

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

OCD Artesia

FORM APPROVED  
OMB NO. 1004-0135  
Expires: July 31, 2010**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.*5. Lease Serial No.  
NMNM29234

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

**SUBMIT IN TRIPLICATE - Other instructions on reverse side.**

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other8. Well Name and No.  
LOTOS FEDERAL 42. Name of Operator  
CHESAPEAKE OPERATING, INC.Contact: LINDA GOOD  
E-Mail: linda.good@chk.com9. API Well No.  
30-015-275933a. Address  
P.O. BOX 18496  
OKLAHOMA CITY, OK 73154-04963b. Phone No. (include area code)  
Ph: 405-935-427510. Field and Pool, or Exploratory  
SAND DUNES

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Sec 9 T24S R31E NWSE 2310FSL 2310FEL

11. County or Parish, and State

EDDY COUNTY, NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input 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	Surface Commingling
	<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 shall 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 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

THE FOLLOWING WELLS ARE COMMINGLED AT THE LOTOS FEDERAL 4 CENTRAL TANK BATTERY ON FEDERAL LEASE #NMNM29234.

LEASE #NMNM29234:

LOTOS FEDERAL 4 30-015-27593 NWSE 9-24S-31E  
LOTOS 10 FEDERAL 3 30-015-29798 NENE 10-24S-31E  
LOTOS C FEDERAL 905 30-015-32558 SESE 9-24S-31E  
LOTOS C FEDERAL 912 30-015-35356 SWSE 9-24S-31E

LEASE #NMNM63757:

*Will not approve FEDERAL & STATE WELLS to commingle*

*SEE ATTACHED  
Examples & Guidelines*

14. I hereby certify that the foregoing is true and correct.

Electronic Submission #102757 verified by the BLM Well Information System  
For CHESAPEAKE OPERATING, INC., sent to the Carlsbad

Name (Printed/Typed) LINDA GOOD

Title SR. REGULATORY COMPLIANCE SPECIALIST

Signature (Electronic Submission)

Date 02/17/2011

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By

Title

Date

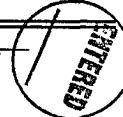
**DENIED** *J.D.W. Little*  
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

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.

**\*\* OPERATOR-SUBMITTED \*\* OPERATOR-SUBMITTED \*\* OPERATOR-SUBMITTED \*\***

Accepted for record - NMOCB



• **Additional data for EC transaction #102757 that would not fit on the form**

**32. Additional remarks, continued**

LOTOS C FEDERAL 907 30-015-34945 NWNE 9-24S-31E  
LOTOS C FEDERAL 911 30-015-35357 SWNE 9-24S-31E  
LOTOS C FEDERAL 901 30-015-28700 NENE 9-24S-31E  
LOTOS C FEDERAL 903 30-015-30043 SENE 9-24S-31E

LEASE NMNM56741:

LOTOS A FEDERAL 1 30-015-26174 NENW 15-24S-31E

THE 2 FOLLOWING STATE WELLS ARE COMMINGLING GAS ONLY:

CACTUS 16 STATE 2 30-015-30064 SESE 16-24S-31E  
CACTUS 16 STATE 1 30-015-27008 NENW 16-24S-31E

**ATTACHMENTS:**

GUIDELINES FOR OFF-LEASE MEASUREMENT  
ESTIMATED MONTHLY PRODUCTION  
LOTOS FEDERAL 4 CENTRAL TANK BATTERY DIAGRAM  
MAP SHOWING LEASE NUMBERS & LOCATIONS OF ALL LEASES

(CHK PN 890478)

# Bureau of Land Management

Carlsbad Field Office  
620 East Greene Street  
Carlsbad, New Mexico 88220  
575-234-5972

## Guidelines for Off-Lease Measurement, Storage, and Surface Commingling Approvals

CHESAPEAKE OPERATING, INC.

LOTOS FEDERAL 4

The following information must be included with any application to combine, store, or measure production off-lease:

1. **3160-5 Sundry Notice Submitted**

2. A map showing the lease numbers and location of all leases and wells that will contribute production to the proposed commingling, off-lease measurement, and/or storage facility. All lease numbers, unitized or communitized areas, producing zones or pools must be clearly illustrated or detailed by suitable means. Any wells or leases proposed to be added to an approved commingling and off-lease storage and or measurement facility must be approved by the Authorized Officer prior to their being included in the facility. **ATTACHED**

*Needs  
to be  
more  
Detailed  
see  
Attached  
Example*

3. A schematic diagram which clearly identifies and places all equipment that will be utilized. **ATTACHED**

4. Estimated monthly production from each contributing well, including type of product, gravity, and/or BTU content. **(See attached Spread Sheet)**

5. Details of the proposed method for measuring and allocating production for each lease involved. Include calculated "beneficial use" volumes both on and off-lease. **See page 2.**

*NOT  
Acceptable*

6. A statement that all interest owners have been notified of the proposal. **All interest owners have been notified of this proposal.**

*EACH Lease needs seperate Allocation NOT well test*

7. Evidence that Federal or Indian royalties will not be reduced through approval of the application. **Federal royalties will not be reduced by this commingling, but rather increased. This is due to the economic savings caused by this commingling, which will extend the productive life of each of the wells.**

8. Detailed economic justification, **The wells in this commingling application are nearing their economic limit. Several of the tanks associated with these wells are corroded and need to be replaced. Combining the wells into one central tank battery will reduce the cost to produce these wells and will extend the life of each well. This extended life will result in more production, and therefore more revenue for both Chesapeake Energy and the Federal Government**

CHESAPEAKE OPERATING, INC., (Operator's Name) is requesting approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following formation(s) and well(s):

Lease #  
NMNM/29234

Well Name	API No.	Loc	Formation	BOPD	Oil Gravity	MCFD	Comment
Lotos Federal 4	30-015-27593	NWSE 9-24S-31E	Delaware	1	40	5	
Lotos C Federal 905	30-015-32558	SESE 9-24S-31E	Delaware	9	40	32	
Lotos C Federal 912	30-015-35356	SWSE 9-24S-31E	Delaware	10	40	57	
Lotos 10 Federal 3	30-015-29798	NENE 10-24S-31E	Delaware	12	40	21	

*This is correct for each well*

*But of GAS  
not listed*

Lease #  
NMNM/56741

Lotos Federal A 1	30-015-26174	NENW 15-24S-31E	Delaware	4	40	12	
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Lease #

NMNM/63757

Lotos C Federal 901	30-015-28700	NENE 9-24S-31E	Delaware	3	40	19	
Lotos C Federal 903	30-015-30043	SENE 9-24S-31E	Brushy Canyon	4	40	12	
Lotos C Federal 907	30-015-34945	NWNE 9-24S-31E	Delaware	22	40	38	
Lotos C Federal 911	30-015-35357	SWNE 9-24S-31E	Brushy Canyon	7	40	32	

#### STATE LEASES

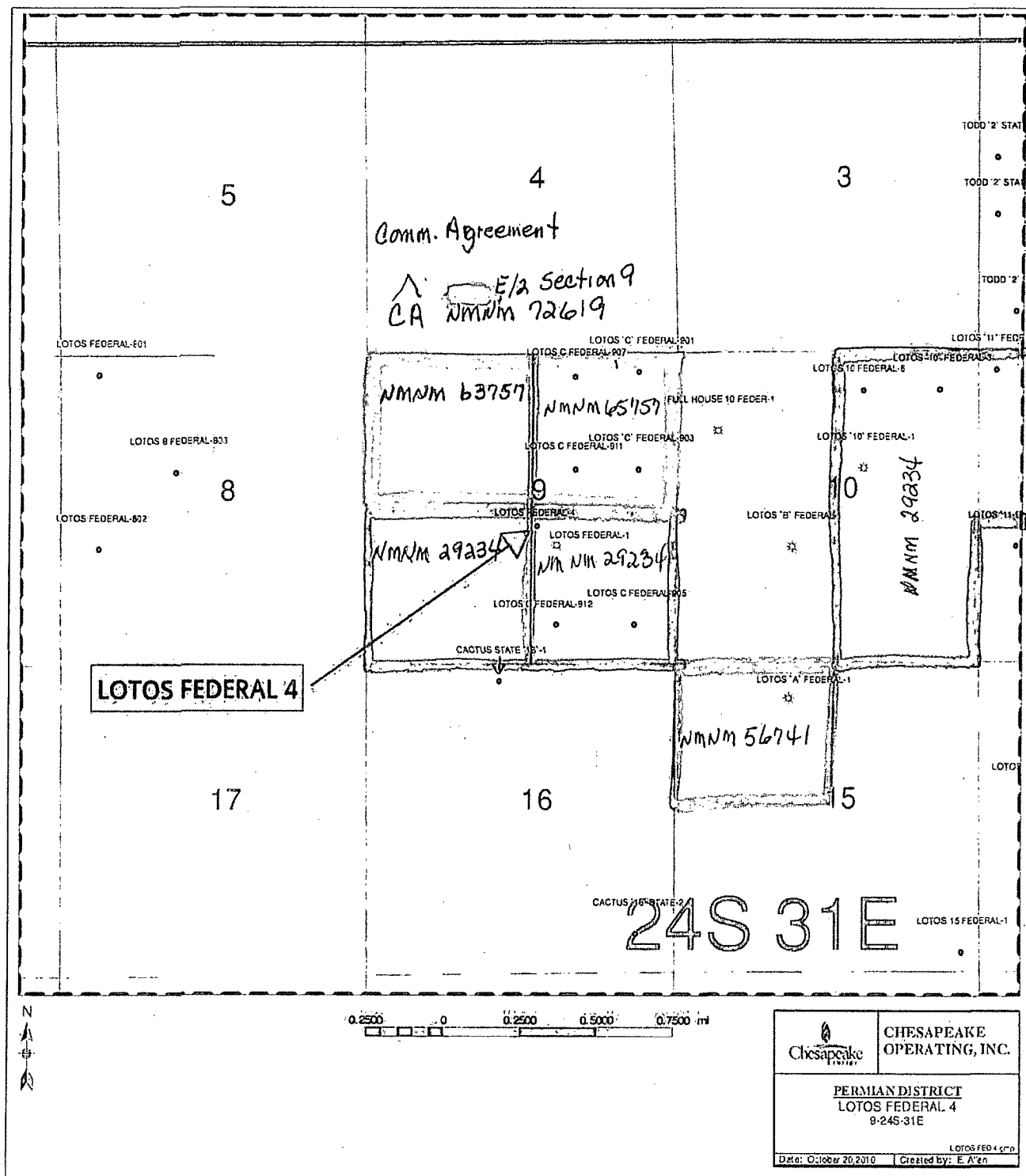
Cactus 16 State 2	30-015-30064	SESE 16-24S-31E	Brushy Canyon	0	NA	2	Only the gas is commingled
Cactus 16 State 1	30-015-27008	NENW 16-24S-31E					

TA'D

The storage and measuring facility is located at NWSE ¼, Sec. 9, T 24 S, R 31 E, on Lease No. NMNM/29234, Lea/Eddy (circle one), New Mexico. BLM will be notified if there is any future change in the facility location.

#5 Details of the proposed method for allocating production to contributing sources are as follows: The tank battery has a test separator and each well is tested monthly. The production is then allocated based on well tests.

*How is compressor gas allocated to wells as used on lease gas* Page 2 of 2



Need to show Flow Line see ATTACHED  
example

need to show SALE meter Line & Location WITH  
DCP meter number

# CHESAPEAKE OPERATING, INC.

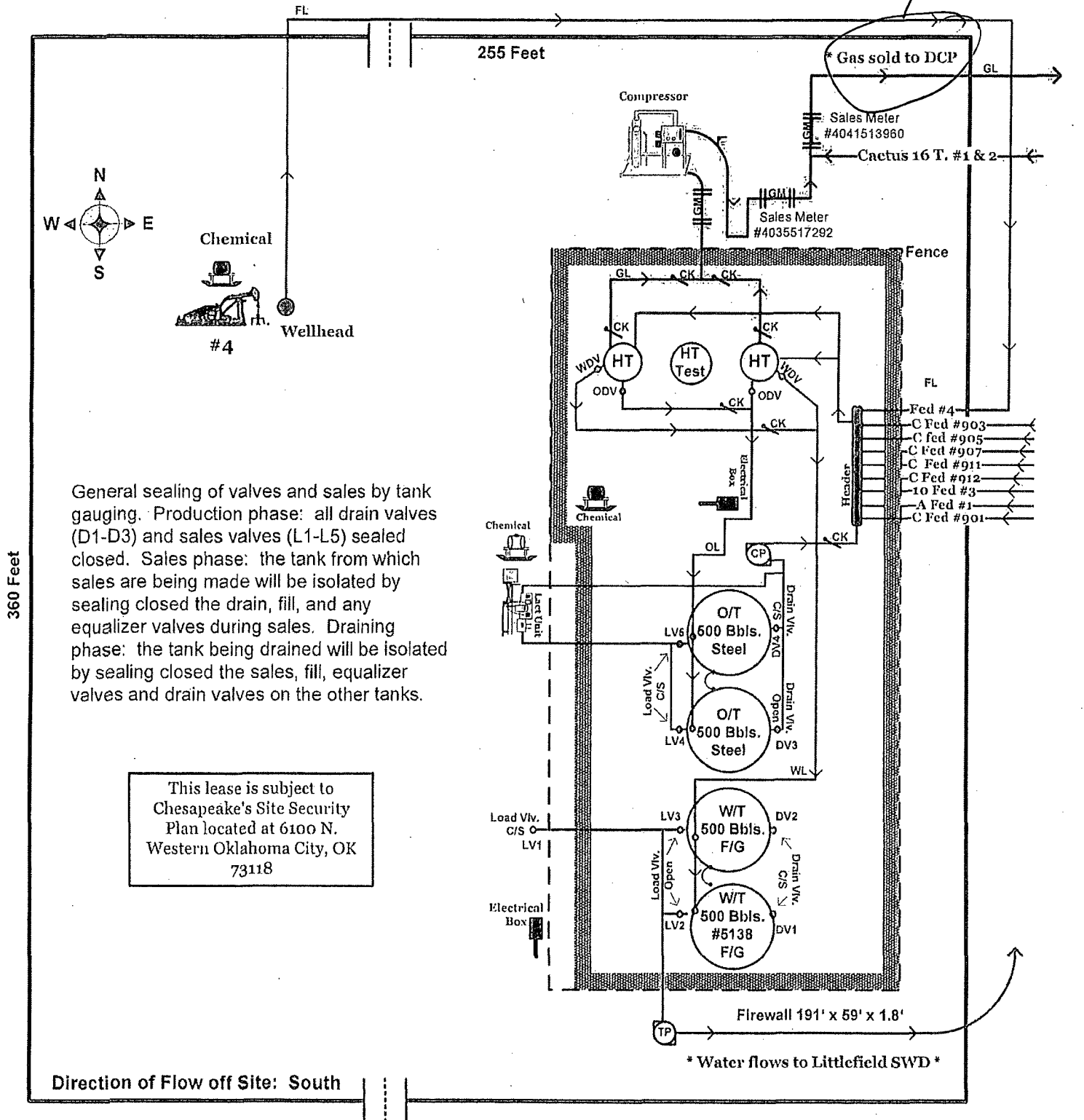
Site Name: Lotos Federal #4

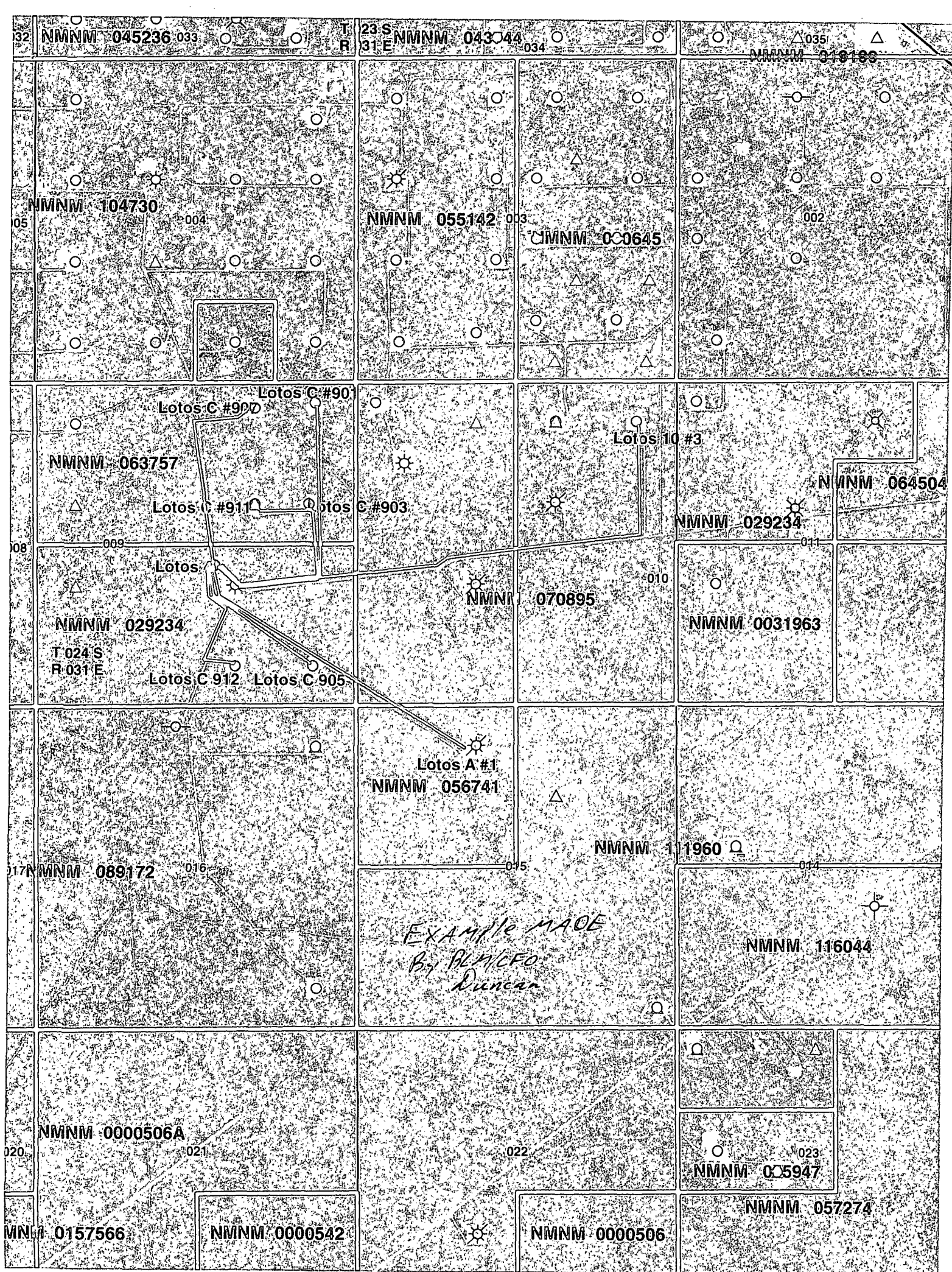
Inspected By: Rodney Acosta

Property Number: 890478

Date: 3-1-2010

*Need Location  
+ Meter  
number*







[illegible]



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

**Guidelines for Off-Lease Measurement,  
Storage and Surface Commingling Approvals**

At a minimum the following information must be included with any application to combine, store or measure production off-lease:

1. A formal request (Sundry Notice Form 3160-5 or letter) for approval to combine, store, or measure production off-lease with an appropriate explanation and diagram(s) describing the proposed operation in detail.
2. A map showing the lease numbers and location of all leases and wells that will contribute production to the proposed commingling, off-lease measurement, and/or storage facility. All lease numbers, unitized or communitized areas, producing zones or pools must be clearly illustrated or detailed by suitable means. Any wells or leases proposed to be added to an approved commingling and off-lease storage and or measurement facility must be approved by the Authorized Officer prior to their being included in the facility.
3. An updated facility diagram which clearly identifies and places all equipment that will be utilized. This diagram should identify all flow lines, sales points and give location of gas sales (transfer point) meter if it is not at this facility. Include gas sales meter station name and number and location of meter to include  $\frac{1}{4}$   $\frac{1}{4}$ , Section, Township and Range.
4. Estimated monthly production from each contributing well, including type of product, gravity, and/or BTU content.
5. Details of the proposed method for measuring and allocating production for each lease involved. Include calculated "beneficial use" volumes both on and off-lease.
6. A statement that all interest owners have been notified of the proposal.
7. Evidence that Federal or Indian royalties will not be reduced through approval of the application, and the proposed commingling of production is in the interest of conservation and will not result in improper measurement of production.
8. Detailed economic justification, when the application to combine production is based on economic necessity, i.e., that approval is necessary to extend the economic life of the Federal or Indian Lease(s). Commingling with State or Fee wells will be on a very limited basis and will have to prove this is the only economical way to keep that well/lease from being plugged.

Approval for combining production 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.

\_\_\_\_\_ (Operator's Name) is requesting approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following formation(s) and well(s):

Federal Lease No. \_\_\_\_\_

Well Name

API No.

Loc: ¼ ¼ Sec. Twp. Rng.

Formation

BOPD

Oil Gravity

MCFPD

BTU

4-Deep Pockets 16 Federal

30015xxxxx

SWSW, Sec. 15, T16S, R30E

Delaware

12

45.2/@60°

102

1315

With hydrocarbon production from:

Federal Lease No. \_\_\_\_\_

Well Name

API No.

Loc: ¼ ¼ Sec. Twp. Rng.

Formation

BOPD

Oil Gravity

MCFPD

BTU

4-Deep Pockets 16 Federal

30015xxxxx

SWSW, Sec. 15, T16S, R30E

Delaware

12

45.2/@60°

102

1315

The storage and measuring facility is located at \_\_\_\_\_ ¼, Sec. \_\_\_\_\_, T \_\_\_\_\_, S, R \_\_\_\_\_, E, on Lease No. \_\_\_\_\_, Lea/Eddy (circle one), New Mexico. BLM will be notified if there is any future change in the facility location.

Details of the proposed method for allocating production to contributing sources are as follows: