

mailed 1/13/11



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez

Governor

Harrison H. Schmitt

Cabinet Secretary-Designate

Daniel Sanchez

Acting Division Director

Oil Conservation Division



Response Required – Deadline Enclosed

Underground Injection Control Program

"Protecting Our Underground Sources of Drinking Water"

12-Jan-11

CHESAPEAKE OPERATING, INC.

PO Box 190

HOBBS NM 88241

LOV NO. 02-09-190

**LETTER OF VIOLATION and SHUT-IN DIRECTIVE
Failed Mechanical Integrity Test**

Dear Operator:

The following test(s) were performed on the listed dates on the following well(s) shown below in the test detail section.

The test(s) indicates that the well or wells failed to meet mechanical integrity standards of the New Mexico Oil Conservation Division. To comply with guidelines established by the U.S. Environmental Protection Agency, the well(s) must be shut-in immediately until it is successfully repaired. The test detail section which follows indicates preliminary findings and/or probable causes of the failure. This determination is based on a test of your well or facility by an inspector employed by the Oil Conservation Division. Additional testing during the repair operation may be necessary to properly identify the nature of the well failure.

Please notify the proper district office of the Division at least 48 hours prior to the date and time that the well(s) will be retested so the test may be witnessed by a field representative.

MECHANICAL INTEGRITY TEST DETAIL SECTION

LITTLEFIELD FEDERAL SWD No.001

Active Salt Water Disposal Well

30-015-10259-00-00

B-11-24S-31E

Test Date: 11/1/2010

Permitted Injection PSI:

Actual PSI: 650

Test Reason: Annual IMIT

Test Result: F

Repair Due: 2/4/2011

Test Type: Bradenhead Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: 11/3 - Operator reported there is a hole in the tubing.

Oil Conservation Division

1301 W. Grand Avenue • Artesia, New Mexico 88210

Phone (575)748-1283 • Fax (575) 748-9720 • www.emnrd.state.nm.us/OCD

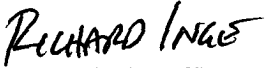


January 12, 2011

Page 2

In the event that a satisfactory response is not received to this letter of direction by the "Repair Due:" date shown above, or if the well(s) are not immediately shut-in, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Inge". The signature is written in a cursive, slightly slanted style.

Artesia OCD District Office