



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Administrative Order SWD-671-D

January 12, 2009

Chesapeake Operating, Inc.
C/o Ocean Munds-Dry, Esq.
Holland & Hart LLP
110 N. Guadalupe Street
Suite 1
Santa Fe, NM 87501

RE: APPLICATION FOR WATER DISPOSAL
CHESAPEAKE OPERATING, INC.
LEA COUNTY, NEW MEXICO

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Chesapeake Operating, Inc. (OGRID 147179) made application to the New Mexico Oil Conservation Division for permission to utilize for produced water disposal its SV Big Bertha Well No. 1 (API No. 30-025-33883) located 2081 feet from the North line and 1870 feet from the West line of Section 11, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of Division Rule 26.8B of the Division Rules and Regulations. Satisfactory information has been provided that affected parties as defined in Rule 26.8B(2) have been previously notified and no objections have been received. The applicant has presented satisfactory evidence that all requirements prescribed in Rule 26.8 will be met and the operator is in compliance with the Division's Rule 5.9.

IT IS THEREFORE ORDERED THAT:

Chesapeake Operating, Inc. is hereby authorized to utilize its SV Big Bertha Well No. 1 (API No. 30-025-33883) located 2081 feet from the North line and 1870 feet from the West line of Section 11, Township 16 South, Range 36 East, NMPM, Lea County,

Oil Conservation Division * 1220 South St. Francis Drive
* Santa Fe, New Mexico 87505

* Phone: (505) 476-3440 * Fax (505) 476-3462* <http://www.emnrd.state.nm.us>



New Mexico, in such manner as to permit the injection of produced water for disposal purposes into the Wolfcamp formation through perforations from 9,830 feet to 10,638 feet and through plastic-lined tubing set with a packer located within 100 feet of the top of the injection interval.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge or an approved leak detection device in order to determine leakage in the casing, tubing, or packer.

~~After installing injection tubing, the casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.~~

The wellhead injection pressure on the well shall be limited to **no more than 1,966 psi**. In addition, the injection well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface injection pressure to the maximum allowable pressure for this well.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the injection formation. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the Division's district office of the date and time of the installation of disposal equipment and of any mechanical integrity test so that the same may be inspected and witnessed. The operator shall provide written notice of the date of commencement of injection to the Division's district office. The operator shall submit monthly reports of the disposal operations on Division Form C-115, in accordance with Rule Nos. 26.13 and 7.24 of the Division Rules and Regulations.

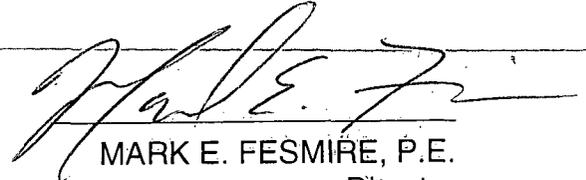
Without limitation on the duties of the operator as provided in Division Rules 30 and 29, or otherwise, the operator shall immediately notify the Division's district office of any failure of the tubing, casing or packer in the well, or of any leakage or release of water, oil or gas from around any produced or plugged and abandoned well in the area, and shall take such measures as may be timely and necessary to correct such failure or leakage.

In accordance with Rule No 26.12(C), the injection authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject well, provided however, the Division,

upon written request, mailed by the operator prior to the termination date, may grant an extension thereof for good cause shown. One year after injection operations into the well has ceased, the injection authority will terminate *ipso facto*.

Compliance with this order does not relieve the operator of the obligation to comply with other applicable federal, state or local laws or rules, or to exercise due care for the protection of fresh water, public health and safety and the environment.

Jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh or protectable waters or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.



MARK E. FESMIRE, P.E.
Director

MEF/wvjj

cc: Oil Conservation Division – Hobbs
State Land Office – Oil, Gas, and Minerals Division