District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico RECEIVED
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

NFO Permit No.

State of New Mexico Revised October 15, 2009

Fevised October 15, 2009

Revised October 15, 2009

Fevised October 15, 2009

Oil Conservation Division

Form C-129

(For Division Use Only)

APPLICATION FOR EXCEPTION TO NO-FLARE RULE 19.15.18.12

(See Rule 19.15.18.12 NMAC and Rule 19.15.7.37 NMAC)

A.	Applicant Chesapeake Operating, Inc. , whose address is P.O. Box 18496 Oklahoma City, OK 73154-0496 ,		
	hereby requests an exception to Rule 19.15.18.12 for 180		until
	, Yr,	for the following described tank battery (or LACT):	
	Name of Lease Malaga C # 3	Name of Pool Culebra Bluff; Bone Spring, South	
	Location of Battery: Unit Letter N	Section 36 Township 23 South Range 28 East	
	Number of wells producing into battery 1		
B.	Based upon oil production of 3 BO	barrels per day, the estimated * volume	
	of gas to be flared is180	MCF; Value \$820 per day.	
C.	C. Name and location of nearest gas gathering facility:		
Southern Union			
D.	Distance 2.5 miles Estimated cost of connection >\$100,000		
E.	This exception is requested for the following reasons:		
This well produces C02 and the only gas pipeline company that will no		company that will now accept this amount of of C02 is	
	more than 2 1/2 miles from the wellhead. There are no occupied dwellings nearby. There nearest public		
	road is >1 mile.		
	API# 30-015-27449 Amended		
Division have been	nat the rules and regulations of the Oil Conservation complied with and that the information given above ete to the best of my knowledge and belief.	OIL CONSERVATION DIVISION Approved Until $1/22/2011$	
Signature	My Ams	By Signed By Mily Brance	
Printed Name & Title Bryan	Arrant; Senior Regulatory Compl. Sp.	Title <u>Environmental Specialist</u>	MAN TO SERVICE OF THE
E-mail Addres	ss_bryan.arrant@chk.com	Date	
Date 07/19/2	Telephone No. (405)935-3782	@See attached COA	

^{*} Gas-Oil ratio test may be required to verify estimated gas volume.

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor

Jim Noel Cabinet Secretary

Karen W. Garcia Deputy Cabinet Secretary Mark Fesmire
Division Director
Oil Conservation Division

July 22, 2010



Chesapeake Operating, Inc. P.O. Box 18496 Oklahoma City, OK 73154-0496 ATTN: Mr. Bryan Arrant

Reference: Malaga C 003 * 30-015-27449 * N-36-23s-28e * Eddy County, New Mexico

Conditions of Approval for Application for Exception to No-Flare Rule (19.15.18.12 NMAC)

Mr. Arrant,

Your application for exception to the no-flare rule as listed above, and for the above listed well site will be approved with the following conditions/stipulations:

- Approval will be for a period of six months only at this time. If at the end of this approval
 period Chesapeake wants to continue flaring operations, another exception request must
 be filed.
- This approval is contingent upon OCD inspection and approval of flaring equipment to be installed at the well site. An inspection of site on July 17, 2010 showed no flaring equipment on site.
- Notify this office upon completion of the installation of this equipment.

If you have any questions or concerns, please contact me.

Sincerely,

Mike Bratcher
NMOCD District 2
1301 W. Grand Ave.
Artesia, NM 88210
575-748-1283 Ext.108
mike.bratcher@state.nm.us

