

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD Artesia

FORM APPROVED
OMB NO 1004-0135
Expires July 31, 2010**SUNDRY NOTICES AND REPORTS ON WELLS**
*Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.*5. Lease Serial No.
NMNM29234

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No

SUBMIT IN TRIPLICATE - Other instructions on reverse side.8. Well Name and No.
LOTOS FEDERAL 49. API Well No.
30-015-275931. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other2. Name of Operator
CHESAPEAKE OPERATING, INC. Contact: LINDA GOOD
E-Mail: linda.good@chk.com3a. Address
P.O. BOX 18496
OKLAHOMA CITY, OK 73154-04963b. Phone No (include area code)
Ph: 405-935-427510. Field and Pool, or Exploratory
SAND DUNES4. Location of Well (Footage, Sec., T, R, M, or Survey Description)
Sec 9 T24S R31E Mer NMP NWSE 2310FSL 2310FEL11. County or Parish, and State
EDDY COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|---|---|---|--|---|
| <input type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input checked="" type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | Surface Commingling |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

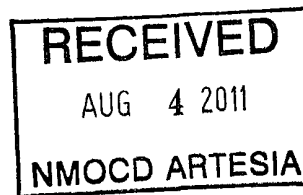
13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

THE FOLLOWING WELLS ARE COMMINGLED AT THE LOTOS FEDERAL 4 CENTRAL TANK BATTERY ON FEDERAL LEASE #NMNM29234.

LEASE #NMNM29234:

LOTOS FEDERAL 4 30-015-27593 NWSE 9-24S-31E
LOTOS 10 FEDERAL 3 30-015-29798 NENE 10-24S-31E
LOTOS C FEDERAL 905 30-015-32558 SESE 9-24S-31E
LOTOS C FEDERAL 912 30-015-35356 SWSE 9-24S-31E

LEASE #NMNM63757:

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

Accepted for record - NMOC D

DJD 8-16-11

14. I hereby certify that the foregoing is true and correct.

Electronic Submission #112604 verified by the BLM Well Information System
For CHESAPEAKE OPERATING, INC., sent to the Carlsbad

Name (Printed/Typed) LINDA GOOD

Title SR. REGULATORY COMPLIANCE SPEC

Signature (Electronic Submission)

Date 07/11/2011

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

| | | |
|---|-------------|-------------|
| Approved By | Title LPE 1 | Date 8/2/11 |
| Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. | | Office FO |

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

**** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ****

Additional data for EC transaction #112604 that would not fit on the form

32. Additional remarks, continued

LOTOS C FEDERAL 907 30-015-34945 NWNE 9-24S-31E
LOTOS C FEDERAL 911 30-015-35357 SWNE 9-24S-31E
LOTOS C FEDERAL 901 30-015-28700 NENE 9-24S-31E
LOTOS C FEDERAL 903 30-015-30043 SENE 9-24S-31E

LEASE NMNM56741:

LOTOS A FEDERAL 1 30-015-26174 NENW 15-24S-31E

CHESAPEAKE IS REQUESTING PERMISSION TO TURN THESE WELLS BACK ON.

ATTACHMENT:

ALLOCATION DOCUMENT

DIAGRAMS FOR: LOTOS FEDERAL 4 CENTRAL TANK BATTERY

MAP SHOWING LEASE NUMBERS & LOCATIONS OF ALL LEASES

(CHK PN 890478)

Bureau of Land Management

Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220
575-234-5972

Guidelines for Off-Lease Measurement, Storage, and Surface Commingling Approvals

CHESAPEAKE OPERATING, INC.

LOTOS FEDERAL 4

The following information must be included with any application to combine, store, or measure production off-lease:

1. **3160-5 Sundry Notice Submitted**
2. A map showing the lease numbers and location of all leases and wells that will contribute production to the proposed commingling, off-lease measurement, and/or storage facility. All lease numbers, unitized or communitized areas, producing zones or pools must be clearly illustrated or detailed by suitable means. Any wells or leases proposed to be added to an approved commingling and off-lease storage and/or measurement facility must be approved by the Authorized Officer prior to their being included in the facility. **Exhibit A & B**
3. A schematic diagram which clearly identifies and places all equipment that will be utilized. **(Exhibit C)**
4. Estimated monthly production from each contributing well, including type of product, gravity, and/or BTU content. **(Exhibit D)**
5. Details of the proposed method for measuring and allocating production for each lease involved. Include calculated "beneficial use" volumes both on and off-lease.
6. A statement that all interest owners have been notified of the proposal. **All interest owners have been notified of this proposal.**
7. Evidence that Federal or Indian royalties will not be reduced through approval of the application. **Federal royalties will not be reduced by this commingling, but rather increased. This is due to the economic savings caused by this commingling, which will extend the productive life of each of the wells.**
8. Detailed economic justification, **the wells in this commingling application are nearing their economic limit. Several of the tanks associated with these wells are corroded and need to be replaced. Combining the wells into one central tank battery will reduce the cost to produce these wells and will extend the life of each well. This extended life will result in more production, and therefore more revenue for both Chesapeake Energy and the Federal Government**

CHESAPEAKE OPERATING, INC., is requesting approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following formation(s) and well(s):

Federal Leases

Lease# NMNM29234

| Well Name | API No. | Loc | Formation | BOPD | Oil Gravity | MCFD | BTU |
|---------------------|--------------|-----------------|-----------|------|-------------|------|---------|
| Lotos Federal 4 | 30-015-27593 | NWSE 9-24S-31E | Delaware | 1 | 39.9 | 5 | 1266.65 |
| Lotos C Federal 905 | 30-015-32558 | SESE 9-24S-31E | Delaware | 9 | 41 | 32 | 1266.66 |
| Lotos C Federal 912 | 30-015-35356 | SWSE 9-24S-31E | Delaware | 10 | 40.5 | 57 | 1266.64 |
| Lotos 10 Federal 3 | 30-015-29798 | NENE 10-24S-31E | Delaware | 12 | 40 | 21 | 1266.67 |

Lease# NMNM56741

| Well Name | API No. | Loc | Formation | BOPD | Oil Gravity | MCFD | BTU |
|-------------------|--------------|-----------------|-----------|------|-------------|------|---------|
| Lotos Federal A 1 | 30-015-26174 | NENW 15-24S-31E | Delaware | 4 | 39.2 | 12 | 1266.65 |

Lease# NMNM63757

| Well Name | API No. | Loc | Formation | BOPD | Oil Gravity | MCFD | BTU |
|---------------------|--------------|----------------|---------------|------|-------------|------|---------|
| Lotos C Federal 901 | 30-015-28700 | NENE 9-24S-31E | Delaware | 3 | 40 | 19 | 1266.63 |
| Lotos C Federal 903 | 30-015-30043 | SENE 9-24S-31E | Brushy Canyon | 4 | 40.3 | 12 | 1266.66 |
| Lotos C Federal 907 | 30-015-34945 | NWNE 9-24S-31E | Delaware | 22 | 40.5 | 38 | 1266.67 |
| Lotos C Federal 911 | 30-015-35357 | SWNE 9-24S-31E | Brushy Canyon | 7 | 40.1 | 32 | 1266.65 |

The storage and measuring facility is located at NWSE ¼, Sec. 9, T 24 S, R 31 E, on Lease No. NMNM29234, Lea/Eddy (circle one), New Mexico. BLM will be notified if there is any future change in the facility location.

#5: Details of the proposed method for allocating production to contributing sources are as follows:

Federal Wells: The Lotus Federal 4 1H battery has a separate heater treater, electronic flow meters and oil tank allowing each producing well to be tested monthly. We send production from one well to the separate heater treater monthly for a 24 hour period allowing for us to gather data on production of fluids and gas. The water and gas are accounted for with electronic flow meters. The water amount is checked using an EED water test meter (#76239) located at the test heater treater and then sent down a flowline towards the Littlefield SWD. The gas amount is checked using an EED gas test meter (#0181571) located at the test heater treater, it is then tied into the gas flow line and proceeds through the check meter.

The oil is sent to the test tank #1448 and hand gauged for accuracy. Based on this test, a percentage is computed and monthly production is allocated between the 9 Federal Wells and appropriately allocated to the 3 Federal Leases.

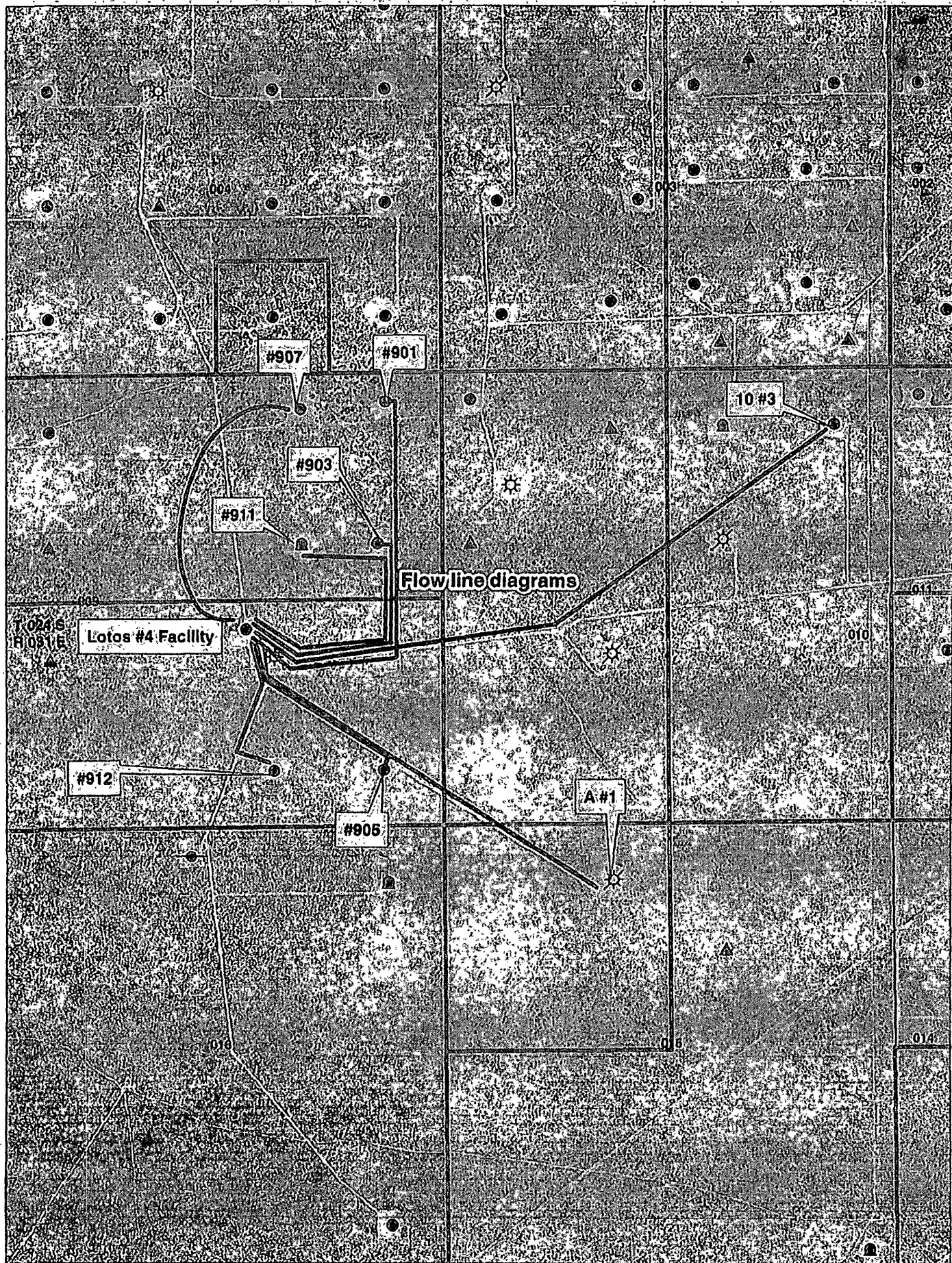
All oil is Sold Through ALACT AT THE LOTOS Fed 4 FAC. LACT# 43304

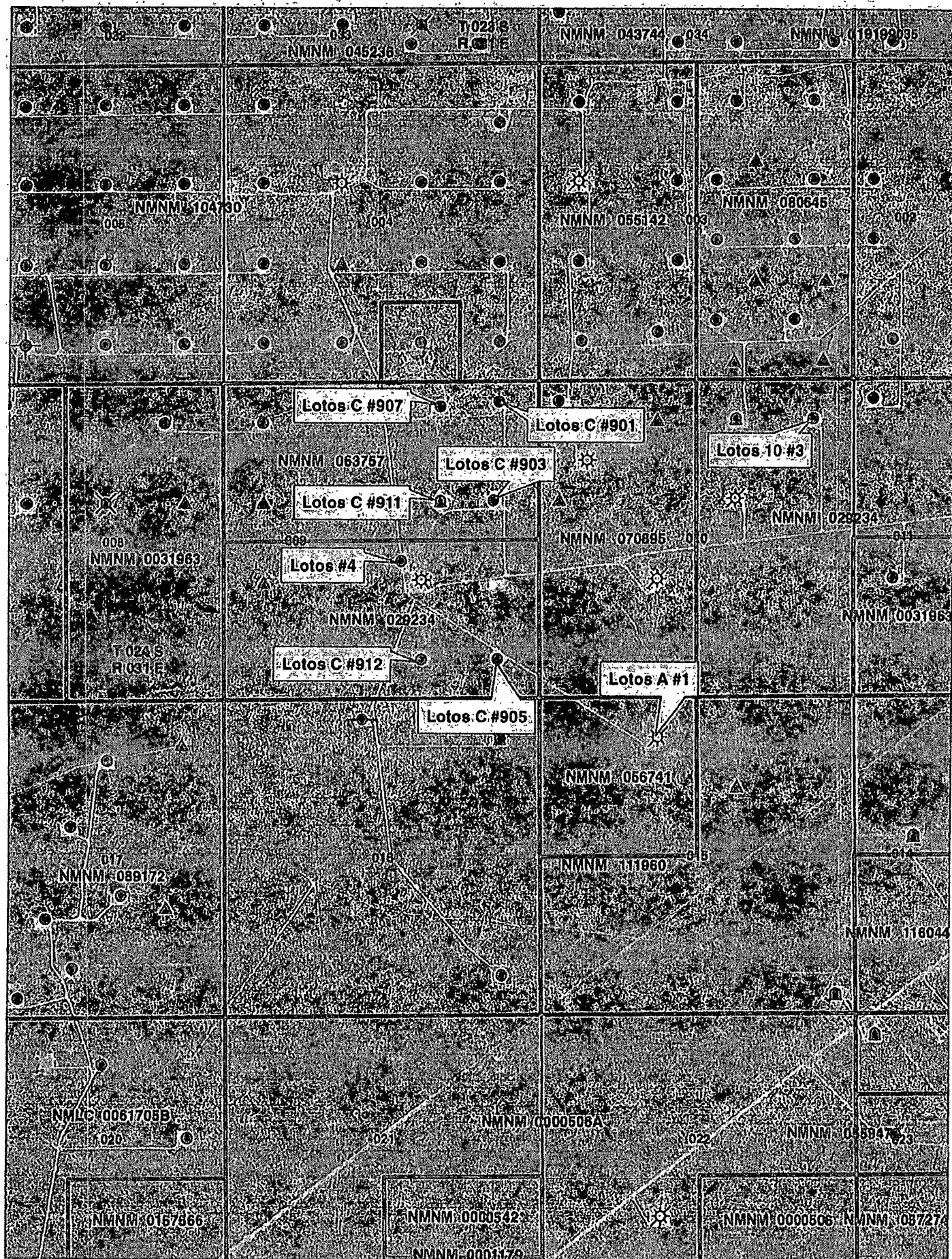
Compressor Fuel Gas: Compressor on sight is using 10 MCFD. Gas that is fueling the compressor is coming from the production off of the 9 federal wells. Fuel Gas is being allocated amongst the 9 Federal Wells and appropriately amongst all Leases using a percentage based off of monthly well tests.

The Cactus State 1 and 2 meter enters DCP's line downstream. Sales meter #13155048

Right – Of – Ways

| <u>Serial Number</u> | <u>Well Name</u> |
|-----------------------------|--------------------------------|
| NMNM 88004 | Cactus 16 State 1 |
| NMNM 95354 | Lotos C Federal 901 |
| NMNM 124298 | Lotos C Federal 907 |
| NMNM 124815 | Lotos 10 Federal 3 |
| NMNM 124816 | Cactus 16 Battery |
| NMNM 124813 | Lotos C Federal 903, 905 & 911 |
| NMNM 82256 | Lotos A Federal 1 |





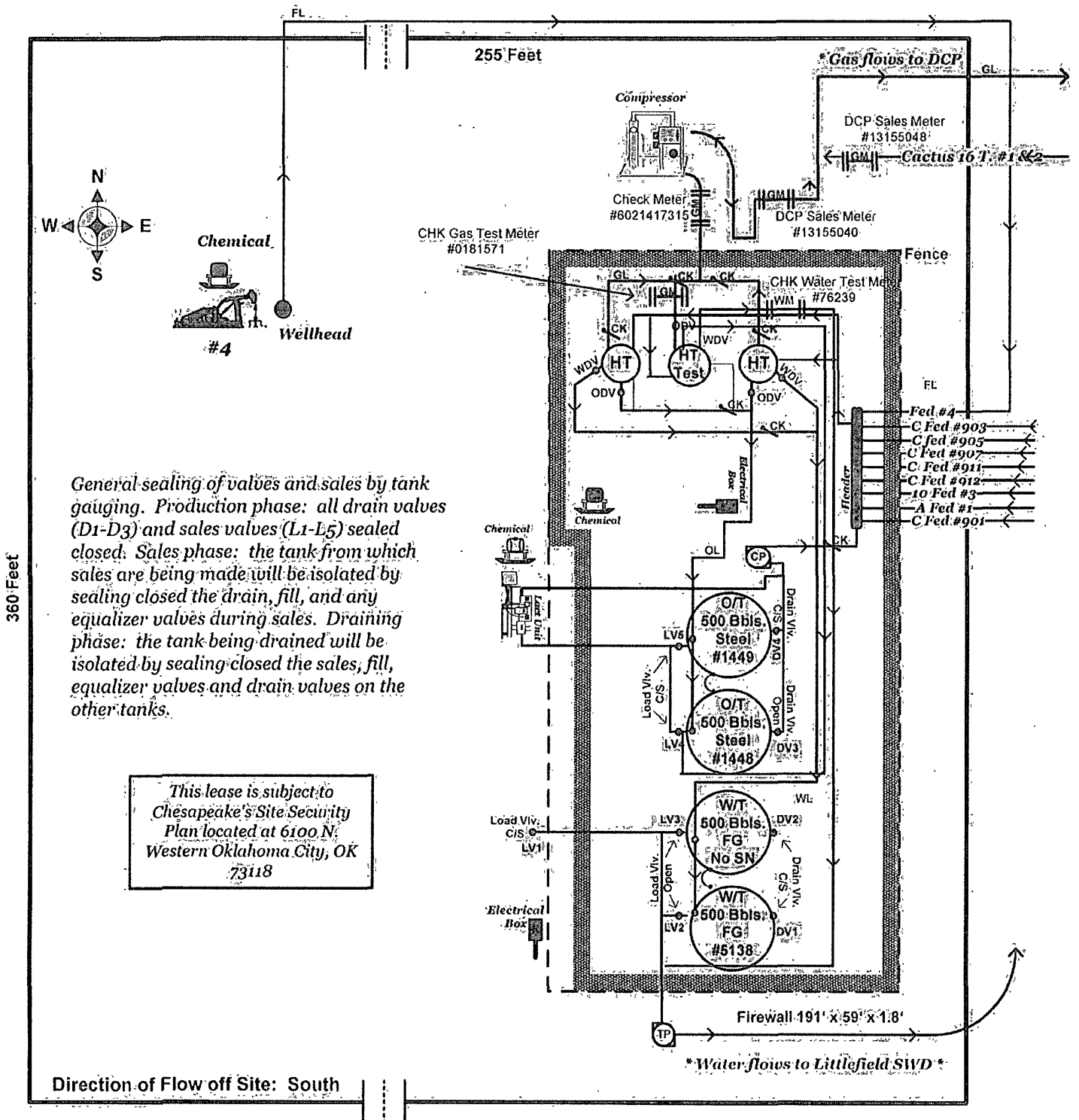
CHESAPEAKE OPERATING, INC.

Site Name: Lotos Federal #4

Inspected By: Eric Cindric

Property Number: 890478

Date: 6-21-2011



Prepared by: Eric Cindric
Date: 6-21-2011

Approved by:
Date:

EXHIBIT C