

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

NMOCD ACOI 174-C

IN THE MATTER OF CHESAPEAKE OPERATING, INC.,

Respondent.

**THIRD AMENDED
AGREED COMPLIANCE ORDER**

Pursuant to Ordering Paragraph 5 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" or "Order") 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 provides that if Operator meets its compliance goal for a six-month period, the OCD would issue an amendment to the Order extending it for an additional six-month period.

3. ACOI 174 provides that if Operator fails to meet its compliance goal for a six-month period, Operator is subject to a penalty of \$1,000 for each well it fell short of its goal by and the OCD may exercise discretion determining whether to issue an amendment extending the Order for an additional six-month period.

4. Operator filed a timely compliance report for the first period, and the OCD verified that the following 12 wells were returned to compliance by March 15, 2008:

• 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

5. Because Operator demonstrated good-faith, OCD waived the \$1,000 penalty, and 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.

6. Operator filed a timely compliance report for the second period, and the OCD verified that the following 11 wells identified in the Order were returned to compliance by September 15, 2008:

- 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

7. Because Operator demonstrated good-faith, OCD waived the \$4,000 penalty, and 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 March 15, 2009.

8. Operator filed a timely compliance report for the third period, and the OCD has verified that OCD records indicate that Operator has returned the following 9 wells identified in the ACOI 174 to compliance by March 15, 2009:

- E W Walden No. 008 30-025-22983
- Federal AA No 002 30-015-32575
- Mesa State No. 001 30-025-28506
- O G State No. 001 30-025-30566
- Old Indian Draw Unit No. 035 30-015-22182
- Rutter Federal No. 001 30-005-60635
- Shipp A No. 001 30-025-20224
- State IC No. 001 30-015-23202
- Warehouse 10 No. 002 30-025-35131

CONCLUSIONS

1. Operator failed to meet its goal of returning 15 wells identified in the Order to compliance by March 15, 2009, falling short by 6 wells.

2. Operator has paid a \$6,000 penalty for its failure to meet its 15 wells compliance goal by 6 wells. OCD has decided to exercise its discretion and amend ACOI 174 to extend its terms through September 15, 2009, requiring Operator to return to compliance by that date 15 additional wells identified in ACOI 174.

ORDER

1. Operator shall return to compliance by September 15, 2009 15 wells identified in the Order that are not identified in Findings Paragraphs 4, 6 and 8, above.

2. Operator shall file a written compliance report by September 15, 2009 identifying the well(s) it returned to compliance in the fourth 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 September 15, 2009.

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

Done at Santa Fe, New Mexico this 14th day of April, 2009

By: 

Mark Fesmire, P.E.

Director, Oil Conservation Division