

Regulatory Department

December 5, 2011

State of New Mexico Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, N.M. 87505

Re: Off Lease Measurement:

API Number	ULSTR	Footages
3001535708	A-21-25S-27E	760 FNL & 760 FEL

Well Name & Number: BEGGS 21 STATE COM No. 001

Operator: CHESAPEAKE OPERATING, INC.

Gentleman:

Chesapeake Operating, Inc. (COI) requests approval for off lease gas measurement for the above noted well. The produced gas will flow to the site facility (noted on the plat) and be measured at the Agave meter (# 10526) which is located in the SE/SE 4 of 16-25-27. No other wells are connected to the gas line. This well produces from the Waterhole Corral; Atoka Gas Pool (ID # 97945). Please find NMOCD's form C-102, C-103, BLM's form 3160-5, and site facility diagram, COI owns 100% working interest. All working interest, royalty, and overriding royalty interest are uniform so no additional notification is required, please see attached letter. The purpose is for best management conservation practices and to reduce our production cost.

For any additional information or questions I can provide, please contact me at: 405.935.3782 or you may e mail me at: [bryan.arrant@chk.com](mailto:bryan.arrant@chk.com)

Respectfully yours,

A handwritten signature in black ink, appearing to read "Bryan Arrant", written over a horizontal line.

Bryan Arrant  
Senior Regulatory Compliance Specialist  
Enclosures

CC: NMOCD's District II Office  
BLM Carlsbad Field Office  
NMSLO

ABOVE THIS LINE FOR DIVISION USE ONLY


THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS  
WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]  
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]  
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]  
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]  
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]  
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]**

- [4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

**Note: Statement must be completed by an individual with managerial and/or supervisory capacity.**

Bryan Arrant  
Print or Type Name

  
Signature

Sr. Reg. Compl. Sp. 12-5-2011  
Title Date

bryan.arrant@chk.com  
e-mail Address

District I  
1625 N. French Drive, Hobbs, NM 88240  
District II  
811 S. First St., Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St Francis Dr, Santa Fe, NM  
87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107-B  
Revised August 1, 2011

### OIL CONSERVATION DIVISION

1220 S. St Francis Drive  
Santa Fe, New Mexico 87505

Submit the original  
application to the Santa Fe  
office with one copy to the  
appropriate District Office.

#### APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: Chesapeake Operating, Inc.

OPERATOR ADDRESS: P.O. Box 18496 Oklahoma City, OK 73154-0496

APPLICATION TYPE:

☐ Pool Commingling ☐ Lease Commingling ☐ Pool and Lease Commingling ☒ Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: ☐ Fee ☒ State ☐ Federal

Is this an Amendment to existing Order? ☐ Yes ☒ No If "Yes", please include the appropriate Order No. \_\_\_\_\_  
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling  
☒ Yes ☐ No

#### (A) POOL COMMINGLING

Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes

- (2) Are any wells producing at top allowables? ☐ Yes ☐ No  
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☐ No.  
(4) Measurement type: ☐ Metering ☐ Other (Specify)  
(5) Will commingling decrease the value of production? ☐ Yes ☐ No If "yes", describe why commingling should be approved

#### (B) LEASE COMMINGLING

Please attach sheets with the following information

- (1) Pool Name and Code  
(2) Is all production from same source of supply? ☐ Yes ☐ No  
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☐ No  
(4) Measurement type: ☐ Metering ☐ Other (Specify)

#### (C) POOL and LEASE COMMINGLING

Please attach sheets with the following information

- (1) Complete Sections A and E.

#### (D) OFF-LEASE STORAGE and MEASUREMENT

Please attached sheets with the following information

- (1) Is all production from same source of supply? ☒ Yes ☐ No  
(2) Include proof of notice to all interest owners.

#### (E) ADDITIONAL INFORMATION (for all application types)

Please attach sheets with the following information

- (1) A schematic diagram of facility, including legal location.  
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.  
(3) Lease Names, Lease and Well Numbers, and API Numbers.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: Bryan Arrant TITLE: Sr. Regulatory Compliance Specialist DATE: 12/05/2011

TYPE OR PRINT NAME Bryan Arrant TELEPHONE NO.: (405)935-3782

E-MAIL ADDRESS: bryan.arrant@chk.com

Submit 1 Copy To Appropriate District Office  
District I - (575) 393-6161  
1625 N. French Dr., Hobbs, NM 88240  
District II - (575) 748-1283  
811 S. First St., Artesia, NM 88210  
District III - (505) 334-6178  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV - (505) 476-3460  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources

Form C-103  
Revised August 1, 2011

OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

<b>SUNDRY NOTICES AND REPORTS ON WELLS</b> (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-015-35708
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Chesapeake Operating, Inc.		6. State Oil & Gas Lease No.
3. Address of Operator P.O. Box 18496 Oklahoma City, OK 73154-0496		7. Lease Name or Unit Agreement Name BEGGS 21 STATE COM
4. Well Location Unit Letter A : 760' feet from the North line and 760' feet from the East line Section 21 Township 25S Range 27E NMPM County Eddy		8. Well Number 1
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3112' GR		9. OGRID Number 147179
		10. Pool name or Wildcat WATERHOLE CORRAL; ATOKA

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐  
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐  
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐  
DOWNHOLE COMMINGLE ☐

OTHER: OLM ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐  
COMMENCE DRILLING OPNS. ☐ P AND A ☐  
CASING/CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Chesapeake Operating, Inc. (COI) requests approval for off lease gas measurement for the above noted well. The produced gas will flow to the site facility (noted on the plat) and be measured at the Agave meter ( # 10526) which is located in the SE/SE 4 of 16-25-27. No other wells are connected to the gas line. This well produces from the Waterhole Corral; Atoka Gas Pool (ID # 97945). Please find NMOC's form C-102, C-103, BLM's form 3160-5, and site facility diagram, COI owns 100% working interest. All working interest, royalty, and overriding royalty interest are uniform so no additional notification is required, please see attached letter. The purpose is for best management conservation practices and to reduce our production cost.

Spud Date:

Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Bryan Arrant TITLE Sr. Reg. Compl. Sp. DATE 12/05/2011

Type or print name Bryan Arrant E-mail address: bryan.arrant@chk.com PHONE: (405)935-3782

For State Use Only

APPROVED BY: DRDade TITLE Dist. Reg. Supervisor DATE 12/03/2011

Conditions of Approval (if any):



Regulatory Department

December 5, 2011

State of New Mexico Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, N.M. 87505

Re: Off Lease Measurement:

API Number	ULSTR	Footages
3001535708	A-21-25S-27E	760 FNL & 760 FEL

Well Name & Number: BEGGS 21 STATE COM No. 001

Operator: CHESAPEAKE OPERATING, INC.

Dear Sirs:

Chesapeake Operating, Inc. owns 100% working interest in the above noted well.  
All working interest, royalty, and overriding royalty interest are uniform.

For any additional information or if there are questions, please call Bryan Arrant at  
405.935.3782.

Respectfully yours.

CHESAPEAKE OPERATING, INC.

Craig Barnard  
Senior Land Advisor

Chesapeake Energy Corporation

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

# OPERATOR'S COPY

Form 3160-5  
(August 2007)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
OMB No 1004-0137  
Expires: July 31, 2010

**COPY RECEIVED**  
SEP 05 2011

**SUNDRY NOTICES AND REPORTS ON WELLS**  
**Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.**

SUBMIT IN TRIPLICATE - Other instructions on page 2		7. If Unit of CA/Agreement, Name and/or No. CA NMNM120260
1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other	8. Well Name and No. BEGGS 21 STATE COM 1	
2. Name of Operator CHESAPEAKE OPERATING, INC	9. API Well No. 30-015-35708	
3a. Address PO BOX 18495 OKLAHOMA CITY, OK 73154	3b. Phone No. (include area code) 405-935-2411	10. Field and Pool or Exploratory Area WATERHOLE CORRAL
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) NENE 760' FNL & 760' FEL 21-25S-27E		11. Country or Parish, State EDDY, NM

## 12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

CHESAPEAKE RESPECTFULLY REQUESTS PERMISSION TO DO OFF LEASE MEASUREMENT FOR THE BEGGS 21 STATE COM 1 WELL.

ATTACHED IS A MAP SHOWING THE LEASE NUMBERS AND COMMUNITIZED AREA

SITE FACILITY DIAGRAMS ARE ALSO ATTACHED.

THE AGAVE METER NUMBER IS 10526.

(CHK PN 615341)

SEE ATTACHED FOR  
CONDITIONS OF APPROVAL



14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed) Lyndee Songer	Title REGULATORY COMPLIANCE ANALYST
Signature <i>Lyndee Songer</i>	Date 09/23/2011

## THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by	Title	Date
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon	Office	

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

(Instructions on page 2)

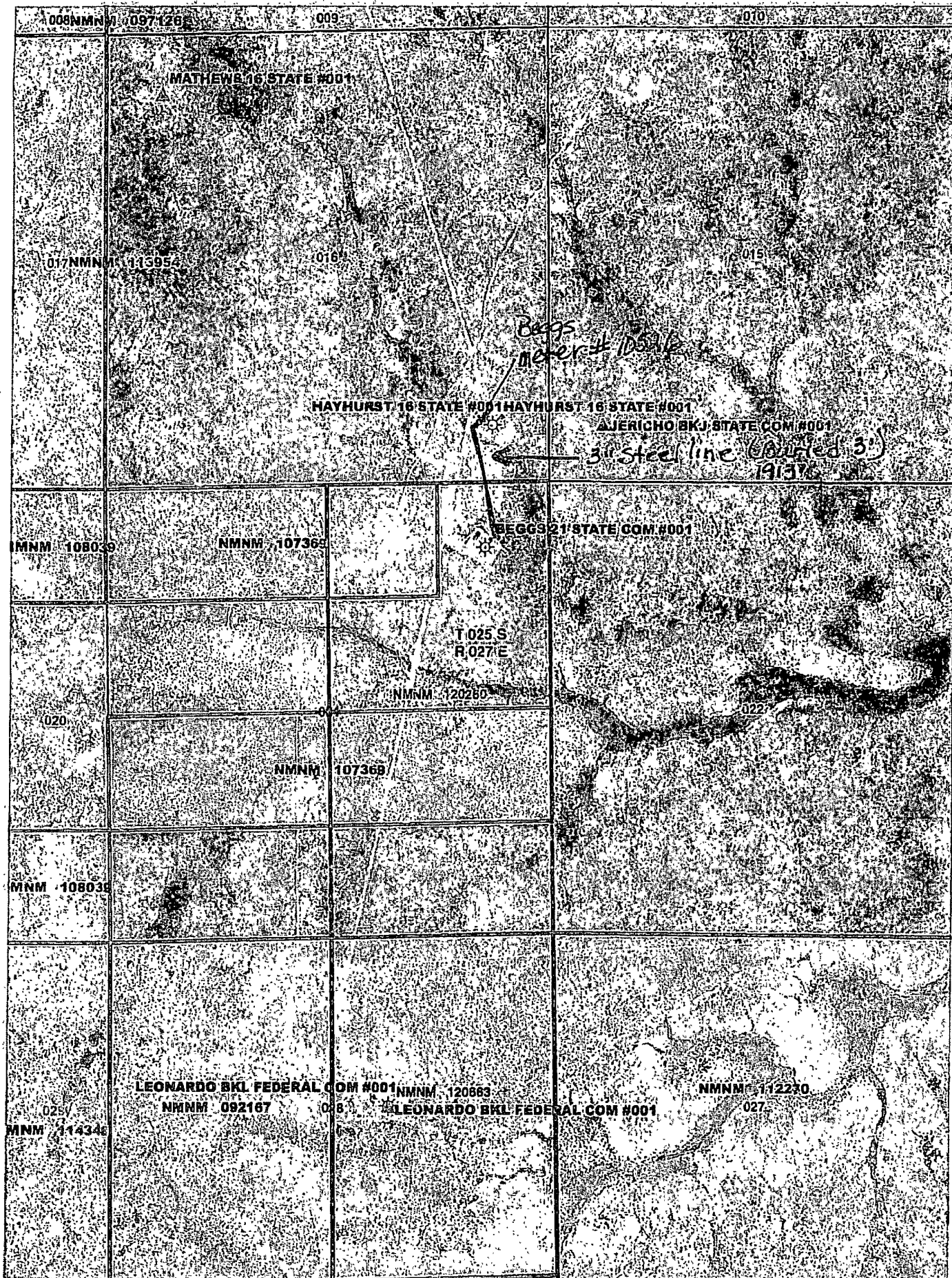
**Bureau of Land Management  
Carlsbad Field Office  
620 East Greene Street  
Carlsbad, New Mexico 88220  
575-234-5972**

**Off-Lease Measurement**

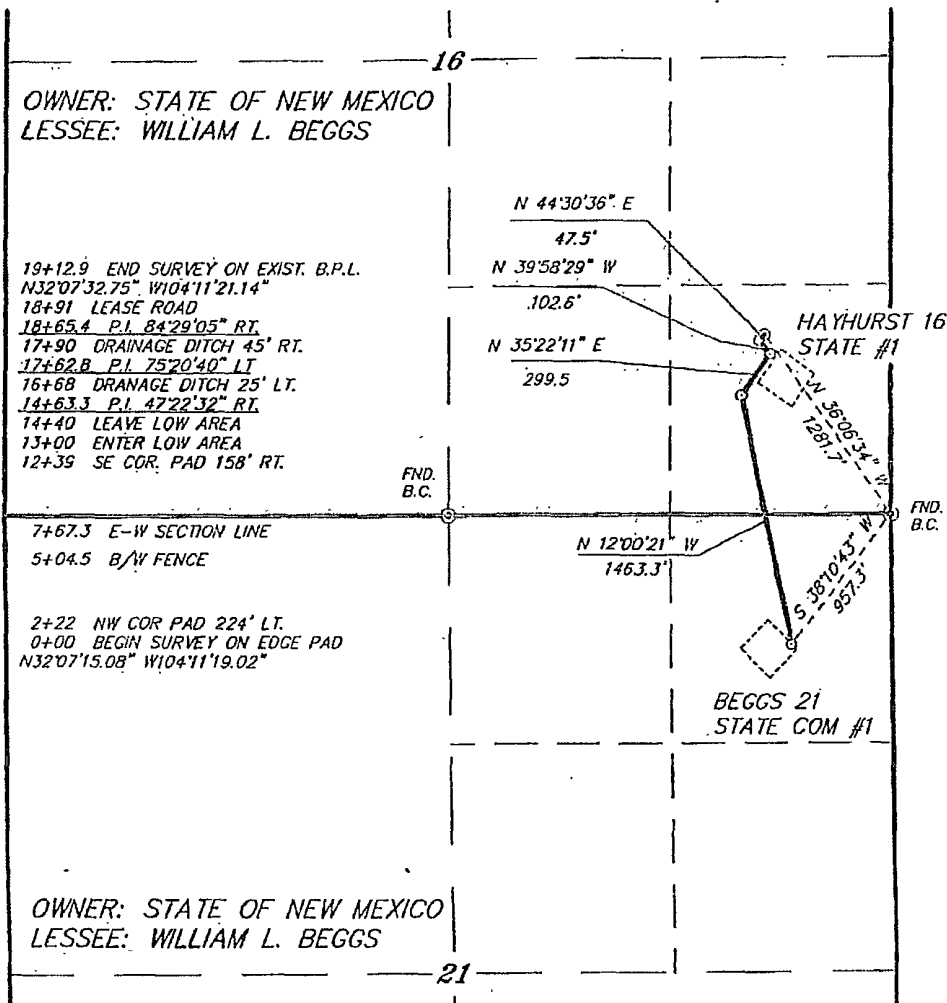
**Conditions of Approval: Chesapeake Operating, Inc.  
Beggs 21 State Com 1**

Approval of off-lease measurement is subject to the following conditions of approval:

1. This agency shall be notified of any change in sales method or location of the Sales point.
2. This agency shall be notified of any spill or discharge as required by NTL-3A. No gas may be vented without proper measurement and prior approval. Any gas vented must be flared.
3. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
4. This approval is subject to like approval by the New Mexico Oil Conservation Division.
5. Additional wells and/or leases require additional approvals.
6. This approval does not constitute right-of-way approval for any off-lease activities. Within 30 days, an application for right-of-way approval must be submitted to the Realty Section if not already done.
7. Approval for off-lease measurement from various sources is a privilege which is granted to lessees for the purpose of aiding conservation and extending the economic life of leases. Applicants should be cognizant that failure to operate in accordance with the provisions outlined in the Authorized Officer's conditions of approval and/or subsequent stipulations or modifications will subject such approval to revocation.
8. All above-ground structures not subject to safety requirements shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be color which simulates "standard Environmental Colors" – Shale Green, Munsell Soil Color No. 5Y 4/2.



SECTIONS 16&21, TOWNSHIP 25 SOUTH, RANGE 27 EAST, N.M.P.M.,  
EDDY COUNTY, NEW MEXICO.



LEGAL DESCRIPTION

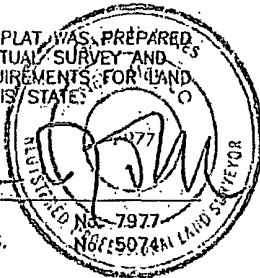
A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTIONS 16&21, TOWNSHIP 25 SOUTH, RANGE 27 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY.

BEGINNING AT A POINT WHICH LIES S.38°10'43\"W, 957.3 FEET FROM THE NORTHEAST CORNER OF SAID SECTION 21; THENCE N.12°00'21\"W, 1463.3 FEET; THENCE N.35°22'11\"E, 299.5 FEET; THENCE N.39°58'29\"W, 102.6 FEET; THENCE N.44°30'36\"E, 47.5 FEET TO THE END OF THIS LINE WHICH LIES N.36°06'34\"W, 1281.7 FEET FROM THE SOUTHEAST CORNER OF SAID SECTION 16. SAID STRIP OF LAND BEING 1912.9 FEET OR 115.93 RODS IN LENGTH AND CONTAINING 1.32 ACRES OF LAND MORE OR LESS AND BEING ALLOCATED BY FORTIES AS FOLLOWS.

SEC. 21	NE/4 NE/4	46.50 RODS	0.53 ACRES
SEC. 16	SE/4 SE/4	69.43 RODS	0.79 ACRES
TOTAL 1912.9 FEET = 115.93 RODS = 1.32 ACRES			

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.

GARY L. JONES N.M.P.S.  
TEXAS P.L.S.



**BASIN SURVEYS** P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 18590	Drawn By: James Presley
Date: 09/26/07	Disk: JLP #1 - CHE18590

1000 0 1000 2000 FEET

**CHESAPEAKE OPERATING INC.**

REF: PROPOSED PIPELINE FOR THE BEGGS "21" STATE COM. #1

A PIPELINE CROSSING STATE LAND IN  
SECTIONS 16&21, TOWNSHIP 25 SOUTH, RANGE 27 EAST,  
N.M.P.M., EDDY COUNTY, NEW MEXICO.

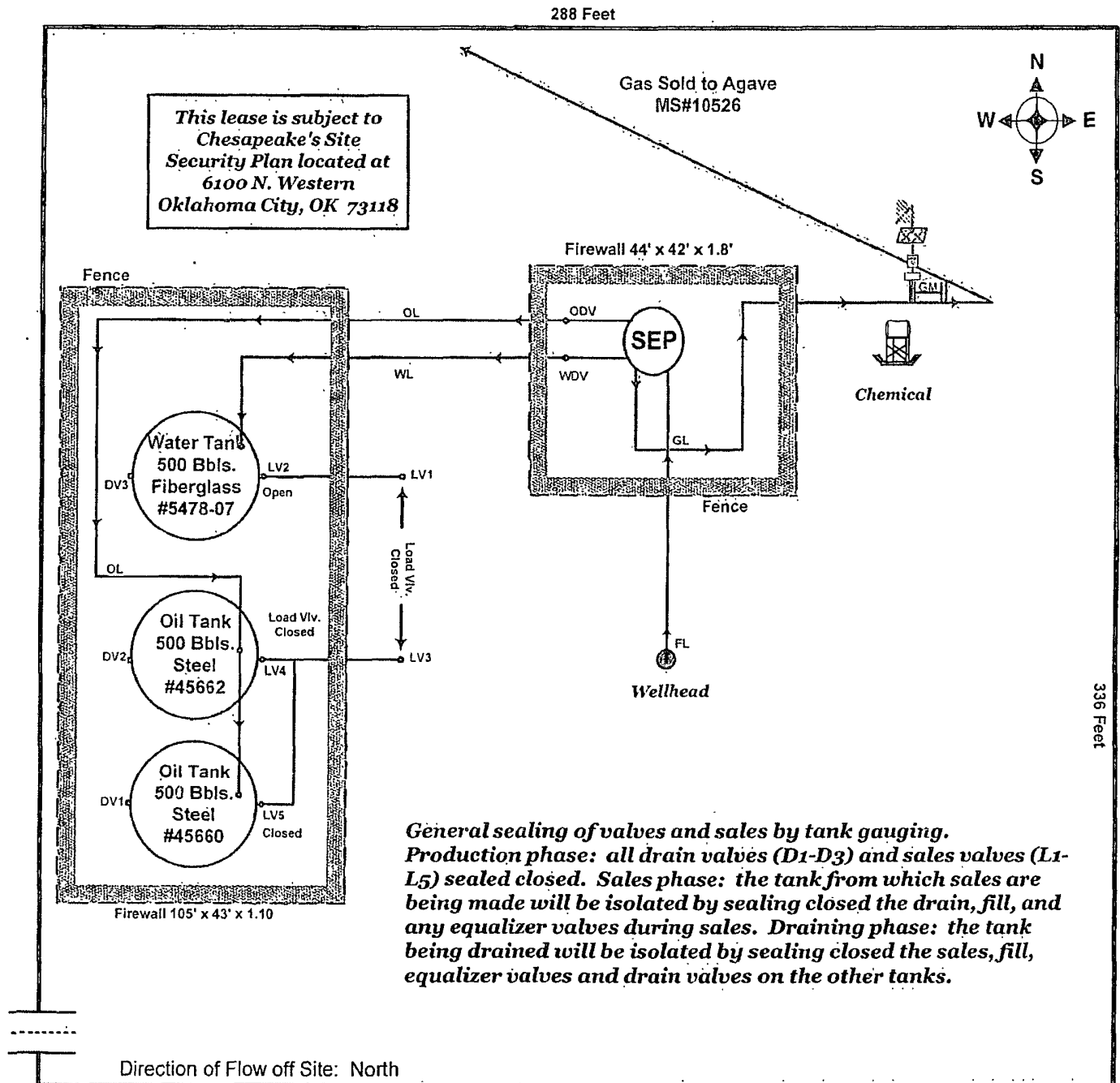
Survey Date: 09/24/07	Sheet 1 of 1 Sheets
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Date: 9/23/2011



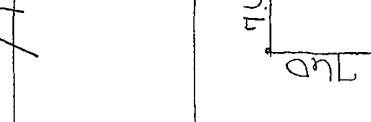
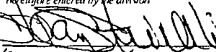
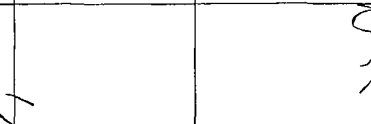

# Beggs 21 State Com #1

Property Number: 615341  
Lat: 32.12077"-Long: -104.18881  
NE NE S21/T25S/R27E - 760 FNL & 760 FEL  
Eddy County, New Mexico



Prepared by: Jean Ann Dunn  
Date: 5/19/2011

Approved by:  
Date:

16		<p><b>17 OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well as this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division</p> <p>Signature  Date 01/08/2008</p> <p>Shay Stricklin Printed Name</p>
		<p><b>18 SURVEYOR CERTIFICATION</b></p> <p>I hereby certify that the well location shown on this plan was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief</p> <p>Date of Survey _____</p> <p>Signature and Seal of Professional Surveyor _____</p>
		<p>Certificate Number _____</p>