

**Chesapeake Operating, Inc.'s Closed Loop System
Malaga C # 1
Unit D Sec. 6 ,T-23-S R-28-E
Eddy Co., NM
API #: 30-015-23696**

Equipment & Design:

Chesapeake Operating, Inc. is to use a closed loop system in the plug and abandonment of this well.

(1) 250 bbl frac tank

Operations & Maintenance:

During each and every tour, the rig's drilling crew will inspect and monitor closely the drilling fluids contained within the steel tank and visually monitor any spill which may occur.

Within 48 hours should a spill, release or leak occur, the NMOCD District II office in Artesia (575-748-1283) will be notified. Please note that notifications may be made earlier to the district office should a greater release occur.

This is in keeping with the reporting requirements of NMOCD's rule 116.

Closure:

After plug and abandonment operations, fluids will be hauled and disposed to the Controlled Recovery, Inc.'s (CRI) location.

The disposal permit number for CRI is: R-9166.

Should this facility not be available, Sundance Disposal is the alternative site.

The permit # for this facility is: NM-01-0003.