



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Jami Bailey
Division Director
Oil Conservation Division

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Acting Cabinet Secretary



Response Required – Deadline Enclosed

Underground Injection Control Program

"Protecting Our Underground Sources of Drinking Water"

05-Oct-11

CHESAPEAKE OPERATING, INC.
PO Box 190
HOBBS NM 88241

Mailed: 10-6-11
29

LOVNO. 02-09-215

30-015-26764

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

OLD INDIAN DRAW UNIT No.002

Active Injection - (All Types)

30-015-21391-00-00
O-18-22S-28E

Test Date: 10/5/2011
Test Reason: 5-year Test
Test Type: Std. Annulus Pres. Test
Comments on MIT: Well will not hold pressure.

Permitted Injection PSI:
Test Result: F
FAIL TYPE: Other Internal Failure

Actual PSI: 820
Repair Due: 1/8/2012
FAIL CAUSE:

AST LOVING SWD No.001

Active Salt Water Disposal Well

30-015-26764-00-00
A-15-23S-28E

Test Date: 10/5/2011
Test Reason: Annual IMIT
Test Type: Bradenhead Test
Comments on MIT: Casing had pressure. Once it blew down, fluid came out at a steady flow and did not stop. Shut valve for 1 minute and pressure built back up.

Permitted Injection PSI:
Test Result: F
FAIL TYPE: Other Internal Failure

Actual PSI: 1300
Repair Due: 1/8/2012
FAIL CAUSE:

Oil Conservation Division

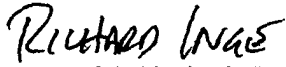
811 S. First Street • Artesia, New Mexico 88210

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



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