

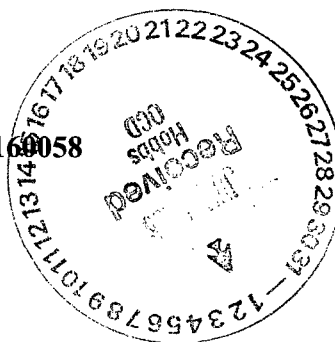


ENVIRONMENTAL PLUS, INC.
CONSULTING AND REMEDIAL CONSTRUCTION

24 May 2006

Mr. Larry Johnson, Environmental Engineer
New Mexico Oil Conservation Division
1625 North French Drive
Hobbs, New Mexico 88240

Re: Initial C-141
Chesapeake Energy NMFU Federal #1 – Reference #160058
UL-P, Section 23, Township 20 South, Range 38 East



Dear Mr. Johnson:

Environmental Plus, Inc. (EPI), on behalf of Mr. Bradley Blevins, Chesapeake Energy Corporation (Chesapeake), submits the attached New Mexico Oil Conservation Division (NMOCD) form C-141 for the above-referenced leak site, located on land owned by G.P. Sims.

The site is located approximately 9 miles north of Eunice, New Mexico (reference *Figure 1*). Information obtained from the New Mexico Office of the State Engineer's website and a United States Geological Survey (USGS) database indicates there are no water supply wells within a 1,000-foot radius of the release site. However, there are two water supply wells located within a 1.0-mile radius of the release site (reference *Figure 2*). Groundwater level data indicates an average depth to water of approximately 55 feet below ground surface (reference *Table 1*). The attached site information and metrics form ranks the site in accordance with the NMOCD Guidelines for Remediation of Leaks, Spills and Releases (August 13, 1993).

Approximately 202 barrels of oil was released due to the structural integrity of the tank failing, with 120 barrels recovered.

Should you have any questions or concerns please feel free to contact me at (505) 394-3481 or via e-mail at iolness@envplus.net or Mr. Bradley Blevins at (505) 391-1462 ext. 6224 or via e-mail at bblevins@chkenergy.com. All official communication should be addressed to:

Mr. Bradley Blevins
Chesapeake Energy
P.O. Box 190
Hobbs, New Mexico 88240

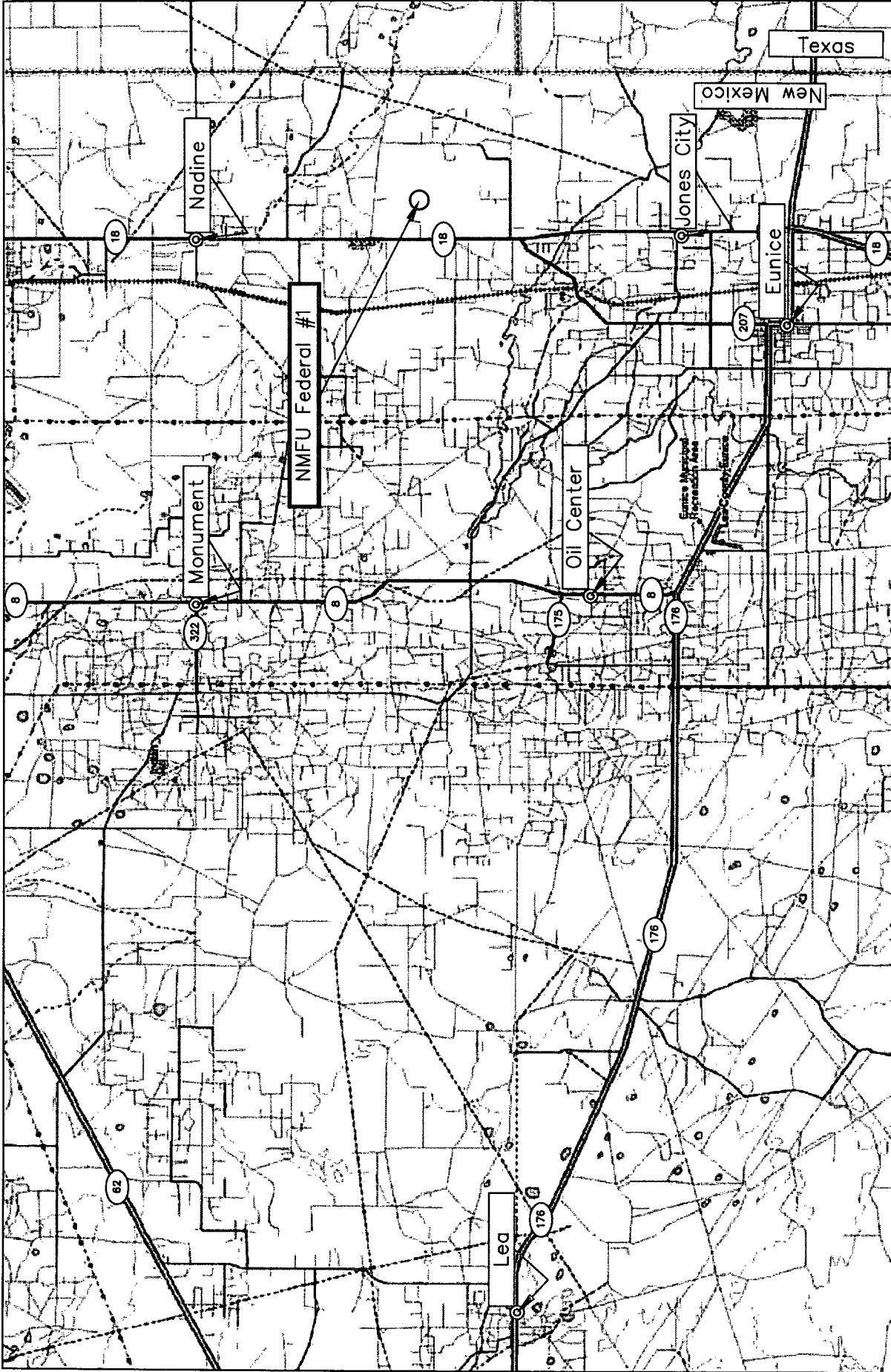
Sincerely,

ENVIRONMENTAL PLUS, INC.

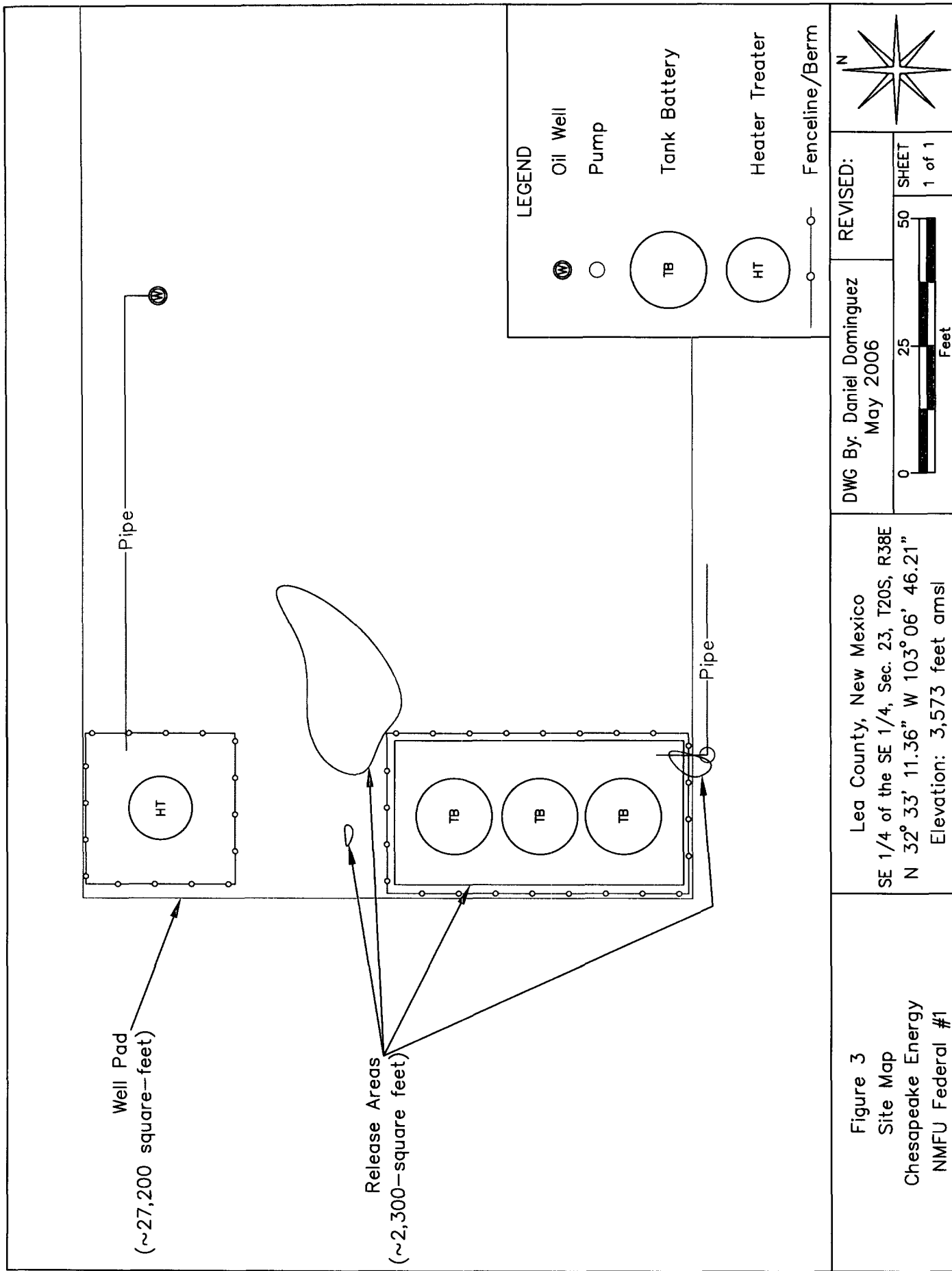


Iain Olness, P.G.
Technical Manager

cc: Bradley Blevins, Chesapeake Energy – Hobbs, NM
Curtis Blake, Chesapeake Energy – Hobbs, NM
Harlan Brown, Chesapeake Energy – Oklahoma City, OK
G. P. Sims, Landowner
File



<p>Figure 1 Area Map Chesapeake Energy NMFU Federal #1</p>	<p>Lea County, New Mexico SE 1/4 of the SE 1/4, Sec. 23, T20S, R38E N 32° 33' 11.36" W 103° 06' 46.21" Elevation: 3,573 feet amsl</p>	<p>DWG By: Daniel Dominguez May 2006</p> <p>REVISED:</p> <p>0 3 6 Miles</p> <p>SHEET 1 of 1</p>
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<p>Figure 3 Site Map Chesapeake Energy NMFU Federal #1</p>	<p>Lea County, New Mexico SE 1/4 of the SE 1/4, Sec. 23, T20S, R38E N 32° 33' 11.36" W 103° 06' 46.21" Elevation: 3,573 feet amsl</p>	<p>DWG By: Daniel Dominguez May 2006</p>	<p>REVISED:</p>	<p>SHEET 1 of 1</p>
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TABLE 1

Well Data

Chesapeake Energy NMFU Federal #1 (Ref. #160058)

Well Number	Diversion ^A	Owner	Use	Twp	Rng	Sec	q	q	q	Latitude	Longitude	Date Measured	Surface Elevation ^B	Depth to Water (ft bgs)
L 10055	0	DALLAS MCCASLAND	EXP	20S	38E	24	1	1	1	N32° 33' 43.29"	W103° 06' 36.98"	13-Dec-88	3,570	30
L 10055	3	DALLAS MCCASLAND	STK	20S	38E	24	1	1	1	N32° 33' 43.29"	W103° 06' 36.98"	13-Dec-88	3,570	30
L 08310	3	ALTON HOWSE	STK	20S	38E	13	1	1	1	N32° 34' 35.57"	W103° 06' 37.24"	10-Jul-80	3,569	42
L 02239	3	J.O. COURSEY	DOM	20S	38E	14	2	1	1	N32° 34' 35.67"	W103° 07' 8.02"	16-Jan-54	3,583	38
L 07980	3	MILARD DEEK	DOM	20S	38E	26	3	4	1	N32° 32' 51.72"	W103° 07' 22.93"	05-Jun-78	3,560	65
USGS #1				20S	38E	13	1	4	1			31-Jan-96	3,560	33-97

* = Data obtained from the New Mexico Office of the State Engineer Website (http://waters.ose.state.nm.us:7001/WATERS/wr_RegisServlet) and the USGS website (<http://waterdata.usgs.gov/nwis/>).

^A = in acre feet per annum

^B = Elevation interpolated from USGS topographical map based on referenced location.

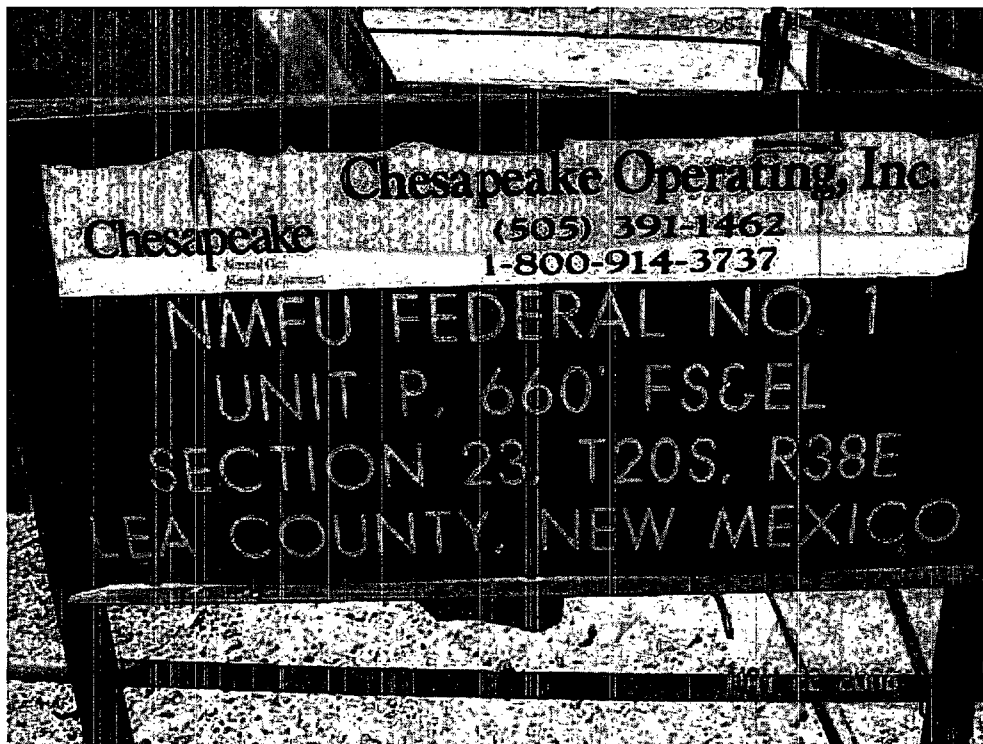
STK = Livestock Watering

DOM = 72-12-1 Domestic One Household

EXP = Exploration

quarters are 1=NW, 2=NE, 3=SW, 4=SE; quarters are biggest to smallest

Shaded areas indicate well locations not shown on Figure 2



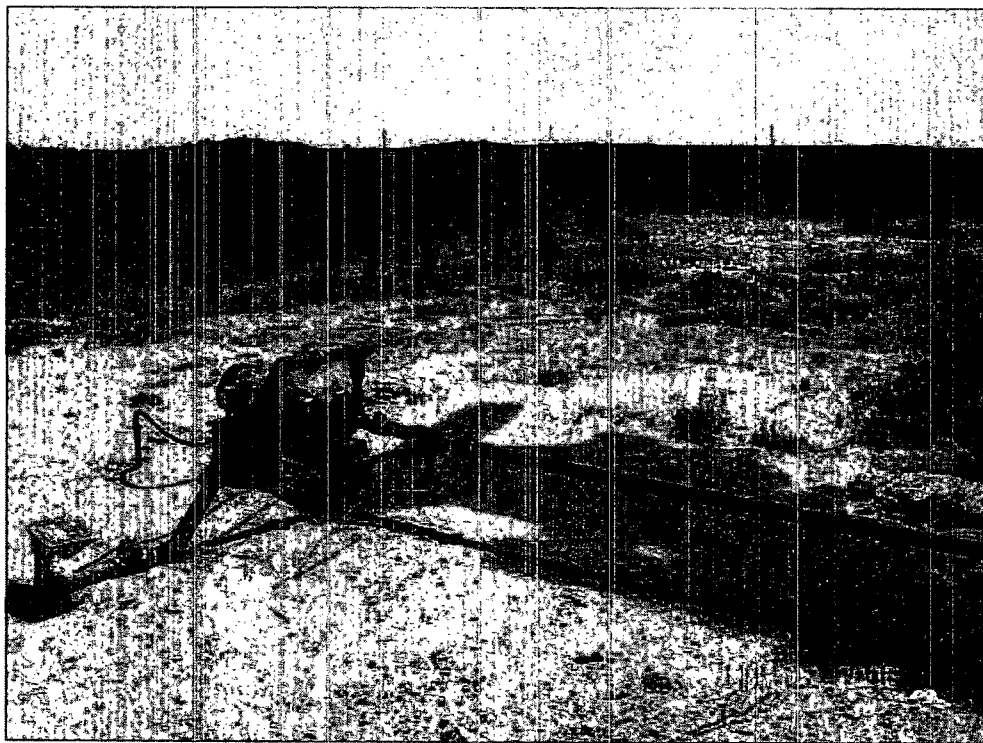
Photograph #1 – Lease sign.



Photograph #2 - Looking southwesterly.



Photograph #3 - Looking south.



Photograph #4 - Looking southwesterly.



Information and Metrics

Incident Date:
21 May 2006

NMOCD Notified:
22 May 2006

Site: NMFU Federal #1		Assigned Site Reference : #160058	
Company: Chesapeake Energy			
Street Address: 1616 West Bender			
Mailing Address: P.O. Box 190			
City, State, Zip: Hobbs, New Mexico 88240			
Representative: Bradley Blevins			
Representative Telephone: (505) 391-1462 ext. 6224			
Telephone:			
Fluid volume released (bbls): 202		Recovered (bbls): 120	
>25 bbls: Notify NMOCD verbally within 24 hrs and submit form C-141 within 15 days. (Also applies to unauthorized releases >500 mcf Natural Gas)			
5-25 bbls: Submit form C-141 within 15 days (Also applies to unauthorized releases of 50-500 mcf Natural Gas)			
Leak, Spill, or Pit (LSP) Name: NMFU Federal #1			
Source of contamination: Tank Battery			
Land Owner, i.e., BLM, ST, Fee, Other: G.P. Sims			
LSP Dimensions: 57 feet by 28.5 feet; 20 feet by 30 feet; 10 feet by 50 feet; 2 feet by 5 feet			
LSP Area: ~1,650 ft ² ; ~600 ft ² ; ~50 ft ² ; ~10 ft ²			
Location of Reference Point (RP):			
Location distance and direction from RP:			
Latitude: N 32° 33' 11.36"			
Longitude: W 103° 06' 46.21"			
Elevation above mean sea level: 3,573 feet			
Feet from South Section Line: 660			
Feet from East Section Line: 660			
Location- Unit or ¼: SE¼ of the SE¼		Unit Letter: P	
Location- Section: 23			
Location- Township: 20 South			
Location- Range: 38 East			
Surface water body within 1000' radius of site: none			
Domestic water wells within 1000' radius of site: none			
Agricultural water wells within 1000' radius of site: none			
Public water supply wells within 1000' radius of site: none			
Depth from land surface to groundwater (DG): ~55 feet			
Depth of contamination (DC): unknown			
Depth to groundwater (DG – DC = DtGW): ~55 feet			
1. Groundwater		2. Wellhead Protection Area	
If Depth to GW <50 feet: <i>20 points</i>		If <1000' from water source, or; <200' from	
If Depth to GW 50 to 99 feet: <i>10 points</i>		private domestic water source: <i>20 points</i>	
If Depth to GW >100 feet: <i>0 points</i>		If >1000' from water source, or; >200' from	
		private domestic water source: <i>0 points</i>	
		3. Distance to Surface Water Body	
		<200 horizontal feet: <i>20 points</i>	
		200-1000 horizontal feet: <i>10 points</i>	
		>1000 horizontal feet: <i>0 points</i>	
Site Rank (1+2+3) = 10			
Total Site Ranking Score and Acceptable Concentrations			
Parameter	>19	10-19	0-9
Benzene ¹	10 ppm	10 ppm	10 ppm
BTEX ¹	50 ppm	50 ppm	50 ppm
TPH	100 ppm	1,000 ppm	5,000 ppm

¹100 ppm field VOC headspace measurement may be substituted for lab analysis

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, 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

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-141
Revised October 10, 2003

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

OPERATOR

☒ Initial Report ☐ Final Report

Name of Company: Chesapeake Energy	Contact: Bradley Blevins
Address: P.O. Box 190	Telephone No.: (505) 391-1462 ext. 6224
Facility Name: NMFU Federal #1	Facility Type: Battery

Surface Owner: G. P. Sims	Mineral Owner: Federal	API No.: 3002533836
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LOCATION OF RELEASE

Unit Letter P	Section 23	Township 20S	Range 38E	Feet from the 660	North/South Line South	Feet from the 660	East/West Line East	County Lea
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55'

Latitude: N 32° 33' 11.36" **Longitude:** W 103° 06' 46.21"

NATURE OF RELEASE

Type of Release: Crude oil	Volume of Release: 202 bbls	Volume Recovered: 120 bbls
Source of Release: Battery	Date and Hour of Occurrence: 20 May 2006 @ late p.m.	Date and Hour of Discovery: 21 May 2006 @ a.m.
Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? Larry Johnson, NMOCD	
By Whom? Bradley Blevins	Date and Hour: May 22, 2006 @15:00	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse: Not Applicable	

If a Watercourse was Impacted, Describe Fully.* Not Applicable

Depth to Groundwater: ~55 feet

Describe Cause of Problem and Remedial Action Taken.* Approximately 202 bbls was released due to the structural integrity of the tank battery failing. The tank was isolated and scheduled to be replaced.

Describe Area Affected and Cleanup Action Taken.* Approximately 2,300 square-feet of surface area was impacted by the release. The tank was isolated and scheduled to be replaced.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

OIL CONSERVATION DIVISION

Signature: <i>Bradley Blevins</i>	Approved by District Supervisor:	
Printed Name: Bradley Blevins	Approval Date:	Expiration Date:
Title: Field Supervisor	Conditions of Approval:	
E-mail Address: bblevins@chkenergy.com	Attached <input type="checkbox"/>	
Date: 5-25-06 Phone: (505) 391-1462 ext. 6224		

* **Attach Additional Sheets If Necessary**

Facility - FPAC0615628434
Incident - nPAC0615628507
Application - pPAC0615628674