

DATE IN 12.20.11	SUSPENSE	ENGINEER RE	LOGGED IN 12.20.11	TYPE PLC	APP NO. 1135458299
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147179

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Chesapeake

Lot 3 Fed #4

ADMINISTRATIVE APPLICATION CHECKLIST

30-015-27593

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

Application Acronyms:

- [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]

*8 Wells
(See RBDMS)*

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
☐ DHC ☒ CTB ☒ PLC ☐ PC ☐ OLS ☐ OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR
- [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or ☐ Does Not Apply
- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☒ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☒ Notification and/or Concurrent Approval by BLM or SLO
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☐ Waivers are Attached
- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

9-245-31E

[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.

ADAM RANKIN _____ 12/28/11
 Print or Type Name Signature Title Date
 agrankin@hollandhart.com
 e-mail Address

Info Needed. PLC-352

Ezeanyim, Richard, EMNRD

From: Adam Rankin [AGRankin@hollandhart.com]
Sent: Friday, January 27, 2012 10:11 AM
To: Ezeanyim, Richard, EMNRD
Subject: Chesapeake: Application to Amend CTB-417

Richard:

Based on our review of the pool codes, Chesapeake's requested application should be subject to a pool-lease commingling order, not a lease commingling order. I have included the applicable pool codes by well.

Thanks for your help and let me know if you have any additional questions.

SAND DUNES; DELAWARE, WEST : POOL CODE # 53815: ✓

LOTOS FEDERAL 4	3001527593	9-245-31E	
LOTOS C FEDERAL 905	3001532558	9-245-31E	300028
LOTOS C FEDERAL 912	3001535356	"	"
LOTOS C FEDERAL 907	3001534945	"	"
LOTOS C FEDERAL 911	3001535357	"	"
LOTOS C FEDERAL 903	3001530043	"	"

INGLE WELLS; DELAWARE; POOL CODE # 33745 ✓

LOTOS 10 FEDERAL 3	30-015-28572	10-245-31E	300024
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POKER LAKE; DELAWARE, EAST : POOL CODE # 40888 ✓

LOTOS A FEDERAL 1	3001526174	15-245-31E	300026
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Adam G. Rankin

Holland & Hart LLP

110 North Guadalupe Suite 1

P.O. Box 2208

Santa Fe, NM 87504

Office: (505) 988-4421

Direct: (505) 954-7294

Cell: (505) 570-0377

Fax (505) 983-6043

E-mail: agrarkin@hollandhart.com

[Download vCard](#)



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HOLLAND & HART LLP



Adam G. Rankin
Phone 505-954-7294
Fax 505-983-6043
agrarkin@hollandhart.com

December 20, 2011

VIA HAND DELIVERY

Jami Bailey, Director
Energy, Minerals and Natural Resources
Department
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RECEIVED OGD
2011 DEC 20 P 3:34

Re: Application of Chesapeake Operating, Inc. for Administrative Approval of an amendment to Order No. CTB-417 to include federal lease NMNM 56741, Eddy County, New Mexico.

Dear Ms. Bailey:

Please find enclosed with this letter Chesapeake Operating, Inc.'s administrative application for authorization pursuant to 19.15.12.10(C) NMAC to amend Order No. CTB-417 to include federal lease NMNM 56741 in the order approving surface commingling. I appreciate your attention to this matter.

Sincerely,

Adam G. Rankin
Attorney for Chesapeake Operating, Inc.

AGR

Enclosure

Cc: Bryan Arrant
J.D. Whitlock, Carlsbad BLM

53472i9_1.DOCX

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 **Mailing Address** P.O. Box 2208 Santa Fe, NM 87504-2208

Denver Aspen Boulder Colorado Springs Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Salt Lake City Santa Fe Washington, D.C. ☏

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 Commingling)

LEASE TYPE: ☐ Fee ☐ State ☒ Federal

Is this an Amendment to existing Order? ☒ Yes ☐ No If "Yes", please include the appropriate Order No. CTB-417

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 B.

(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. Please see attached list.

(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. Please see attached sundry.

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 Compl. Sp. DATE: 12/16/2011

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

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

Part D: Notice to All Owners of Interest to be Commingled

Lease NMNM 56741:

Southwest Royalties 6 Desta Drive, Suite 2100 Midland, Texas 79705	Map 92-96 MGD LP c/o Mineral ACG Partners, Inc. Carolyn L. Frans AIF 101 North Robinson #1000 Oklahoma City, OK 73102
Shawn P. Hannifin 730 17th Street, Suite 325 Denver, CO 80202	Alan R. Hannifin Post Office Box 8874 Denver, CO 80201
Western INT Energy Inc. FBO WJT III SEP IRA Post Office Box 247 Crested Butte, CO 81224	Map Holdings c/o Mineral ACQ Partners Inc. 101 North Robinson, #1000 Oklahoma City, OK 73102
Communities FNDN of Texas in TX1-2931 Post Office Box 660197 Dallas, Texas 75266	JPT Family JV#1 c/o JPMorgan Chase Bank NA Post Office Box 660197 TX-1-2931 Dallas, Texas 75266
Morgan Mineral TR c/o David Scott Morgan Trust 1209 Knoll Crest CT Grapevine, TX 76051	S&E Royalty LLC 8470 West 4th Ave. Lakewood, CO 80226
BLASCO LLC 6235 Savannah Way Colorado Springs, CO 90910	Robert Edward Eckels Jr. LLC Post Office Box 1093 Cedaredge, CO 81413
Jan C. Ice Post Office Box 7366 Covington, WA 98042	Elizabeth Jane Kay Family Trust Elizabeth Jane Kay Trust John D. McGrath, Jr. AIF Post Office Box 9602 Colorado Springs, CO 80932
Celle VPP #7(Permian) Post office Box 18496 Oklahoma City, OK 73154	WTG Exploration Inc. 401 West Wadley Ave. Midland, TX 79705

Nuevo Seis LP Barbara E. Hannifin Pres Post Office Box 2588 Roswell, New Mexico 88202	L E & Nicolette A. Oppermann 1505 Neely Midland, Texas 79705
ONRR/BLM – Payor 06605 Post Office Box 25627 Denver, CO 80225	Ronald C. Agel 279 Marlborough Street Boston, MA 02116
Christopher R.F. Eckels Post Office Box 30 Cedaredge, CO 81413	Richard K. Barr Est. Beverly J. Barr Exec. 8027 Chalk Knoll Drive Austin, TX 78735
Scott E. Wilson 4601 Mirador Drive Austin, TX 78735	Les R. Honeyman 406 Skywood Cir Midland, TX 79705
Bureau of Land Management Carlsbad Field Office 620 E. Greene St. Carlsbad, NM 88220	

Lease NMNM 63757:

TLW Investments LLC Attn. Glenn Reyes 1001 Fannin, Suite 2020 Houston, Texas 77002	Map 92-96 MGD LP c/o Mineral ACG Partners, Inc. Carolyn L. Frans AIF 101 North Robinson #1000 Oklahoma City, OK 73102
Shawn P. Hannifin 730 17th Street, Suite 325 Denver, CO 80202	Alan R. Hannifin Post Office Box 8874 Denver, CO 80201
Western INT Energy Inc. FBO WJT III SEP IRA Post Office Box 247 Crested Butte, CO 81224	Map Holdings c/o Mineral ACQ Partners Inc. 101 North Robinson, #1000 Oklahoma City, OK 73102
Communities FNDN of Texas in TX1-2931 Post Office Box 660197 Dallas, Texas 75266	JPT Family JV#1 c/o JPMorgan Chase Bank NA Post Office Box 660197 TX-1-2931 Dallas, Texas 75266

Morgan Mineral TR c/o David Scott Morgan Trust 1209 Knoll Crest CT Grapevine, TX 76051	S&E Royalty LLC 8470 West 4th Ave. Lakewood, CO 80226
BLASCO LLC 6235 Savannah Way Colorado Springs, CO 90910	Robert Edward Eckels Jr. LLC Post Office Box 1093 Cedaredge, CO 81413
Jan C. Ice Post Office Box 7366 Covington, WA 98042	Elizabeth Jane Kay Family Trust Elizabeth Jane Kay Trust John D. McGrath, Jr. AIF Post Office Box 9602 Colorado Springs, CO 80932
Celle VPP #7(Permian) Post office Box 18496 Oklahoma City, OK 73154	Arcadia Resources LP An Oklahoma LTD Partnership Post Office Box 18756 Oklahoma City, OK 73154
Nuevo Seis LP Barbara E. Hannifin Pres Post Office Box 2588 Roswell, New Mexico 88202	L E & Nicolette A. Oppermann 1505 Neely Midland, Texas 79705
ONRR/BLM – Payor 06605 Post Office Box 25627 Denver, CO 80225	Ronald C. Agel 279 Marlborough Street Boston, MA 02116
Christopher R F Eckels Post Office Box 30 Cedaredge, CO 81413	DM Corporation Post office Box 1196 Englewood, CO 80150
Les R. Honeyman 406 Skywood Circle Midland, Texas 79705	Bureau of Land Management Carlsbad Field Office 620 E. Greene St. Carlsbad, NM 88220

Lease NMNM 29234:

Map 92-96 MGD LP c/o Mineral ACG Partners, Inc. Carolyn L. Frans AIF 101 North Robinson #1000 Oklahoma City, OK 73102	EMG Oil Properties Inc. 1000 West 4th Street Roswell, New Mexico 88201
---	--

Shawn P. Hannifin 730 17th Street, Suite 325 Denver, CO 80202	Alan R. Hannifin Post Office Box 8874 Denver, CO 80201
EMV REV TR Eileen M. Grooms Trust 1000 W. 4th Street Roswell, New Mexico 88201	Western INT Energy Inc. FBO WJT III SEP IRA Post Office Box 247 Crested Butte, CO 81224
Map Holdings c/o Mineral ACQ Partners Inc. 101 North Robinson, #1000 Oklahoma City, OK 73102	Communities FNDN of Texas in TX1-2931 Post Office Box 660197 Dallas, Texas 75266
JPT Family JV#1 c/o JPMorgan Chase Bank NA Post Office Box 660197 TX-1-2931 Dallas, Texas 75266	Morgan Mineral TR c/o David Scott Morgan Trust 1209 Knoll Crest CT Grapevine, TX 76051
S&E Royalty LLC 8470 W. 4th Ave. Lakewood, CO 80226	BLASCO LLC 6235 Savannah Way Colorado Springs, CO 90910
Robert Edward Eckels Jr. LLC Post Office Box 1093 Cedaredge, CO 81413	Jan C. Ice Post Office Box 7366 Covington, WA 98042
Elizabeth Jane Kay Family Trust Elizabeth Jane Kay Trust John D. McGrath, Jr. AIF Post Office Box 9602 Colorado Springs, CO 80932	Celle VPP #7(Permian) Post office Box 18496 Oklahoma City, OK 73154
Arcadia Resources LP An Oklahoma LTD Partnership Post Office Box 18756 Oklahoma City, OK 73154	Branex Resources Inc. a NM Corp. Post Office Box 2990 Ruidoso, New Mexico 88355
David J. Sorenson Post Office Box 1453 Roswell, New Mexico 88202	Nuevo Seis LP Barbara E. Hannifin Pres Post Office Box 2588 Roswell, New Mexico 88202
L E & Nicolette A. Oppermann 1505 Neely Midland, Texas 79705	ONRR/BLM – Payor 06605 Post Office Box 25627 Denver, CO 80225

Ronald C. Agel 279 Marlborough Street Boston, MA 02116	Christopher R F Eckels Post Office Box 30 Cedaredge, CO 81413
DM Corporation Post office Box 1196 Englewood, CO 80150	F. Andrew Grooms Post Office Box 2990 Ruidoso, New Mexico 88355
Les R. Honeyman 406 Skywood Circle Midland, Texas 79705	Mary Jane Shelley Favor Post Office Box 96 Hayneville, AL 36040
Wilson Rev. Trust 1013 East 5400 S South Ogden, UT 84405	Bureau of Land Management Carlsbad Field Office 620 E. Greene St. Carlsbad, NM 88220

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Operator Copy

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.

8. Well Name and No.
LOTOS FEDERAL 49. API Well No.
30-015-2759310. Field and Pool, or Exploratory
SAND DUNES11. County or Parish, and State
EDDY COUNTY, NM

SUBMIT IN TRIPLICATE - Other Instructions on reverse side.

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator

CHESAPEAKE OPERATING, INC.

Contact: LINDA GOOD

E-Mail: linda.good@chk.com

3a. Address

P.O. BOX 18496
OKLAHOMA CITY, OK 73154-0496

3b. Phone No. (include area code)

Ph: 405-935-4275

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

Sec 9 T24S R31E Mer NMP NWSE 2310FSL 2310FEL

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

TYPE OF SUBMISSION

- ☐
- Notice of Intent
-
- ☒
- Subsequent Report
-
- ☐
- Final Abandonment Notice

TYPE OF ACTION

- | | | | |
|---|---|--|---|
| <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <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:

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

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

Electronic Submission #112604 verified by the BLM Well Information System
For CHESAPEAKE OPERATING, INC., sent to the Carlsbad

Name (Printed/Typed) LINDA GOOD

Title SR. REGULATORY COMPLIANCE SPEC

Signature (Electronic Submission)

Date 07/11/2011

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By

Title LPE

Date 8/2/11

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 FO

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 **

Additional data for EC transaction #112604 that would not fit on the form

32. Additional remarks, continued

LOTOS C FEDERAL 907 30-015-34945 NWN 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 —

CHESAPEAKE IS REQUESTING PERMISSION TO TURN THESE WELLS BACK ON.

ATTACHMENT:

ALLOCATION DOCUMENT

DIAGRAMS FOR: LOTOS FEDERAL 4 CENTRAL TANK BATTERY

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. **Exhibit A & B**
3. A schematic diagram which clearly identifies and places all equipment that will be utilized. **(Exhibit C)**
4. Estimated monthly production from each contributing well, including type of product, gravity, and/or BTU content. **(Exhibit D)**
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. All interest owners have been notified of this proposal.
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., is requesting approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following formation(s) and well(s):

Federal Leases

Lease# NMNM29234 ✓

Well Name	API No.	Loc	Formation	BOPD	Oil Gravity	MCFD	BTU
Lotos Federal 4	30-015-27593	NWSE 9-24S-31E	Delaware	1	39.9	5	1266.65
Lotos C Federal 905	30-015-32558	SESE 9-24S-31E	Delaware	9	41	32	1266.66
Lotos C Federal 912	30-015-35356	SWSE 9-24S-31E	Delaware	10	40.5	57	1266.64
Lotos 10 Federal 3	30-015-29798	NENE 10-24S-31E	Delaware	12	40	21	1266.67

Lease# NMNM56741 ✓

Well Name	API No.	Loc	Formation	BOPD	Oil Gravity	MCFD	BTU
Lotos Federal A 1	30-015-26174	NENW 15-24S-31E	Delaware	4	39.2	12	1266.65

Lease# NMNM63757 ✓

Well Name	API No.	Loc	Formation	BOPD	Oil Gravity	MCFD	BTU
Lotos C Federal 901	30-015-28700	NENE 9-24S-31E	Delaware	3	40	19	1266.63
Lotos C Federal 903	30-015-30043	SENE 9-24S-31E	Brushy Canyon	4	40.3	12	1266.66
Lotos C Federal 907	30-015-34945	NWNE 9-24S-31E	Delaware	22	40.5	38	1266.67
Lotos C Federal 911	30-015-35357	SWNE 9-24S-31E	Brushy Canyon	7	40.1	32	1266.65

The storage and measuring facility is located at NWSE 1/4, Sec. 9, T 24 S, R 31 E, on Lease No. NMNM29234 Leaf/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:

Federal Wells: The Lotos Federal 4 1H battery has a separate heater treater, electronic flow meters and oil tank allowing each producing well to be tested monthly. We send production from one well to the separate heater treater monthly for a 24 hour period allowing for us to gather data on production of fluids and gas. The water and gas are accounted for with electronic flow meters. The water amount is checked using an EED water test meter (#76239) located at the test heater treater and then sent down a flowline towards the Littlefield SWD. The gas amount is checked using an EED gas test meter (#0181571) located at the test heater treater, it is then tied into the gas flow line and proceeds through the check meter. The oil is sent to the test tank #1448 and hand gauged for accuracy. Based on this test, a percentage is computed and monthly production is allocated between the 9 Federal Wells and appropriately allocated to the 3 Federal Leases. *All oil is sold Through ALACT 17*

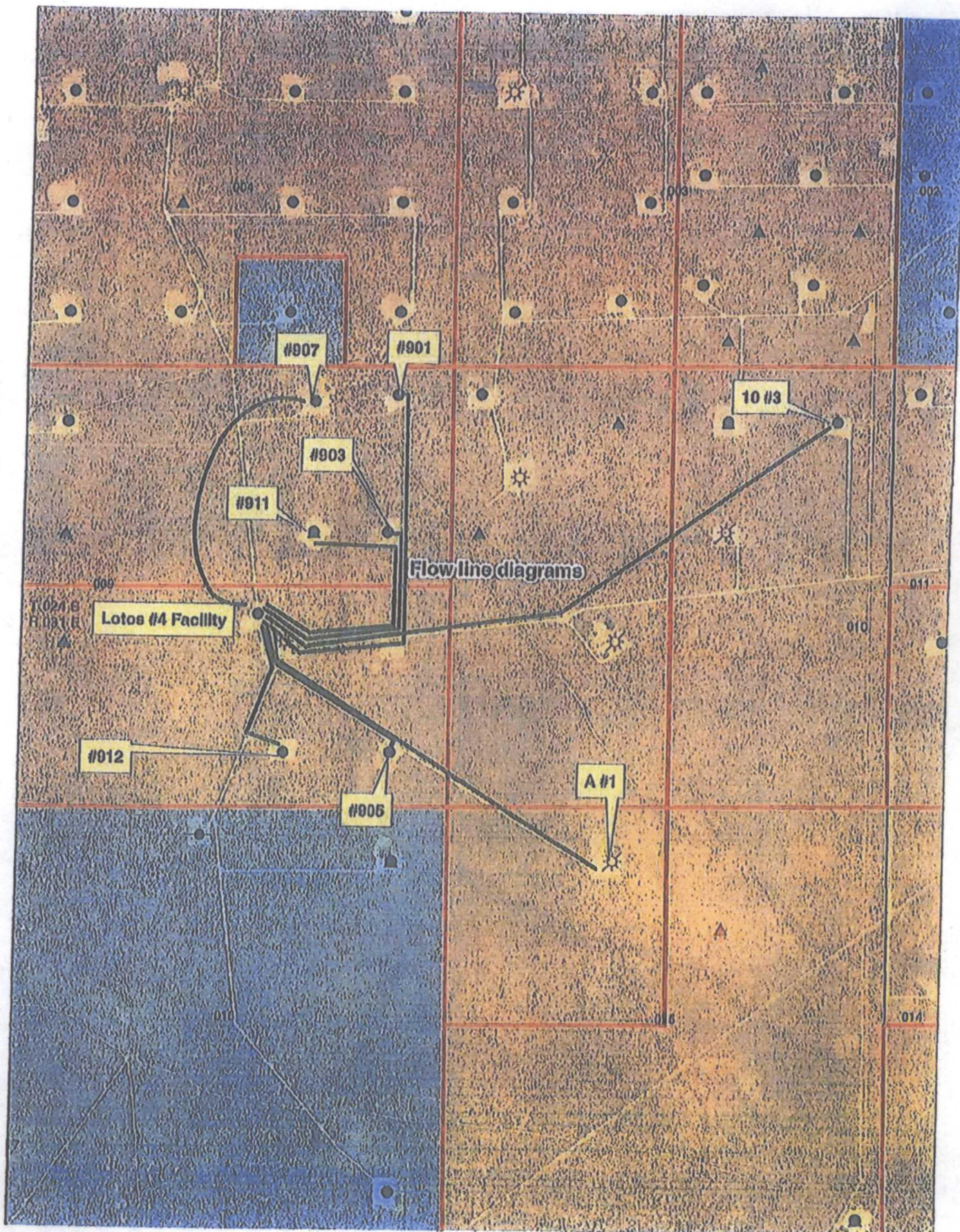
THE Lotos Fed 4 FAC. LACT # 43304

Compressor Fuel Gas: Compressor on sight is using 10 MCFD. Gas that is fueling the compressor is coming from the production off of the 9 federal wells. Fuel Gas is being allocated amongst the 9 Federal Wells and appropriately amongst all Leases using a percentage based off of monthly well tests.

The Cactus State 1 and 2 meter enters DCP's line downstream. Sales meter #13155048

Right - Of - Ways

<u>Serial Number</u>	<u>Well Name</u>
NMNM 88004	Cactus 16 State 1
NMNM 95354	Lotos C Federal 901
NMNM 124298	Lotos C Federal 907
NMNM 124815	Lotos 10 Federal 3
NMNM 124816	Cactus 16 Battery
NMNM 124813	Lotos C Federal 903, 905 & 911
NMNM 82256	Lotos A Federal 1



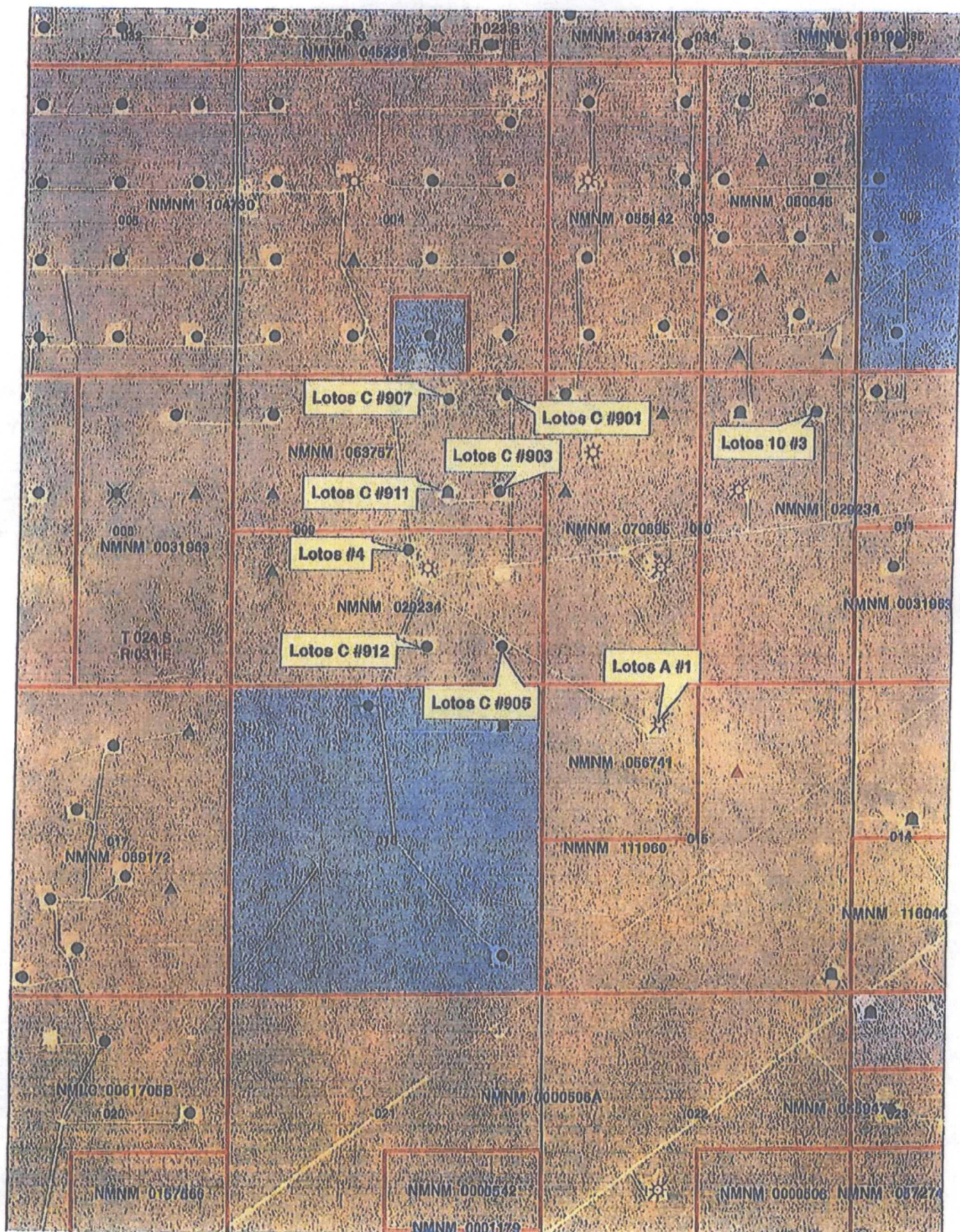


EXHIBIT B

EXHIBIT

Lotos Federal Wells

NMNM29234, NMNM63757 and NMNM56741

Chesapeake Operating, Inc.

July 31, 2011

Condition of Approval
Commingling on and off lease

1. This approval is subject to like approval by the New Mexico Oil Conservation Division.
2. This agency shall be notified of any spill or discharge as required by NTL-3A.
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 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.
5. 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.
6. All above ground structures on the lease shall be painted Shale Green (5Y 4/2), or as per approved APD stipulations. This is to be done within 90 days, if you have not already done so.
7. Gas measurement for allocation must be measured as per Onshore Order #5 for sales meters.
8. All gas and oil subject to royalty shall be measured as per federal regulations and shall be reported to MMS as required. All gas which is vented, flared or used on lease shall be reported as per NTL-4A to MMS. All gas which is vented or flared shall be subject to royalty, unless prior approval was given by the authorized officer.
9. This agency shall be notified of any change in sales method or location of sales point.
10. Additional wells and/or leases require additional commingling approvals.

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December 20, 2012

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

TO AFFECTED INTEREST OWNERS

Re: Administrative Application of Chesapeake Energy Corporation to Amend Order No. CTB-417 to approve surface commingling of production from NMNM 56741.

Ladies and Gentlemen:

This letter is to advise you that Chesapeake Energy Corporation ("Chesapeake") has filed the enclosed administrative application with the New Mexico Oil Conservation Division. Chesapeake proposes to commingle at the surface production from federal lease NMNM 56741 with production from federal leases NMNM 29234 and NMNM 63757, which already have been approved for commingling under New Mexico Oil Conservation Division Order No. CTB-417.

Objections to this application must be filed in writing with the Division's Santa Fe office, located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, within 20 days from the date of this letter. If no objection is received within 20 days after the Division Director receives this application, it may be approved.

Sincerely,

Adam G. Rankin
ATTORNEY FOR CHESAPEAKE.

AGR
Enclosures

Cc: J.D. Whitlock, Carlsbad BLM
Jerris Johnson w/o enc.
Bryan Arrant w/o enc.

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