

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

AUG - 5 2010

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.

NAOCD ARTESIA

5 Lease Serial No.
NMNM17224

6 If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

7 If Unit or CA/Agreement, Name and/or No.
NMNM122721

1 Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

8 Well Name and No.
QUEEN LAKE 20 FEDERAL 2H

2 Name of Operator
CHESAPEAKE OPERATING, INC. Contact LINDA GOOD
E-Mail linda.good@chk.com

9 API Well No.
30-015-36444-00-S1

3a Address
OKLAHOMA CITY, OK 73154-0496

3b Phone No. (include area code)
Ph: 405-935-4275

10 Field and Pool, or Exploratory
PIERCE CROSSING

4 Location of Well (Footage Sec., T., R., M., or Survey Description)
Sec 20 T24S R29E SWSE 350FSL 1650FEL

11. 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 type="checkbox"/> Other |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input checked="" 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 recomplete 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 recompletion 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.)

ATTENTION DEBORAH HAM:

Per request on Written Order #10DH005WPA please find the attached Site Facility Diagram, Water Production & Disposal Information and Water Disposal Permit. *R-9509 E. Loving SWD#1*

(CHK PN 618435)

Accepted for Record Purposes.

Approval Subject to Onsite Inspections.

Date: 8/1/10

14. Thereby certify that the foregoing is true and correct

Electronic Submission #89592 verified by the BLM Well Information System

For CHESAPEAKE OPERATING, INC., sent to the Carlsbad

Committed to AFMSS for processing by KURT SIMMONS on 07/15/2010 (10KMS1792SE)

Name (Printed/Typed) LINDA GOOD

Title SR. REGULATORY COMPLIANCE SPEC

Signature (Electronic Submission)

Date 07/15/2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By

ACCEPTED

DUNCAN WHITLOCK
Title LEAD PETROLEUM ENGINEERING TECH

Date 08/01/2010

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 Carlsbad

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.

**** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ****

DS

CSK

**BUREAU OF LAND MANAGEMENT
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220
575-234-5972**

**Disposal of Produced Water From Federal Wells
Conditions of Approval**

Approval of the produced water disposal methodology is subject to the following conditions of approval:

1. This agency shall be notified of any change in your method or location of disposal.
2. Compliance with all provisions of Onshore Order No. 7.
3. This agency shall be notified of any spill or discharge as required by NTL-3A.
4. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
5. All above ground structures on the lease shall be painted Shale Green (5Y 4/2), or as per approved APD stipulations. This is to be done within 90 days, if you have not already done so.
6. Any on-lease open top storage tanks shall be covered with a protective cover to prevent entry by birds and other wildlife.
7. This approval should not constitute the granting of any right-of-way or construction rights not granted by the lease instrument.
8. If water is transported via a pipeline that extends beyond the lease boundary, then you need to submit within 30 days an application for right-of-way approval to the Realty Section in this office if you have not already done so.
9. Subject to like approval by NMOCD.

3/25/2010

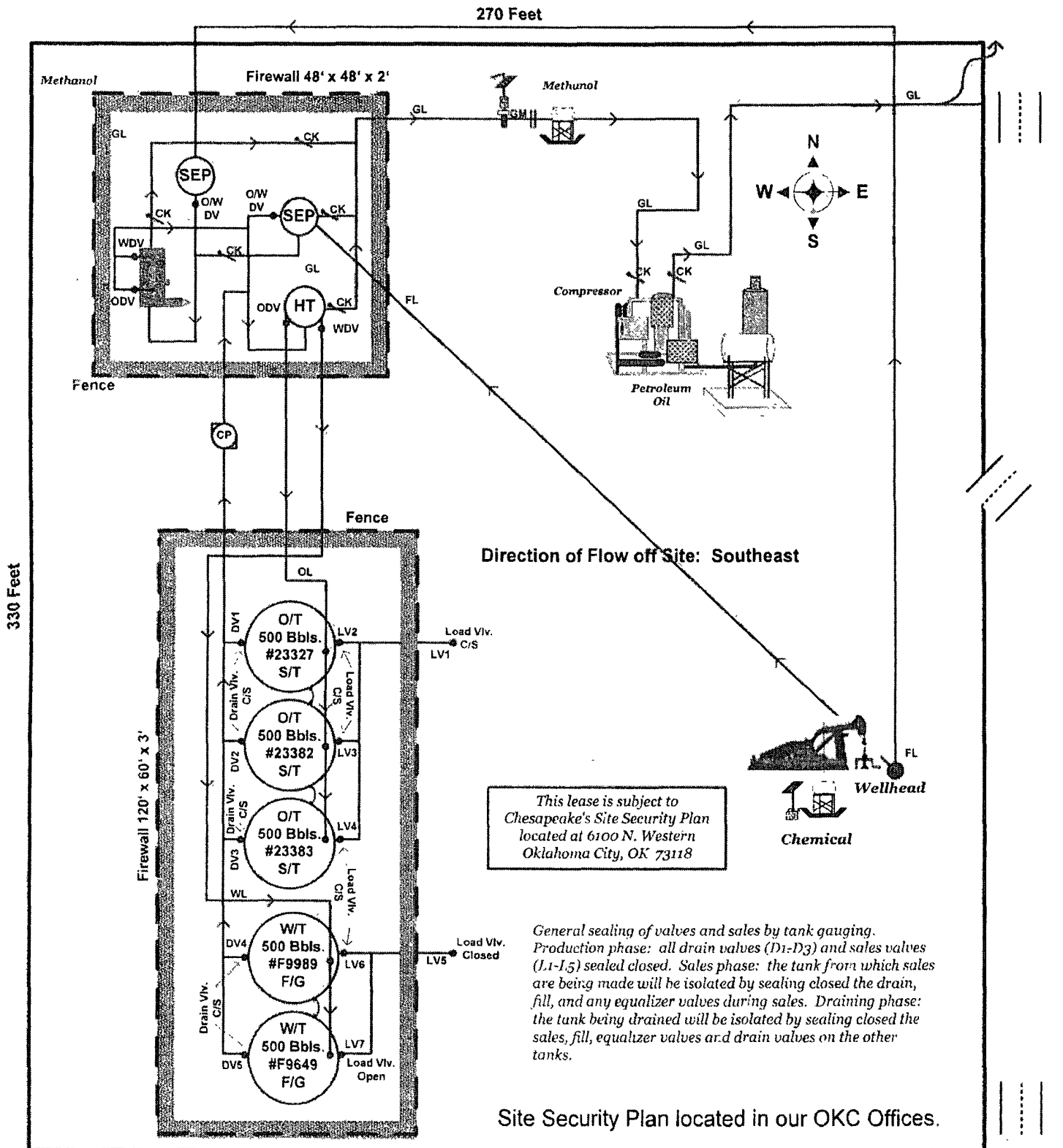
CHESAPEAKE OPERATING, INC.

Site name: Queen Lake 20 Federal #2H

Inspected By: Steve Jordan

Property Number: 618435

Location: SWSE - 20-24S-29E



Prepared by: Jackie Reynolds
Date: 3-1-2010

Approved by:
Date:

Site Security Plan located in our OKC Offices.

Queen Lake 20 Feb 24

WATER PRODUCTION & DISPOSAL INFORMATION

In order to process your disposal request, the following information must be completed:

1. Name of formations producing water on the lease. Bone Spring
2. Amount of water produced from all formations in barrels per day. 50 BBLs
3. Attach a current water analysis of produced water from all zones showing at least the total dissolved solids, ph, and the concentrations of chlorides and sulfates. (One sample will suffice if water is commingled.)
4. How water is stored on lease. 500 BBL wt. Tank
5. How water is moved to the disposal facility. Truck Hauled
6. Identify the Disposal Facility by:
 - A. Facility Operators name. Chesapeake
 - B. Name of facility or well name and number. E 957 Loving SWD #1
 - C. Type of facility or well (WDW) (WTW) etc. SWD
 - D. Location by ^{1157 FPL} $\frac{1}{4}$ $\frac{1}{4}$ NENE Section 15 Township 28E Range 23S
UNITA 23S 28E
7. Attach a copy of the State issued permit for the Disposal Facility.

R-9509

Submit to this office, 620 EAST GREENE ST, CARLSBAD NM, 88220, the above required information on a Sundry Notice 3160-5. Submit 1 original and 3 copies, within abatement period. (This form may be used as an attachment to the Sundry Notice.)

attach to fed. sundry

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10307
Order No. R-9509

APPLICATION OF BIRD CREEK RESOURCES,
INC. FOR SALT WATER DISPOSAL, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 16, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 22nd day of May, 1991, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Bird Creek Resources, Inc., seeks authority to dispose of produced salt water into the East Loving-Delaware Pool in the perforated interval from approximately 4,000 feet to 4,450 feet in its proposed East Loving SWD Well No. 1 to be drilled 1157 feet from the North line and 491 feet from the East line (Unit A) of Section 15, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico.

(3) According to evidence presented by the applicant, injection into the Cherry Canyon member of the Delaware formation should have no detrimental effect on wells producing from the Brushy Canyon member of the Delaware formation within the subject pool.

(4) Although the Division received two objections to the application from various landowners prior to the hearing, none appeared at the hearing and presented evidence and testimony.

(5) No offset operator appeared and/or objected to the application.

(6) Injection should be accomplished through 2 7/8-inch fiberglass tubing installed in a packer located at approximately 3,950 feet; the casing-tubing annulus should be filled with an inert fluid; and a pressure gauge or approved leak detection device should be attached to the annulus in order to determine leakage in the casing, tubing or packer.

(7) Prior to commencing injection operations, the casing in the subject well should be pressure-tested throughout the interval from the surface down to the proposed packer setting depth, to assure the integrity of such casing.

(8) The injection well or system should be equipped with a pressure limiting switch or other acceptable device which will limit the surface pressure on the injection well to no more than 800 psi.

(9) The Director of the Division should be authorized to administratively approve an increase in the injection pressure upon a proper showing by the operator that such higher pressure will not result in migration of the injected fluid from the Cherry Canyon member of the Delaware formation.

(10) The operator should notify the supervisor of the Artesia district office of the Division of the date and time of the installation of disposal equipment and of the mechanical integrity pressure test in order that the same may be witnessed.

(11) The operator should take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

(12) Approval of the subject application will prevent the drilling of unnecessary wells and otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Bird Creek Resources, Inc., is hereby authorized to drill and utilize its East Loving SWD Well No. 1 located 1157 feet from the North line and 491 feet from the East line (Unit A) of Section 15, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico, to dispose of produced salt water into the East Loving-Delaware Pool, injection to be accomplished through 2 7/8-inch fiberglass tubing installed in a packer set at approximately 3,950 feet, with injection into the perforated interval from approximately 4,000 feet to 4,450 feet.

PROVIDED HOWEVER THAT, the casing-tubing annulus shall be filled with an inert fluid and a pressure gauge or approved leak detection device shall be attached to the annulus in order to determine leakage in the casing, tubing or packer.

PROVIDED FURTHER THAT, prior to commencing injection operations, the casing in the subject well shall be pressure-tested throughout the interval from the surface down to the proposed packer setting depth, to assure the integrity of such casing.

(2) The injection well or system shall be equipped with a pressure limiting switch or other acceptable device which will limit the surface pressure on the injection well to no more than 800 psi.

(3) The Director of the Division shall be authorized to administratively approve an increase in the injection pressure upon a proper showing by the operator that such higher pressure will not result in migration of the injected fluid from the Cherry Canyon member of the Delaware formation.

(4) The operator shall notify the supervisor of the Artesia district office of the Division of the date and time of the installation of disposal equipment and of the mechanical integrity pressure test in order that the same may be witnessed.

(5) The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

(6) The operator shall immediately notify the supervisor of the Division's Artesia district office of the failure of the tubing, casing, or packer in said well or the leakage of water from or around said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

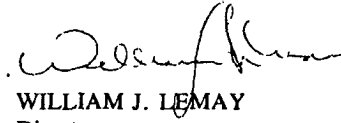
(7) The applicant shall conduct disposal operations and submit monthly reports in accordance with Rules 702 through 706, 708 and 1120 of the Division Rules and Regulations.

(8) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

CASE NO. 10307
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DONE at Santa Fe, New Mexico, on the day and year hereinabove
designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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