

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 S. First St., Artesia, NM 88202
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

HOBBS OCD

MAY 31 2012

RECEIVED

State of New Mexico
Energy Minerals and Natural Resources
Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144 CLEZ
Revised August 1, 2011

For closed-loop systems that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, submit to the appropriate NMOC District Office.

Closed-Loop System Permit or Closure Plan Application

(that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)

Type of action: ☒ Permit ☐ Closure

Instructions: Please submit one application (Form C-144 CLEZ) per individual closed-loop system request. For any application request other than for a closed-loop system that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, please submit a Form C-144.

Please be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances.

1. Operator: Chesapeake Operating, Inc. OGRID #: 147715
Address: P.O. Box 18496 Oklahoma City, OK 73154
Facility or well name: KIEHNE RANCH 15 26 32 USA 1H
API Number: 30025-40602 OCD Permit Number: PI-04696
U/L or Qtr/Qtr M Section 15 Township 26S Range 32E County: LEA
Center of Proposed Design: Latitude 32.020906 Longitude -103.40077 NAD: ☐ 1927 ☒ 1983
Surface Owner: ☒ Federal ☐ State ☐ Private ☐ Tribal Trust or Indian Allotment

2. ☒ Closed-loop System: Subsection H of 19.15.17.11 NMAC
Operation: ☒ Drilling a new well ☐ Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) ☐ P&A
☐ Above Ground Steel Tanks or ☒ Haul-off Bins

3. Signs: Subsection C of 19.15.17.11 NMAC
☐ 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers
☒ Signed in compliance with 19.15.16.8 NMAC

4. Closed-loop Systems Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC
Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.
☒ Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
☒ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
☒ Closure Plan (Please complete Box 5) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC
☐ Previously Approved Design (attach copy of design) API Number: _____
☐ Previously Approved Operating and Maintenance Plan API Number: _____

5. Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only: (19.15.17.13.D NMAC)
Instructions: Please identify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required.
Disposal Facility Name: CONTROLLED RECOVERY, INC. Disposal Facility Permit Number: NM-01-0006
Disposal Facility Name: SUNDANCE DISPOSAL Disposal Facility Permit Number: NM-01-0003
Will any of the proposed closed-loop system operations and associated activities occur on or in areas that will not be used for future service and operations?
☐ Yes (If yes, please provide the information below) ☒ No
Required for impacted areas which will not be used for future service and operations:
☐ Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

6. Operator Application Certification:
I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.
Name (Print): Bryan Arrant Title: Regulatory Specialist II
Signature: [Signature] Date: 03/01/2012
e-mail address: bryan.arrant@chk.com Telephone: (405)935-3782

JUN 07 2012

7. **OCD Approval:** ☐ Permit Application (including closure plan) ☐ Closure Plan (only)

OCD Representative Signature: _____

Approval Date: _____

Title: _____

OCD Permit Number: _____

8. **Closure Report (required within 60 days of closure completion):** Subsection K of 19.15.17.13 NMAC

Instructions: Operators are required to obtain an approved closure plan prior to implementing any closure activities and submitting the closure report. The closure report is required to be submitted to the division within 60 days of the completion of the closure activities. Please do not complete this section of the form until an approved closure plan has been obtained and the closure activities have been completed.

☐ Closure Completion Date: _____

9. **Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:**

Instructions: Please identify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use attachment if more than two facilities were utilized.

Disposal Facility Name: _____

Disposal Facility Permit Number: _____

Disposal Facility Name: _____

Disposal Facility Permit Number: _____

Were the closed-loop system operations and associated activities performed on or in areas that will not be used for future service and operations?

☐ Yes (If yes, please demonstrate compliance to the items below) ☐ No

Required for impacted areas which will not be used for future service and operations:

☐ Site Reclamation (Photo Documentation)

☐ Soil Backfilling and Cover Installation

☐ Re-vegetation Application Rates and Seeding Technique

10. **Operator Closure Certification:**

I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.

Name (Print): _____

Title: _____

Signature: _____

Date: _____

e-mail address: _____

Telephone: _____

**Chesapeake Operating, Inc.'s Closed Loop System
KIENHNE RANCH 15 26 32 USA 1H
Unit M, Sec. 15, T-26-S R-32-E
Lea Co., NM
API # TBD**

Equipment & Design:

Chesapeake Operating, Inc. is to use a closed loop system with roll-off steel pits. Latshaw Drilling Company, LLC (Rig # 14) is scheduled to drill this well.

Mud System:

(2) Lewco WH-1312 (1300 hp) mud pumps.
(2) Tank mud system (1200 bbl capacity) with roofs.
National Oil Well 285P linear motion shale shakers.
Desander (2) 10" cones-1000 gpm.
Desilter (12) 4" cones-600 gpm.
Vacuum degasser-1000 gpm.

Fresh and brine water tanks with the capacity to efficiently drill well.

Operations & Maintenance:

During each tour, the rig's drilling crew will inspect and monitor the drilling fluids contained within the steel pits and visually monitor any spill which may occur. Should a spill, release, or leak occur; the NMOCD District I office in Hobbs, NM (575-393-6161) will be notified. Please note that notifications may be made earlier to the district office should a greater release occur, per NMOCD's rules.

Closure:

During and after drilling operations, drilling fluids and cuttings will be hauled to Controlled Recovery, Inc. Permit # NM-01-0006.

The alternative disposal facility will be Sundance Disposal. Permit # NM-01-0003.

LATSHAW DRILLING COMPANY, LLC
RIG #14

DRAWWORKS - Continental Emsco D3 (1000 hp) with Wichita disk brake

MAST/SUB - IDS 142' - 750,000# hook load mast w/20' box sub

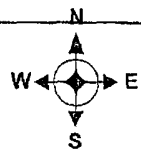
POWER - (3) CAT D3512 gen sets with Kato 1365 KW AC generators
Omron/IDM SCR unit

TRAVELING/ROTARY - SJ Petro 27-1/2" rotary table
Gardner Denver 400 ton block
275Ton Canrig Topdrive

MUD SYSTEM - (2) Lewco WH-1312 (1300 hp) mud pumps
(2) Tank mud system (1200 bbl capacity) with roofs
National Oilwell 285P linear motion shakers
Desander (2) 10" cones - 1000 gpm
Desilter (12) 4" cones - 600 gpm
Vacuum degasser - 1000 gpm

BOP EQUIPMENT - 13-5/8"-5000# Cameron Type D annular preventer
13-5/8"-5,000# Cameron Type U double ram preventer
Church Energy accumulator, 120 gal cap, 5 station

DRILL STRING - 12,000'-5", 19.50# G/S drill pipe (DWB/HIB/PC)
(18) 5", 50# Hevi-Wate drill pipe
(9) 8" slick drill collars w/6-5/8" Reg connections
(21) 6-1/2" slick drill collars w/4-1/2"XII connections



Latshaw #14

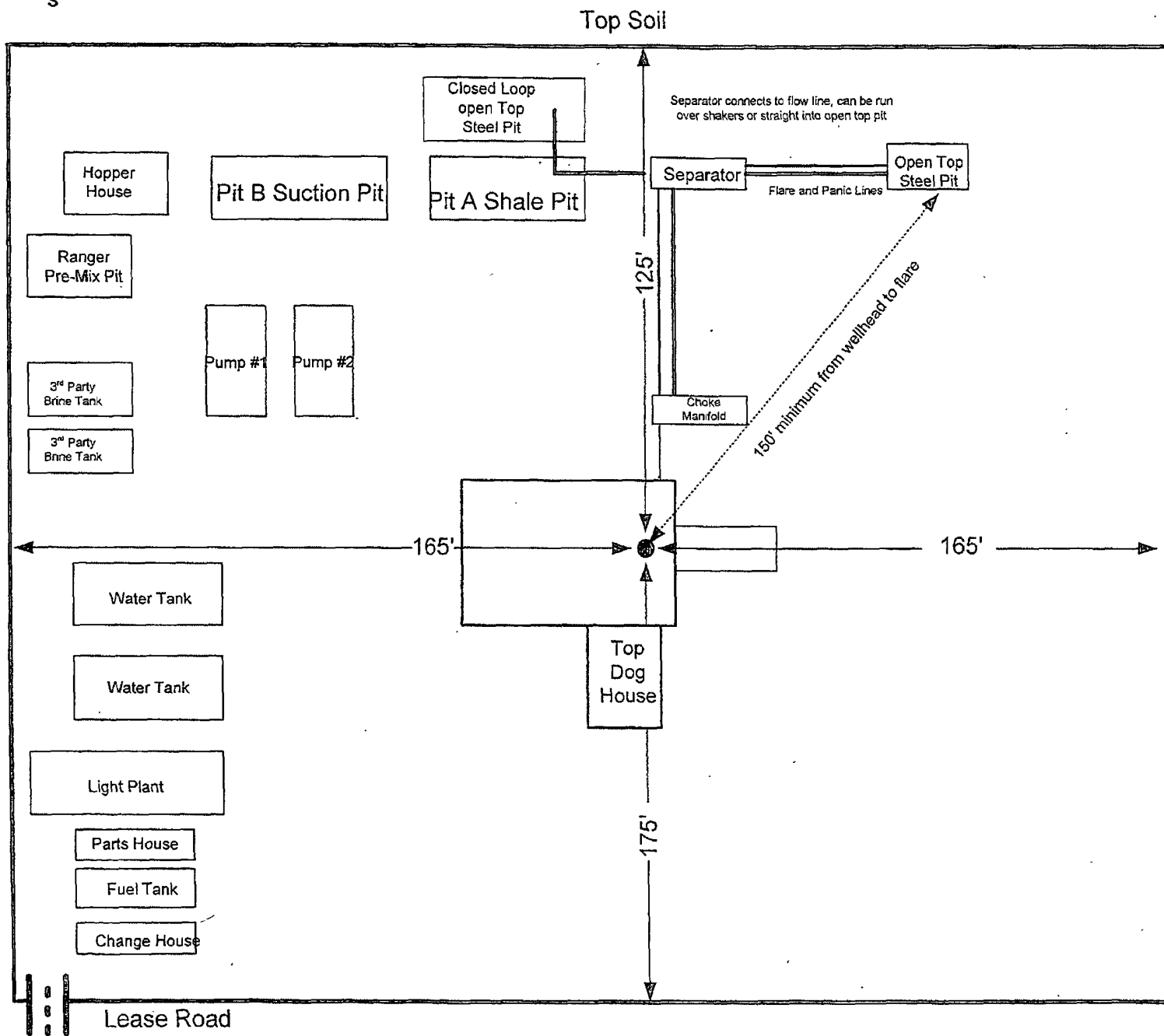


EXHIBIT D