

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

NMOCD ACOI 255

IN THE MATTER OF CHESAPEAKE OPERATING, INC.,

Respondent.

INACTIVE WELL
AGREED COMPLIANCE ORDER

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act") and OCD Rule 19.15.5.10(E) NMAC, the Director of the Oil Conservation Division ("OCD") and Chesapeake Operating, Inc. ("Operator") enter into this Inactive Well Agreed Compliance Order ("Order" or "ACOI") under which Operator agrees to plug, place on approved temporary abandonment status or restore to production or other beneficial use the wells identified herein pursuant to the Act and OCD Rule 19.15.25.8 NMAC in accordance with the following agreed schedule and procedures, and understands that the OCD may decide not to enter into any further agreed compliance orders with Operator if Operator fails to meet the schedule set out in this Order.

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act, and rules and orders adopted pursuant to the Act.
2. Operator is a corporation doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID 147179 for the wells identified in Exhibit "A," attached.
4. OCD Rule 19.15.25.8 NMAC states, in relevant part:
 - "A. The operator of wells drilled for oil or gas or services wells including seismic, core, exploration or injection wells, whether cased or uncased, shall plug the wells as Subsection B of 19.15.25.8 NMAC requires.
 - B. The operator shall either properly plug and abandon a well or place the well in approved temporary abandonment in accordance with 19.15.25 NMAC within 90 days after:

....

....

ACOI

Chesapeake Operating, Inc. OGRID 147179

Page 1 of 5

(3) a period of one year in which a well has been continuously inactive.”

5. The wells identified in Exhibit “A”
 - (a) have been continuously inactive for a period of one year plus 90 days (or within the next six months will become continuously inactive for a period of one year plus 90 days if no action is taken on the wells);
 - (b) are not plugged or abandoned in accordance with OCD Rule 19.15.25.9 NMAC through 19.15.25.11 NMAC; and
 - (c) are not on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC, or are on OCD-approved temporary abandonment status but that status will expire within the next six months.

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. The wells identified in Exhibit “A” are either out of compliance with OCD Rule 19.15.25.8 NMAC or will fall out of compliance with OCD Rule 19.15.25.8 NMAC in the next six months if they are not returned to production or other beneficial use, plugged and abandoned, or placed on approved temporary abandonment status.
3. As operator of the wells identified in Exhibit “A,” Operator is responsible for bringing those wells into compliance with OCD Rule 19.15.25.8 NMAC.

ORDER

1. Operator agrees to bring 10 wells identified in Exhibit “A” into compliance with OCD Rule 19.15.25.8 NMAC by September 17, 2012 by
 - (a) restoring the well to production or other OCD-approved beneficial use **and filing a C-115 documenting such production or use;**
 - (b) causing the wellbore to be plugged in accordance with OCD Rule 19.15.25.10(B) NMAC **and filing a C-103 describing the completed work;** or
 - (c) placing the well on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.
2. Oil and gas produced during swabbing does not count as production for purposes of this Order

3. Operator shall file a compliance report identifying each well returned to compliance, stating the date it was returned to compliance and describing how the well was returned to compliance (restored to production or other approved beneficial use, plugged wellbore, approved temporary abandonment status.) Transfer of a well identified on Exhibit "A" to another operator does not count towards Operator's obligation to return wells to compliance under the terms of this Order, but does reduce the total number of wells for which Operator is responsible under the terms of this Order. The written compliance report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager and to the OCD attorney in charge of inactive well agreed compliance orders so that it is received by the compliance deadline of September 17, 2012. The total length of this Agreed Compliance Order is six months.
4. Thirty days after the compliance deadline set by this Order, any wells on Exhibit "A" not in compliance with OCD Rule 19.15.25.8 NMAC will appear on the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC.
5. Operator understands that if it fails to meet the terms of this Order, the OCD may decide not to enter into any further agreed compliance orders with Operator.
6. By signing this Order, Operator expressly:
 - (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - (b) agrees to return to compliance 10 wells identified in Exhibit "A" by September 17, 2012;
 - (c) agrees to submit a compliance report as required in Ordering Paragraph 3 by September 17, 2012 compliance deadline set by this Order;
 - (d) waives any right, pursuant to the Oil and Gas Act or otherwise, to an appeal from this Order, or to a hearing either prior to or subsequent to the entry of this Order; and
 - (e) agrees that the Order may be enforced by OCD or Oil Conservation Commission Order, by suit or otherwise to the same extent and with the same effect as a final Order of the OCD or Oil Conservation Commission entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act.
7. This Order applies only to the enforcement of OCD Rule 19.15.25.8 NMAC against those wells identified in Exhibit "A." Other wells operated by Operator out of compliance with OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules. Wells identified in Exhibit "A" that are out of compliance with the Oil and Gas Act or OCD Rules other than OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules.

8. The OCD reserves the right to file an application for hearing to obtain authority to plug any well identified in Exhibit "A" and forfeit the applicable financial assurance if the well poses an immediate environmental threat.

Done at Santa Fe, New Mexico this 30th day of March 2012

By: Jam Bailey
Jami Bailey
Director, Oil Conservation Division

ACCEPTANCE

Chesapeake Operating, Inc. hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

Chesapeake Operating, Inc.

By: Jay Stratton
(Please print name) Jay Stratton
Title: District Manager
Date: 3/27/2012

Exhibit A to Agreed Compliance Order for Chesapeake Operating, Inc.

- 1) 30-015-26041 BENSON SHUGART WATERFLOOD UNIT #019
- 2) 30-015-25966 BENSON SHUGART WATERFLOOD UNIT #030
- 3) 30-015-27008 CACTUS 16 STATE #001
- 4) 30-025-34340 CARLISLE 7 #001
- 5) 30-015-23945 CARRASCO 6 COM #001
- 6) 30-025-29335 CARTER-SHIPPI STRAWN UNIT #002
- 7) 30-025-29138 CARTER-SHIPPI STRAWN UNIT #003
- 8) 30-015-26622 CAVINESS PAINE #004
- 9) 30-025-34264 CHAMBERS STRAWN UNIT #003
- 10) 30-025-36196 CODORNIZ 28 FEDERAL #002
- 11) 30-015-25237 FORT 18 COM #001
- 12) 30-015-30680 GREENWOOD FEDERAL COM #002
- 13) 30-025-36583 LIVESTOCK 9 FEDERAL #002
- 14) 30-015-35356 LOTOS C FEDERAL #912
- 15) 30-025-27642 MONTIETH 20 #001
- 16) 30-025-25678 MYERS LANGLIE MATTIX UNIT #075

ACOI

Chesapeake Operating, Inc. OGRID 147179

Page 4 of 5

- 17) 30-025-36353 NEUHAUS 14 FEDERAL #004
- 18) 30-015-21844 OLD INDIAN DRAW UNIT #011
- 19) 30-015-22101 OLD INDIAN DRAW UNIT #021
- 20) 30-025-37413 PALOMA 30 FEDERAL #002
- 21) 30-015-26460 PARDUE FARMS #002
- 22) 30-015-26749 PARDUE FARMS #004
- 23) 30-025-26783 QUAIL QUEEN UNIT #005
- 24) 30-015-24292 QUEEN LAKE 19 FEDERAL #001
- 25) 30-015-25001 STATE 2 #001
- 26) 30-015-26463 STATE 2 #005
- 27) 30-025-30409 SUN PEARL FEDERAL #001
- 28) 30-025-30663 SUN PEARL FEDERAL #002
- 29) 30-015-32420 TODD 2 STATE #011
- 30) 30-015-33004 TODD 2 STATE #015
- 31) 30-025-36566 TRINITY BURRUS ABO UNIT #020

Chesapeake Operating, Inc.

By: *Jim Patton*

Title: *District Manager*