
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Fax

To: Glenn Von Gonten	From: Cliff P. Brunson
Fax: 505-476-3462	Pages: 1
Phone:	Date: 11/16/2006
Re: Herradura No. 3 - AP061	CC:

Urgent For Review Please Comment Please Reply Please Recycle

● **Comments:**

Glenn,

This fax is to confirm your granting of an extension of the due date of the Stage 1 Abatement Plan for the Chesapeake Herradura No. 3 to December 8, 2006.

I look forward to your confirmation of this extension.

Thank you,

Cliff P. Brunson
Cliff P. Brunson
President

Cliff,
In consideration of the holiday,
OCS approves the revised due date of 12/08/2006

Glenn von Gonten

Fax

To: Harlan Brown
Chesapeake Operating Inc.

Fax: 405-879-9583

Copy: Cliff Brunson
BBC International, Inc.

Fax: 505-397-0397

Pages: 3, including this cover sheet.

Date: November 16, 2006

RE: FAILURE TO SUBMIT ABATEMENT PLAN
CHESAPEAKE HERRADURA NO. 3
SECTION 15, TOWNSHIP 19 SOUTH, RANGE 38 EAST
LEA COUNTY, NEW MEXICO
AP061

Please call me at 505-476-3488 if you have any questions.



Glenn von Gonten

From the desk of...

Glenn von Gonten
Senior Hydrologist
Energy, Minerals and Natural Resources
Oil Conservation Division
Environmental Bureau
1220 South St. Francis Drive South
Santa Fe, NM 87505
505-476-3488
Fax: 505-3462



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

November 16, 2006

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

**RE: FAILURE TO SUBMIT ABATEMENT PLAN
CHESAPEAKE HERRADURA NO. 3
SECTION 15, TOWNSHIP 19 SOUTH, RANGE 38 EAST
LEA COUNTY, NEW MEXICO
AP061**

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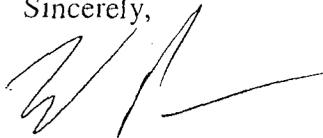
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The submittal was not a Stage 1 Abatement Plan. OCD will allow Chesapeake until December 1, 2006 to submit a Stage 1 Abatement Plan that meets all of the requirements specified in OCD Rule 19. OCD will not grant further due date extension beyond December 1, 2006. If Chesapeake fails to submit the required Stage 1 Abatement Plan by that date, then OCD will take appropriate enforcement actions to bring it into compliance. Such actions may include a hearing before a division examiner to set a compliance schedule and to impose sanctions, including penalties.

Mr. Harlan Brown
November 16, 2006
Page 2

If you have any questions, please contact Glenn von Gonten of my staff at (505) 476-3488.

Sincerely,

A handwritten signature in black ink, appearing to read 'Wayne Price', with a long horizontal flourish extending to the right.

Wayne Price
Environmental Bureau Chief
Oil Conservation Division

cc: Chris Williams, OCD Hobbs District Supervisor
Daniel Sanchez, OCD Enforcement & Compliance Manager
Cheryl O'Connor, Assistant General Counsel

VonGonten, Glenn, EMNRD

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MEMORANDUM

COPY

TO: MARK FESMIRE, DIRECTOR
THRU: WAYNE PRICE, ENVIRONMENTAL BUREAU CHIEF
FROM: GLENN VON GONTEN, SENIOR HYDROLOGIST
SUBJECT: GROUND WATER CONTAMINATION FROM DRILLING PIT RELEASES
IN LEA COUNTY
DATE: AUGUST 9, 2006

SUMMARY: The Environmental Bureau and Hobbs District staff are aware of five known or suspected contamination cases in which brine associated with drilling pits has contaminated shallow ground water with chlorides in Lea County in concentrations that exceed the WQCC ground water standards. OCD has called in Abatement Plans pursuant to Rule 19 on two of the five cases. On three of the five cases, the operators are in the process of confirming that a chlorides release has impacted ground water. When that final information is received, OCD will call in Abatement Plans for those sites at which ground water has been impacted by chlorides.

Samson Resources Co. -Livestock 30 State No. 1 Lease
Section 30, Township 21 South, Range 35 East, Lea County, New Mexico
Maximum chloride concentration in ground water: 3999 µg/l
Status: Abatement Plan called in on July 21, 2006

Chesapeake Herradura No. 3
Section 15, Township 19 South, Range 38 East, Lea County, New Mexico
Maximum chloride concentration in ground water: 3000 µg/l (at monitoring well at adjacent downgradient site)
Status: Abatement Plan called in on August 8, 2006

Apache Corp. Smith No. 4/EBDU #52
Section 14, Township 21 South, Range 37 East, Lea County, New Mexico
Status: Vadose zone soil chlorides contamination confirmed; ground water determination pending.

Chesapeake William 14 Fed
Section 14, Township 15 South, Range 35 East, Lea County, New Mexico
Status: Vadose zone soil chlorides contamination confirmed; ground water determination pending.

Samson Resources Co. State BD No. 4
Section 22, Township 12 South, Range 33 East, Lea County, New Mexico
Status: Vadose zone soil chlorides contamination confirmed; ground water determination pending.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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Oil Conservation Division

November 16, 2006

Mr. Harlan Brown
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P.O. Box 18496
Oklahoma, OK 73154-0496

**RE: FAILURE TO SUBMIT ABATEMENT PLAN
CHESAPEAKE HERRADURA NO. 3
SECTION 15, TOWNSHIP 19 SOUTH, RANGE 38 EAST
LEA COUNTY, NEW MEXICO
AP061**

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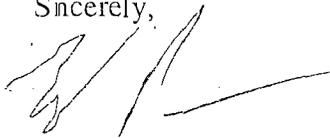
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Environmental Bureau Chief
Oil Conservation Division

cc: Chris Williams, OCD Hobbs District Supervisor
Daniel Sanchez, OCD Enforcement & Compliance Manager
Cheryl O'Connor, Assistant General Counsel



PHONE (505) 397-6388 • FAX (505) 397- 0397 • 1324 W. MARLAND • P.O. BOX 805 • HOBBS, NM 88241-0805
E-MAIL: cbrunson@bbcinternational.com

VIA FEDERAL EXPRESS
AIRBILL NUMBER: 7911 6713 1535

RECEIVED

November 13, 2006

NOV 15 2006

Mr. Glenn Von Gonten
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Oil Conservation Division
Environmental Bureau

RE: REQUIREMENT TO SUBMIT ABATEMENT PLAN
CHESAPEAKE HERRADURA NO.3
SECTION 15, TOWNSHIP 19 SOUTH, RANGE 39 EAST
LEA COUNTY, NEW MEXICO

Dear Mr. Von Gonten:

On behalf of Chesapeake Operating, Inc. (Chesapeake), BBC International, Inc. (BBC) is submitting this Stage 1 Abatement Plan in accordance with the NMOCD's Rule 19 (19.15.1.19 NMAC) to investigate potential ground water contamination at Chesapeake's Herradura No. 3 well site located in Section 15, Township 19 South, Range 38 East, Lea County, New Mexico.

The Stage 1 Abatement Plan will include at a minimum the following activities required under Rule 19:

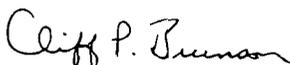
- Description of the site including known site history, a site map, and a summary of any previous investigations.
- The work plan will include the installation of a minimum of three (3) ground water monitoring wells. Two up gradient wells and one down gradient of the drilling pit will be installed in order to define the site geology and hydrogeology of potential vadose-zone and ground water contamination, subsurface hydraulic conductivity, transmissivity, storativity, and rate and direction of potential contaminant migration. If site conditions warrant the collection of additional data concerning ground water, additional ground water monitoring wells may be installed.
- Ground water monitoring well construction diagrams will be submitted.
- Permission will be obtained to sample Champion Technologies' groundwater monitoring wells No. 15 (up gradient) and No. 7 (down gradient).
- Soil borings will be advanced at the site to delineate the vertical and horizontal extent of potential chloride contamination present at the site in the vadose zone. Site history information, conditions, and field screening analytical techniques will dictate the location, depth, and number of soil borings advanced at the site.
- A description of the Ogallala Aquifer specific to the site, including hydraulic conductivity, probable aquifer thickness at the site, and estimated velocity of ground water flow will be provided.
- All soil borings advanced at the site whether completed as ground water monitoring wells or not will be sampled initially in the near surface (0-3 feet below ground surface (bgs)), then sampled every five feet until terminus.

- All ground water monitoring wells will be developed, purged, and sampled according to EPA and NMOCD rules, regulations, and protocols. The wells will be sampled immediately after installation and development then sampled on a quarterly basis during the life of the Abatement process.
- A Quality Assurance plan consistent with the sampling and analytical techniques listed in 20 NMAC 6.3107.B and with Section 1103 of the Water Quality Standards for Interstate and Intrastate Streams in New Mexico (20 NMAC 6.1) will be followed.
- An inventory of water wells within one mile of the site available from the website of the Office of the State Engineer will be provided.
- All Stage 1 Abatement Plan activities will commence within 30 days of the final approval of the Stage 1 Abatement Plan following the public notice period and approval from the NMOCD. A schedule of site activities will be submitted to the NMOCD upon final approval of the Stage 1 Abatement Plan along with follow up quarterly progress reports then a final report upon completion of investigative Stage 1 Abatement activities.
- A Stage 1 Abatement Plan Site Investigation Report will be submitted within 60 days upon completion of investigative activities which will include, but not limited to, a description and history of the site, site map, a description of site investigative activities, summary data tables, laboratory analytical data, ground water gradient map, isoconcentration maps and cross sections that depict any identified contamination that may have been released from the former drilling pit, and any data necessary to select and design an effective abatement option under NMOCD Rule 19 Stage 2 Abatement requirements.
- A paper and electronic copy of all work plans and/or reports will be submitted to both the Santa Fe, New Mexico and Hobbs, New Mexico offices of the NMOCD.
- Upon NMOCD approval of the Stage 1 Abatement Plan, all public notice and participation requirements under Rule 19 (19.15.1.19 NMAC), specifically Rule 19G, will be followed.

I look forward to receiving NMOCD approval of this Stage 1 Abatement Plan. If you have any questions, please contact either Bradley Blevins with Chesapeake at (505) 391-1462, ext. 6224 or bblevins@chkenergy.com or myself at (505) 397-6388 or cbrunson@bbcinternational.com.

Respectfully,

BBC International, Inc.



Cliff P. Brunson, CEI, CRS
President

CPB:jg

cc: Chris Williams – NMOCD Hobbs District Supervisor
Curtis Blake – Chesapeake Operating, Inc., Hobbs, NM
Bradley Blevins – Chesapeake Operating, Inc., Hobbs, NM
Harlan Brown – Chesapeake Operating, Inc., Oklahoma City, OK

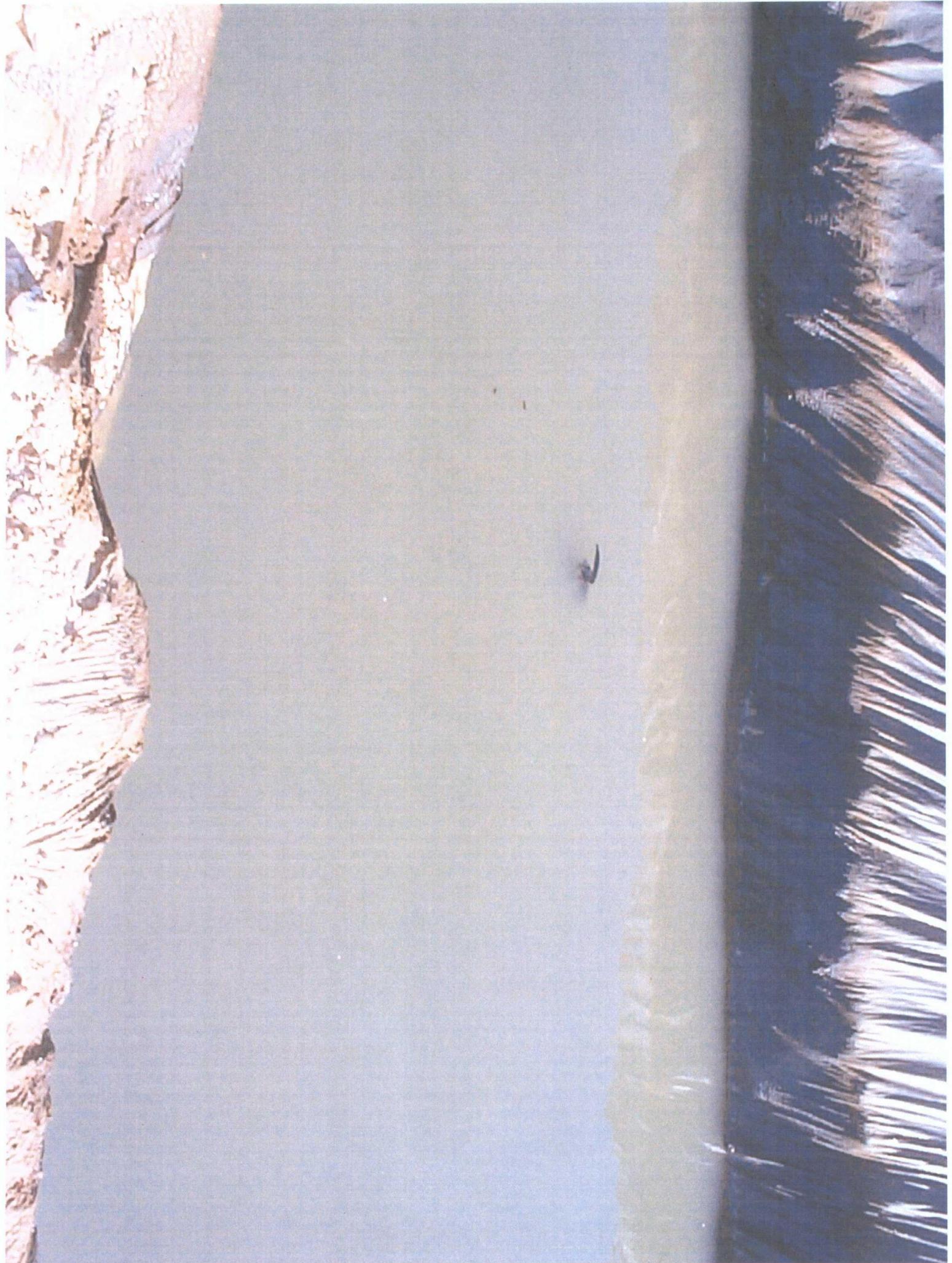
VonGonten, Glenn, EMNRD

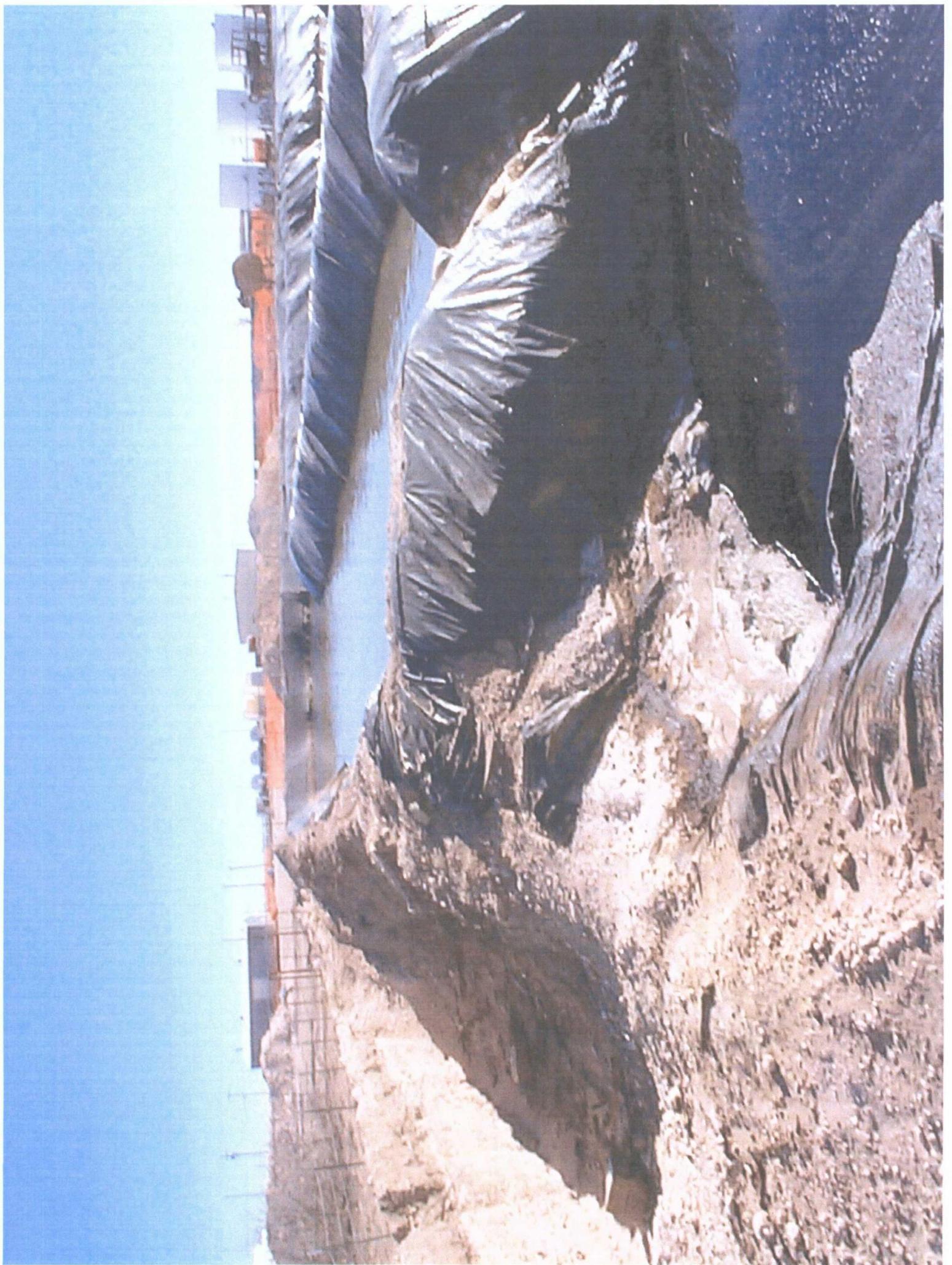
From: Price, Wayne, EMNRD
Sent: Thursday, October 05, 2006 2:21 PM
To: VonGonten, Glenn, EMNRD
Subject: FW: CHK-Xeric-Champion Drill Pit
Attachments: DCP02933.JPG; DCP02934.JPG; DCP02935.JPG; DCP02936.JPG

From: Johnson, Larry, EMNRD
Sent: Thursday, October 05, 2006 2:15 PM
To: Price, Wayne, EMNRD
Subject: CHK-Xeric-Champion Drill Pit

These pix were taken December 17 or 18, 2002. I don't have Glenn's email handy.











NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

October 4, 2006

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

**RE: REQUIREMENT TO SUBMIT ABATEMENT PLAN
CHESAPEAKE HERRADURA NO. 3
SECTION 15, TOWNSHIP 19 SOUTH, RANGE 38 EAST
LEA COUNTY, NEW MEXICO**

Dear Mr. Brown:

In response to your letter of September 22, 2006, Chesapeake Operating, Inc. (Chesapeake) may inspect the New Mexico Oil Conservation Division (OCD) files on the Champion Technologies, Inc. site and our field inspectors photographs during normal business hours. OCD noted problems with the Herradura No. 3 drilling pit during site visits on November 19, 2002 and January 21, 2003, but did not issue a formal Notice of Violation at that time. As previously noted, OCD has determined based on monitoring data from Monitor Well No. 7 at the Champion Technologies, Inc. site that the recent increase in the chlorides concentration at the Champion site is most likely due to a chloride plume migrating from the former Herradura No. 3 drilling pit onto the Champion site. OCD rejects your assertion that the requirement for Chesapeake to submit a Stage 1 Abatement Plan is "*without merit.*" The implications of the monitoring data are clear and unambiguous; therefore, as the "*responsible person*" of record, Chesapeake must submit a Stage 1 Abatement Plan.

As per Mr. Hagemeyer's verbal request, OCD hereby extends the due date for Chesapeake's submission of its Stage 1 Abatement Plan from October 16, 2006; until November 1, 2006. OCD

Mr. Harlan Brown
October 4, 2006
Page 2

is also attaching photos of the Herradura No. 3 drilling pit taken on January 21, 2003.
If you have any questions, please contact Glenn von Gonten of my staff at (505) 476-3488.

Sincerely,



Wayne Price
Environmental Bureau Chief
Oil Conservation Division

Attachment (Photos)

cc: Chris Williams, OCD Hobbs District Supervisor



VonGonten, Glenn, EMNRD

From: Price, Wayne, EMNRD
Sent: Tuesday, October 03, 2006 1:56 PM
To: VonGonten, Glenn, EMNRD
Subject: FW: CHK(Xeric)DrilPit 2002
Attachments: DCP03083.JPG; DCP03084.JPG

From: Johnson, Larry, EMNRD
Sent: Friday, September 29, 2006 9:39 AM
To: Price, Wayne, EMNRD
Subject: CHK(Xeric)DrilPit 2002

Here is the drill pit west of Champion yard - 83 looking N , 84 looking E toward champion yard



1. 21. 2003



1:21:2003



Natural Gas.

Natural Advantages.

2006 SEP 27 AM 11 40

Regulatory Department

September 22, 2006

VIA CERTIFIED MAIL – RETURN RECEIPT # 7003 2260 0003 3596 9133

Mr. Wayne Price
New Mexico Energy, Minerals & Natural Resources Department
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: NMOCD Requirement to submit Abatement Plan
Chesapeake Herradura No. 3
Section 15, Township 19 South, Range 38 East
Lea County, New Mexico

Dear Mr. Price:

Chesapeake Operating, Inc. has received your August 8, 2006 letter requiring a Stage 1 Abatement Plan in accordance with OCD's Rule 19. We were unaware that the NMOCD had a problem with this site until we received the letter. Your letter notes that contamination observed at Champion Technologies' MW-7, 4001 South Highway 18 is coming from the former drilling pit associated with the Herradura No.3 and that the "OCD noted several problems with the drilling pit during a site inspection in November 2002".

We have checked our well records (including those obtained from former owner Xeric) looking for NMOCD correspondence noting any deficiencies associated with the Herradura No.3. There is no previous indication that there was a problem at this site. We would like to know why the assertion is made that contamination at MW-7 is originating from the well site.

Please provide any information that has led to this conclusion. We would also appreciate copies of any previous correspondence related to NMOCD's November 2002 field inspection that details the problems observed.

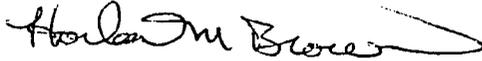
Chesapeake is proactive in our dealings with environmental issues. However, the current request appears to be without merit based on the information provided. We would like to have the opportunity to evaluate the data we have requested before we jump into an elaborate site remediation plan.

Chesapeake Energy Corporation

6100 N. Western Ave. • Oklahoma City, OK 73118 • P.O. Box 18496 • Oklahoma City, OK 73154-0496
405.848.8000 • fax 405.879.9583

Respectfully,

Chesapeake Operating, Inc.

A handwritten signature in black ink, appearing to read "Harlan M. Brown". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Harlan M. Brown
Senior Environmental Representative

HMB:rr

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ENVIRONMENTAL BUREAU
OIL CONSERVATION DIVISION
1220 SO. ST. FRANCIS
SANTA FE, NM 87505

209

CG11



SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

MR BRAD BLEVINS
 CHESAPEAKE OPERATING, Inc
 5014 W. CARLSBAD HWY
 HOBBS, NM, 88240-9229

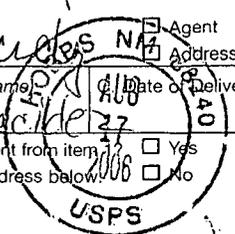
COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *John Arcide* Agent Addressee

B. Received by (Printed Name) *John Arcide* Date of Delivery *11/27/08*

D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below



3. Service Type

- Certified Mail Express Mail
- Registered Return Receipt for Merchandise
- Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number
 (Transfer from service label)



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

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Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

CERTIFIED MAIL
RETURN RECEIPT NO: 3929 4757

August 8, 2006

Mr. Brad Blevins
Chesapeake Operating, Inc.
5014 W Carlsbad Hwy
Hobbs, NM 88240 - 9229

RE: REQUIREMENT TO SUBMIT ABATEMENT PLAN
CHESAPEAKE HERRADURA NO. 3
SECTION 15, TOWNSHIP 19 SOUTH, RANGE 38 EAST
LEA COUNTY, NEW MEXICO

Dear Mr. Blevins:

The New Mexico Oil Conservation Division (OCD) has determined that Chesapeake Operating, Inc. (Chesapeake) must submit a Stage 1 Abatement Plan in accordance with OCD's Rule 19 (19.15.1.19 NMAC) to investigate ground water contamination at its Herradura No. 3 lease located in Section 15, Township 19 South, Range 38 East, Lea County, New Mexico. OCD is requiring this abatement plan at this time because it has determined that the chloride contamination recently detected at Monitor Well No. 7 at the adjacent Champion Technologies, Inc. site at 4001 South Highway 18 is coming from the former drilling pit associated with the Herradura No. 3. OCD noted several problems with the drilling pit during a site inspection in November 2002.

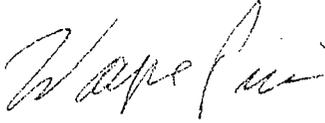
The Stage 1 Abatement Plan proposal must be submitted to the OCD Santa Fe Office with a copy provided to the OCD Hobbs District Office and must meet of all the requirements specified in Rule 19 (19.15.1.19 NMAC), including, but not limited to, the public notice and participation requirements specified in Rule 19G. The Stage 1 Abatement Plan is due sixty (60) days from the receipt by Chesapeake of this written notice.

Mr. Brad Blevins
August 8, 2006
Page 2

Chesapeake's Stage 1 Abatement Plan must meet all of the requirements specified in Rule 19E.3, including, but not limited to, a site investigation work plan and monitoring program that will enable it to characterize the chloride release using an appropriate number of isoconcentration maps and cross sections that depict the contamination that has been released from the former pit and to provide the data necessary to select and design an effective abatement option.

Chesapeake should submit one paper copy and one electronic copy of all future workplans and/or reports. If you have any questions, please contact Glenn von Gonten of my staff at (505) 476-3488.

Sincerely,

A handwritten signature in cursive script, appearing to read "Wayne Price".

Wayne Price
Environmental Bureau Chief

cc: Chris Williams, OCD Hobbs District Supervisor

VonGonten, Glenn, EMNRD

From: Price, Wayne, EMNRD
Sent: Friday, August 04, 2006 3:11 PM
To: VonGonten, Glenn, EMNRD
Subject: Pictures of Xeric (now CP) drilling and workover pit
Attachments: DCP01219.JPG; DCP01215.JPG; DCP01216.JPG; DCP01217.JPG; DCP01218.JPG



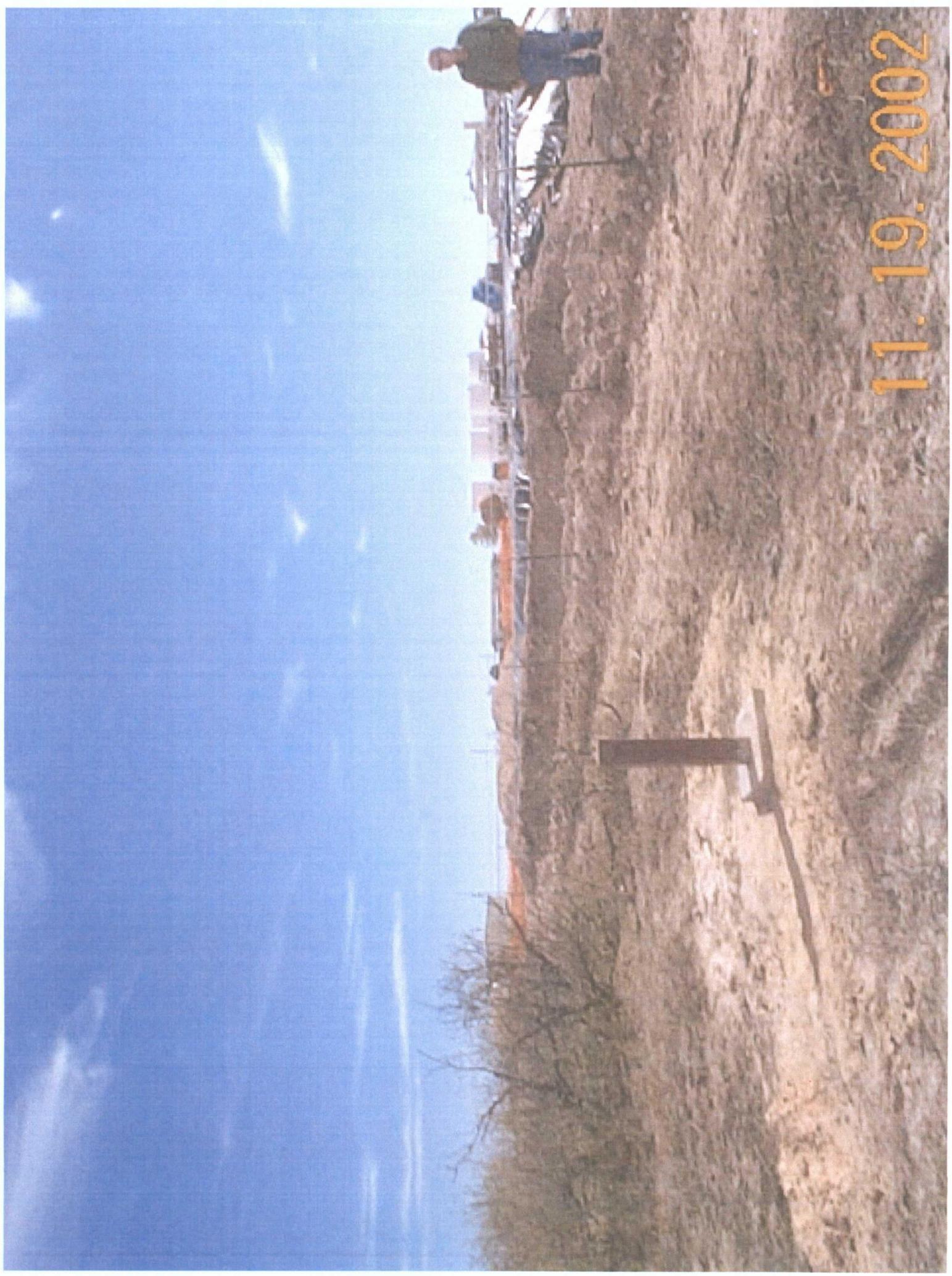
11.19.2002



11.19.2002



11.19.2002



11.19.2002