



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District

Carlsbad Field Office

620 E. Greene

Carlsbad, New Mexico 88220-6292

www.blm.gov/nm



NM70931X
3180 (P0220)

Reference:

Unit Termination

Custer Mountain Unit – NMNM70931X

Lea County, New Mexico

HOBBS OCD

MAR 21 2012

RECEIVED

CERTIFIED – RETURN RECEIPT REQUESTED:
7009 1410 0000 2182 2506

30-025-20756
ECG 3-22-2012

Chesapeake Energy Corp.
P.O. Box 18496
Oklahoma City, OK 73154-0496

Gentlemen:

The Custer Mountain Unit, No. NM-70931X, Lea County, New Mexico, is terminated effective June 1, 2011, pursuant to 43 CFR 3186.1.20.b which states the following:

“The term of this agreement shall be for and during the time that Unitized Substances are produced in quantities sufficient to pay for the cost of producing same from wells on the Unitized Land and so long thereafter as diligent drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days, and if production is restored so long thereafter as Unitized Substances are produced as aforesaid”, the unit has terminated. Therefore, the conditions within the Unit Agreement Article 20.c apply.

Thus, it has been determined that the Custer Mountain Unit well (3002520756) have been plugged and abandoned and are incapable of production of unitized substances in paying quantities. The Custer Mountain Unit well is included in the Initial Morrow PA A (NM-0931A) and it has also been determined that this PA is nor capable of production in paying quantities. Thus, the Initial Morrow PA A is terminated effective June 1, 2011, pursuant to 43 CFR 3186.1.20.b.

MAR 22 2012

Pursuant to 43 CFR 3183.4(b), Public Interest requirement has been fulfilled, and the following leases NMNM01228, NMNM01228A, NMNM01228B and NMNM07249B are entitled to a two year extension pursuant to 43 CFR 3107.3-2 and 3107.4.

Copies of this letter are being distributed to the appropriate Federal agencies. It is requested that you furnish notice of this termination to each working interest owner, lessee and lessor.

If you have any questions regarding this termination, please contact Edward G. Fernandez, Petroleum Engineer at (575) 234-2220.

A person contesting a decision shall request a State Director review of the Written Order. This request must be filed within 20 working days of receipt of the Notice with the appropriate State Director (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Land Appeals, 801 North Quincy Street, Suite 300, Arlington, VA 22203 (see 43 CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

Sincerely,

Don Peterson
Assistant Field Manager,
Lands and Minerals

cc:

Commissioner of Public Lands
ONRR, Denver (357B-1, Antoinette Contreras, Stacey Kaiser)
NM Taxation & Revenue Dept. (Revenue Processing Div.)
NMOCD
NM (9210)
NM (P0220-CFO, File Room)