

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

RECEIVED State of New Mexico
Energy Minerals and Natural Resources
AUG 11 2009 Oil Conservation Division
HOBBSOCD 220 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 OPERATING, INC. | Contact | BRADLEY BLEVINS |
| Address | P. O. BOX 190 HOBBS, NM 88241 | Telephone No. | 575-391-1462 |
| Facility Name | Osudo 22 State #1 | Facility Type | Oil Well |

| | | |
|---------------|---------------|-----------|
| Surface Owner | Mineral Owner | Lease No. |
|---------------|---------------|-----------|

LOCATION OF RELEASE API #30-025-38845

| Unit Letter | Section | Township | Range | Feet from the | North/South Line | Feet from the | East/West Line | County |
|-------------|---------|----------|-------|---------------|------------------|---------------|----------------|--------|
| K | 22 | 21S | 35E | 1980 | SOUTH | 1310 | WEST | LEA |

Latitude 32.46230 Longitude 103.36002

NATURE OF RELEASE

| | | | | | |
|---|---|------------------------------|--------------------|----------------------------|--------------------|
| Type of Release | Produced water | Volume of Release | 38 BBLS | Volume Recovered | 0 BBLS |
| Source of Release | Lightning strike, water tank destroyed | Date and Hour of Occurrence | 5/31/09 11:30 P.M. | Date and Hour of Discovery | 5/31/09 11:30 P.M. |
| Was Immediate Notice Given? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required | If YES, To Whom? | | | |
| By Whom? | Cliff Brunson of BBC Intl. | Geoff Leking | | | |
| Was a Watercourse Reached? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | Date and Hour 6/1/09 2:00 PM | | | |
| If YES, Volume Impacting the Watercourse. | | | | | |

If a Watercourse was Impacted, Describe Fully.*

WATER @ 65'

Describe Cause of Problem and Remedial Action Taken.*
Lightning struck produced water tank causing it to rupture and burn. Produced water was released primarily into lined containment area. Remediation efforts will begin immediately.

Describe Area Affected and Cleanup Action Taken.*
38 BBLS of fluid was lost. 0 bbls of fluid were recovered.. Immediate remedial operations were commenced by removing the tanks in the battery so soil removal could commence. Soil removal was commenced to the agreed upon depth and the soil was disposed of at a NMOCD-approved disposal facility. Confirmation samples were submitted and closure was approved by the NMOCD. See attached.

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.

| | | |
|---|--|---|
| Signature: <i>Bradley Blevins</i> | OIL CONSERVATION DIVISION | |
| Printed Name: Bradley Blevins | Approved by ENV ENGINEER: <i>Geoffrey Leking</i> | District Supervisor: <i>Geoffrey Leking</i> |
| Title: EHS Specialist | Approval Date: 09/18/09 | Expiration Date: — |
| E-mail Address: Bradley.blevins@chk.com | Conditions of Approval: | Attached <input type="checkbox"/> |
| Date: 8/11/09 Phone: 575-391-1462 | | IRP.9.6.2206 |

* Attach Additional Sheets If Necessary



CARDINAL LABORATORIES

101 East Marland, Hobbs, NM 88240
(505) 393-2326 FAX (505) 393-2476

CHAIN-OF-CUSTODY AND ANALYSIS REQUEST

BBC INTERNATIONAL

5053970397

RECEIVED 06/10/2009 08:31

| | | | |
|---------------------------------------|---------------------------|-------------|--|
| Company Name: BBC International, Inc. | | P.O. #: | |
| Project Manager: Cliff Brunson | | Company: | |
| Address: P.O. Box 805 | | Attn: SAME | |
| City: Hobbs | State: NM Zip: 88241 | Address: | |
| Phone #: 575-397-6388 | Fax #: 575-397-0397 | City: | |
| Project #: | Project Owner: Chesapeake | State: Zip: | |
| Project Name: | | Phone #: | |
| Project Location: Osuda 22 state 1 | | Fax #: | |
| Sampler Name: Joel Clouse | | | |

| Lab I.D. | Sample I.D. | GRAB OR (C)OMP. | # CONTAINERS | MATRIX | | | | | | PRESERV. | | | SAMPLING | | DATE | TIME | |
|----------|----------------|-----------------|--------------|-------------|------------|------|-----|--------|-------|-----------|------------|-------|----------|--------|------|------|--|
| | | | | GROUNDWATER | WASTEWATER | SOIL | OIL | SLUDGE | OTHER | ACID/BASE | ICE / COOL | OTHER | | | | | |
| H1795-1 | SP1 @ 1 ft | G | 1 | | | X | | | | | X | | | 6/8/09 | 1:03 | X | |
| -2 | SP2 @ 1 ft | G | 1 | | | X | | | | | X | | | 6/8/09 | 1:07 | X | |
| -3 | SP3 @ 1 ft | G | 1 | | | X | | | | | X | | | 6/8/09 | 1:13 | X | |
| -4 | SP4 @ surface | G | 1 | | | X | | | | | X | | | 6/8/09 | 1:35 | X | |
| -5 | SP4 @ 6 in | G | 1 | | | X | | | | | X | | | 6/8/09 | 2:22 | X | |
| -6 | SP4 @ 1 ft | G | 1 | | | X | | | | | X | | | 6/8/09 | 2:35 | X | |
| -7 | SP4 @ 1 1/2 ft | G | 1 | | | X | | | | | X | | | 6/8/09 | 2:40 | X | |
| -8 | SP5 @ surface | G | 1 | | | X | | | | | X | | | 6/8/09 | 2:07 | X | |

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising whether based in contract or tort, shall be limited to the amount paid by the client for the analyses. All claims including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within 30 days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including without limitation, business interruptions, loss of data, or loss of profit incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services rendered by Cardinal, regardless of whether such claim is based upon any of the above stated negligence or otherwise.

| | | | | | |
|-------------------------------------|---|-------------------------------|---------------------------------|--|----------------|
| Relinquished By: <u>Joel Clouse</u> | Date: <u>6-10-09</u> | Time: <u>8:00</u> | Received By: <u>[Signature]</u> | Phone Result: <input type="checkbox"/> Yes <input type="checkbox"/> No | Add'l Phone #: |
| Relinquished By: <u>[Signature]</u> | Date: <u>6-10-09</u> | Time: <u>8:35</u> | Received By: <u>[Signature]</u> | Fax Result: <input type="checkbox"/> Yes <input type="checkbox"/> No | Add'l Fax #: |
| Delivered By: (Circle One) | Sampler - UPS - Bus - Other: <u>4°C</u> | Sample Condition: Cool Intact | Checked By: <u>[Signature]</u> | REMARKS: | |

† Cardinal cannot accept verbal changes. Please fax written changes to 505-393-2476