

ONSHORE ORDER NO. 1
Chesapeake Operating, Inc.
Perseus 10 Federal Com 3H
SL: 1980' FNL & 200' FEL
BL: 1980' FNL & 330' FWL
Section 10-15S-31E
Chaves County, NM

30-005-29137
CONFIDENTIAL – TIGHT HOLE

Lease No. NMNM105885

SURFACE USE PLAN

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ONSHORE OIL & GAS ORDER NO. 1
Approval of Operations on Onshore
Federal and Indian Oil and Gas Leases

1. EXISTING ROADS

- a. Existing county and lease roads will be used to enter proposed access road.
- b. Location, access, and vicinity plats attached hereto. See Exhibits A-1 to A-4.

2. PLANNED ACCESS ROADS

- a. A planned access road approximately 200' in length and 14' in travel way width with a maximum disturbance area of 30' will be used, and in accordance with guidelines set forth in the BLM Onshore Orders. No turnouts are expected.
- b. In order to level the location, cut and fill will be required. Please see attached Well Location and Acreage Dedication Plat – Exhibits A-1 to A-4.
- c. A locking gate will be installed at the site entrance.
- d. Any fences cut will be repaired. Cattle guards will be installed, if needed.
- e. Surface disturbance and vehicular travel will be limited to the approved location and approved access route. Any additional area needed will be approved in advance.
- f. Driving directions are from the intersection of St Hwy 249 and St Hwy 172, go North on St Hwy 172 approx. 2.2 miles. Turn left and go West approx. 100 ft. turn left and go South approx. 0.9 miles. This location stake is approx. 175 feet West of lease road.

3. LOCATION OF EXISTING WELLS WITHIN A 1-MILE RADIUS OF THE PROPOSED LOCATION – see Exhibit B.

4. LOCATION OF PRODUCTION FACILITIES

It is anticipated that production facilities will be located on the well pad as product will be sold at the wellhead and/or tank battery. We plan to lay a pipeline connecting this well to DCP's existing system 1 mile South of location. – See Exhibit C

5. LOCATION AND TYPE OF WATER SUPPLY

Water will be obtained from a private water source. Chesapeake Operating, Inc. will ensure all proper notifications and filings are made with the state.

6. CONSTRUCTION MATERIALS

No construction materials will be used from Section 10-15S-31E. All material (i.e. shale) will be acquired from private or commercial sources.

7. METHODS FOR HANDLING WASTE DISPOSAL

A closed system will be utilized consisting of above ground steel tanks. All wastes accumulated during drilling operations will be contained in a portable trash cage and removed from location and deposited in an approved sanitary landfill.

8. ANCILLARY FACILITIES

None

9. WELLSITE LAYOUT

The proposed site layout plat is attached showing Patterson rig orientation and equipment location. See Exhibit D. Also see Exhibit A-2 for the size of the pad.

10. PLANS FOR RECLAMATION OF THE SURFACE

The location will be restored to as near as original condition as possible. Reclamation of the surface shall be done in strict compliance with the existing New Mexico Oil Conservation Division regulations.

Backfilling leveling, and contouring are planned as soon as the drilling rig and steel tanks are removed. Wastes and spoils materials will be buried immediately after drilling is completed. If production is obtained, the unused area will be restored as soon as possible. The rehabilitation will begin after the drilling rig is removed.

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11. MINERAL OWNERSHIP
United States of America 50%
Department of Interior
Bureau of Land Management

State of New Mexico 50%

SURFACE OWNERSHIP
Billy R. Medlin & Donna K. Medlin
P. O. Box 50
Malaga, NM 88264

(Chesapeake Operating, Inc. has an agreement with the surface owner)

12. ADDITIONAL INFORMATION

Well is being permitted as a Horizontal well.

A Class III cultural resource inventory report was prepared by Boone Archaeological Services, Carlsbad, New Mexico for the proposed location. A copy of the report has been sent to the BLM office under separate cover and is also attached for reference. See Exhibit E.

Chesapeake Operating, Inc. agrees to be responsible under the terms and conditions of the lease for the operations conducted upon the lease lands.

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13. OPERATOR'S REPRESENTATIVES

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