

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

NMOCD ACOI 174-B

IN THE MATTER OF CHESAPEAKE OPERATING, INC.,

Respondent.

**SECOND AMENDED
AGREED COMPLIANCE ORDER**

Pursuant to Ordering Paragraph 3 of Agreed Compliance Order 174, the Director of the Oil Conservation Division ("OCD") hereby amends that order as follows:

FINDINGS

1. Agreed Compliance Order 174 ("ACOI 174") required Chesapeake Operating, Inc. ("Operator") to return to compliance with OCD Rule 201 at least 13 of the wells identified in the Order by March 15, 2008 and file a compliance report by that date.

2. ACOI 174 further provided that if Operator returned to compliance with OCD Rule 201 at least 13 of the wells identified in the Order by March 15, 2008 and filed a timely compliance report, the OCD would issue an amendment extending the terms of ACOI 174 for a second six-month period, requiring Operator to return an additional 15 wells to compliance by that deadline. If Operator failed to meet its compliance goal, the OCD may exercise discretion determining whether to issue an amendment, and the Operator may be subject to a penalty of \$1,000 for each well it fell short of its goal.

3. Operator filed a timely compliance report, and the OCD verified that the following 12 wells were returned to compliance:

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|---|--------------|
| • Appleseed Fed. Com Well No. 001 | 30-025-20377 |
| • BSWF Unit Well No. 009 | 30-015-20526 |
| • Kemnitz Lwr. WC E Unit Well No. 002 | 30-025-21318 |
| • Kemnitz Lwr. WC E Unit Well No. 003 | 30-025-20604 |
| • La Rica Fed. Well No. 001 | 30-025-25140 |
| • Lovington Plains 2 State Well No. 001 | 30-025-27888 |
| • Old Indian Draw Unit No. 015 | 30-015-21958 |
| • State BG Com Well No. 001 | 30-025-33395 |
| • SV Chipshot Well No. 002 | 30-025-33806 |
| • Tonto Federal Well No. 001 | 30-025-00922 |

- McKamey Federal Well No. 1Y 30-025-27740
- Tres Papalotes 4 Well No. 003 30-025-36685

4. The OCD exercised its discretion and amended the Order to extend its terms by six months, requiring Operator to bring 15 additional wells into compliance by September 15, 2008.

5. Operator has filed a timely compliance report for the second period, and OCD records indicate that Operator has returned the following 11 wells identified in the Order to compliance.

- Benson Shugart Waterflood Unit No. 008 30-015-23073
- Diamondback State No. 001 30-025-00029
- Federal USA L No. 009y 30-025-34347
- Hilburn No. 003 30-025-35596
- J A Akens No. 001 30-025-04455
- J A Akens No. 007 30-025-20110
- Kemnitz Lower Wolfcamp East Unit No. 004 30-025-20605
- Kemnitz Lower Wolfcamp East Unit No. 005 30-025-20222
- Old Indian Draw Unit No. 023 30-015-22103
- Ollie J Boyd No. 008 30-025-33546
- Wynell Federal No. 001 30-025-30508

CONCLUSIONS

1. Operator failed to meet its goal of returning 15 wells identified in the Order to compliance by September 15, 2008, falling short by 4 wells.

2. Operator has demonstrated good faith in its attempt to meet its compliance goal. Therefore, the OCD has decided to exercise its discretion and amend ACOI 174 to extend its terms through March 15, 2009, requiring Operator to return to compliance by that date 15 additional wells identified in the Order.

ORDER

1. Operator shall return to compliance by March 15, 2009 15 wells identified in the Order that are not identified in Findings Paragraphs 3 and 5, above.

2. Operator shall file a written compliance report by March 15, 2009 identifying the well(s) it returned to compliance in the third period, stating the date the well(s) were returned to compliance, and stating how the well(s) were returned to compliance (returned to production or other beneficial use; wellbore plugged; or placed on approved temporary abandonment status). The report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager (email: daniel.sanchez@state.nm.us)

and Assistant General Counsel (email: sonny.swazo@state.nm.us) so that it is received by compliance deadline March 15, 2009.

3. The terms of ACOI 174 otherwise remain in effect.

Done at Santa Fe, New Mexico this 3rd day of Oct., 2008

By: 

Mark Fesmire, P.E.

Director, Oil Conservation Division