



30-005-~~29145~~

Linda Good
Senior Regulatory Compliance Specialist

June 9, 2010

RECEIVED
AUG 02 2010
HOBBSOCD

Bureau of Land Management
Roswell Field Office
Attn: Ruben Sanchez
2909 W. Second Street
Roswell, NM 88201-2019

Re: Nereid 1 Federal 1H APD Deficiencies Corrected

Dear Mr. Sanchez,

Please find the enclosed corrected Surface Use Plan (Reclamation) and Surface Owner Agreement certification. Please let me know if I need to send you anything else.

Sincerely,
Chesapeake Operating, Inc.

A handwritten signature in cursive script that reads "Linda Good".

Linda Good
Enclosures

**SELF-CERTIFICATION STATEMENT
FROM LESSEE/OPERATOR**

SURFACE OWNER IDENTIFICATION

Federal or Indian Lease No. NM NM 120357
Well(s) Number and Location Ne Reid 1 Federal 1H
Sec 1, T15S - R 31E, Chaves Co., NM

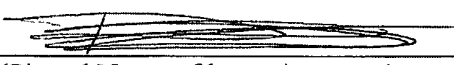
I hereby certify to the Authorized Officer of the Bureau of Land Management that I have reached one of the following agreements with the Surface Owner; or after failure of my good-faith effort to come to an agreement of any kind with the Surface Owner, I will provide a bond:

- 1) _____ I have a signed access agreement to enter the leased lands;
- 2) _____ I have a signed waiver from the surface owner;
- 3) X I have entered into an agreement regarding compensation to the surface owner for damages for loss of crops and tangible improvements.
- 4) _____ Because I have been unable to reach either 1), 2), or 3) with the surface owner, I will obtain a bond to cover loss of crops and damages to tangible improvements.

Surface owner information: (if available after diligent effort)

Surface Owner Name: Billy R & Donna K. Medlin
PO Box 50
Surface Owner Address: Maljamar NM 88264
Surface Owner Phone Number: 575 676. 4121 home
575. 390. 9349 cell

Signed this 9th - day of June -, 2000.



(Signed Name of lessee/operator)

Robert Bud Cravey
Chesapeake Operating Inc.

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 2522' 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 Hwy 172 approx. 0.9 miles. Turn right at Wanda Rd and go Northeast Approx. 1.3 miles. Veer right and go East-Northeast thru cattle guard approx. 0.9 miles to a proposed road survey. Follow road survey North 0.5 miles to this location.

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

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 1-15S-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 Cactus Rig #120 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 and BLM.

Backfilling leveling, and contouring are planned as soon as the drilling rig and steel tanks are removed. Wastes and spoils materials will be disposed 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 workover rig is removed.

Interim Reclamation: downsize the footprint of disturbance by reclaiming portions of the well pad not needed for production operations. The portions of the cleared well pad not needed for operational and safety purposes will be recontoured back to natural surroundings as much as possible. Caliche material will be used either to recontour or will be used to repair roads within the lease. Topsoil material will be spread out over reclaimed area and the site will be seeded with an approved BLM grass mix. In order to inspect and operate the well or complete work over operations, it may be necessary to drive, park, and operate on restored, interim vegetation as long as the damage is repaired or reclaimed after work is complete. In most cases the well pad is pulled in to within 35 feet of the well anchors unless layout won't allow or a safety issues is in place.

Final Reclamation Procedure: Upon final abandonment of the well, caliche material from the well pad and access road will be removed and utilized to recontour to a final contour that blends with the surrounding topography as much as possible. Any caliche material not used will be utilized to repair roads within the lease. Topsoil will be distributed over the reclamation area and cross ripped to control erosion, the site will be seeded with an approved BLM mixture.

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

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

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

ONSHORE ORDER NO. 1
Chesapeake Operating, Inc.
Nereid 1 Federal 1H
SL: 660' FSL & 100' FEL
BL: 660' FSL & 330' FWL
Section 1-15S-31E
Chaves County, NM

CONFIDENTIAL – TIGHT HOLE
Lease Contract No. NMNM120357

REVISED SURFACE USE PLAN

Page 4

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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Chesapeake Operating, Inc.
Nereid 1 Federal 1H
SL: 660' FSL & 100' FEL
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Section 1-15S-31E
Chaves County, NM

CONFIDENTIAL – TIGHT HOLE
Lease Contract No. NMNM120357

REVISED SURFACE USE PLAN

Page 5

13. OPERATOR'S REPRESENTATIVES

District Manager

Rob Jones
P.O. Box 18496
Oklahoma City, OK 73154
405-935-2694 (Office)
405-623-5880 (Cell)
rob.jones@chk.com

Sr. Drilling Engineer

Yemi Ajijolaiya
P.O. Box 14896
Oklahoma City, OK 73154
405-935-6802 (Office)
405-625-5468 (Cell)
yemi.ajijolaiya@chk.com

Sr. Field Representative

Bud Cravey
2010 Rankin Hwy
Midland, TX
432-687-2992, x 86151 (Office)
432-575-238-7293 (Cell)
bud.cravey@chk.com

Asset Manager

Kim Henderson
P.O. Box 18496
Oklahoma City, OK 73154
405-935-8583 (Office)
405-312-1840 (Cell)
kim.henderson@chk.com

Sr. Geologist

Robert Martin
P.O. Box 18496
Oklahoma City, OK 73154
405-935-4985 (Office)
405-849-4985 (Cell)
robert.martin@chk.com

Geoscience Coordinator

David Godsey
P.O. Box 14896
Oklahoma City, OK 73154
405-935-7995 (Office)
405-618-0474 (Cell)
david.godsey@chk.com

Sr. Regulatory Compliance Specialist

Linda Good
P.O. Box 18496
Oklahoma City, OK 73154
405-935-4275 (Office)
405-849-4275 (Fax)
linda.good@chk.com

Landman

Hugh Brower
P.O. Box 18496
Oklahoma City, OK 73154
405-935-1421 (Office)
405-496-6952 (Cell)
hugh.brower@chk.com

ONSHORE ORDER NO. 1
Chesapeake Operating, Inc.
Nereid 1 Federal 1H
SL: 660' FSL & 100' FEL
BL: 660' FSL & 330' FWL
Section 1-15S-31E
Chaves County, NM

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CONFIDENTIAL – TIGHT HOLE
Lease Contract No. NMNM120357

CERTIFICATION

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Executed this 10th day of May, 2010

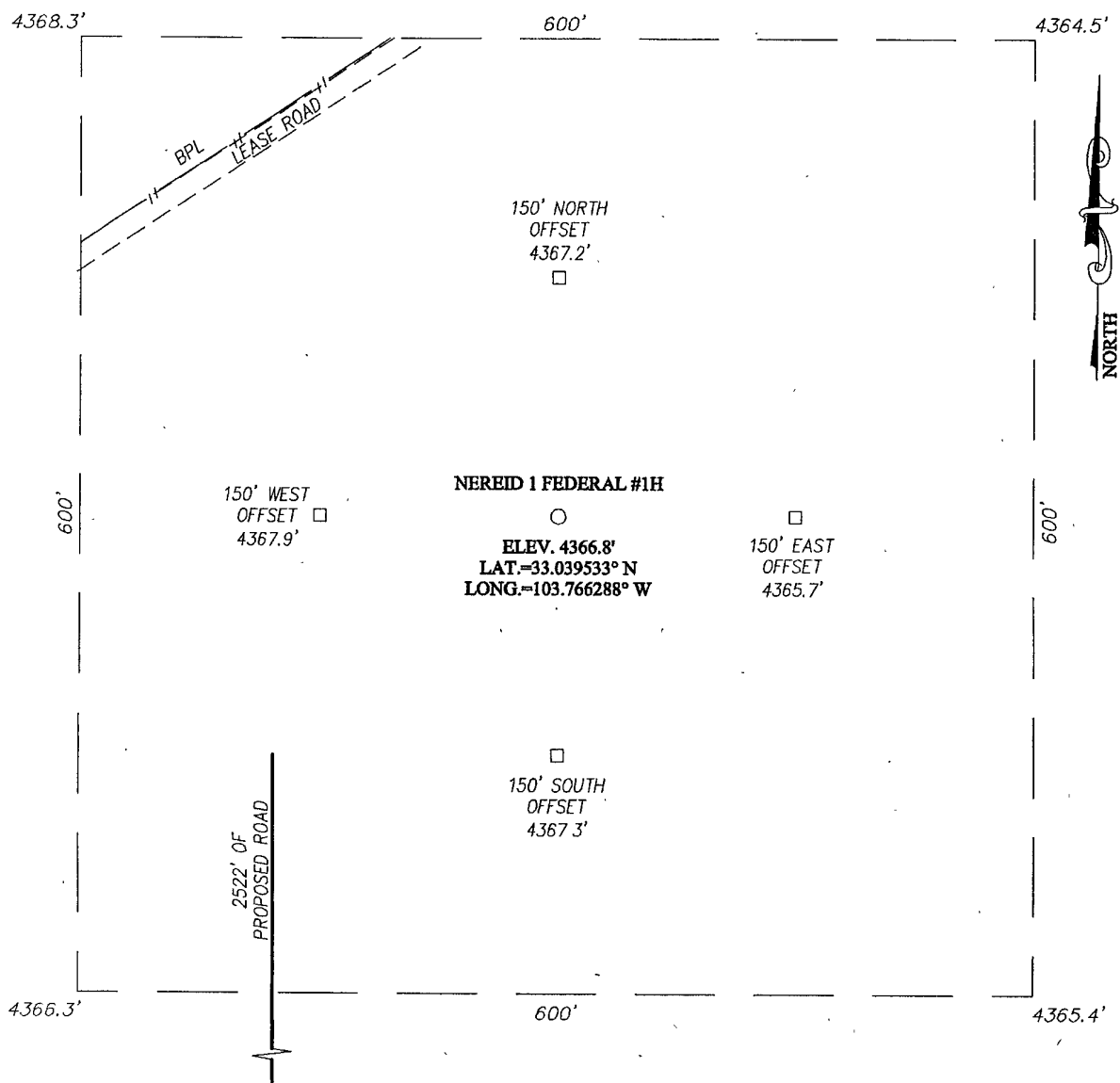
Name: Bud Cravey, Sr. Field Representative

Address: 2010 Rankin Highway, Midland, TX 79701

Telephone: 432-238-7293

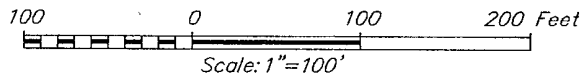
E-mail: bud.cravey@chk.com

SECTION 1, TOWNSHIP 15 SOUTH, RANGE 31 EAST, N.M.P.M.
CHAVES COUNTY NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF ST. HWY. #249 AND ST. HWY. #172, GO NORTH ON HWY. #172 APPROX. 0.9 MILES. TURN RIGHT AT WANDA ROAD AND GO NORTHEAST APPROX. 1.3 MILES. VEER RIGHT AND GO EAST-NORTHEAST THRU CATTLE GUARD APPROX. 0.9 MILES TO A PROPOSED ROAD SURVEY. FOLLOW ROAD SURVEY NORTH 0.5 MILES TO THIS LOCATION.



PROVIDING SURVEYING SERVICES
SINCE 1946

JOHN WEST SURVEYING COMPANY

412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

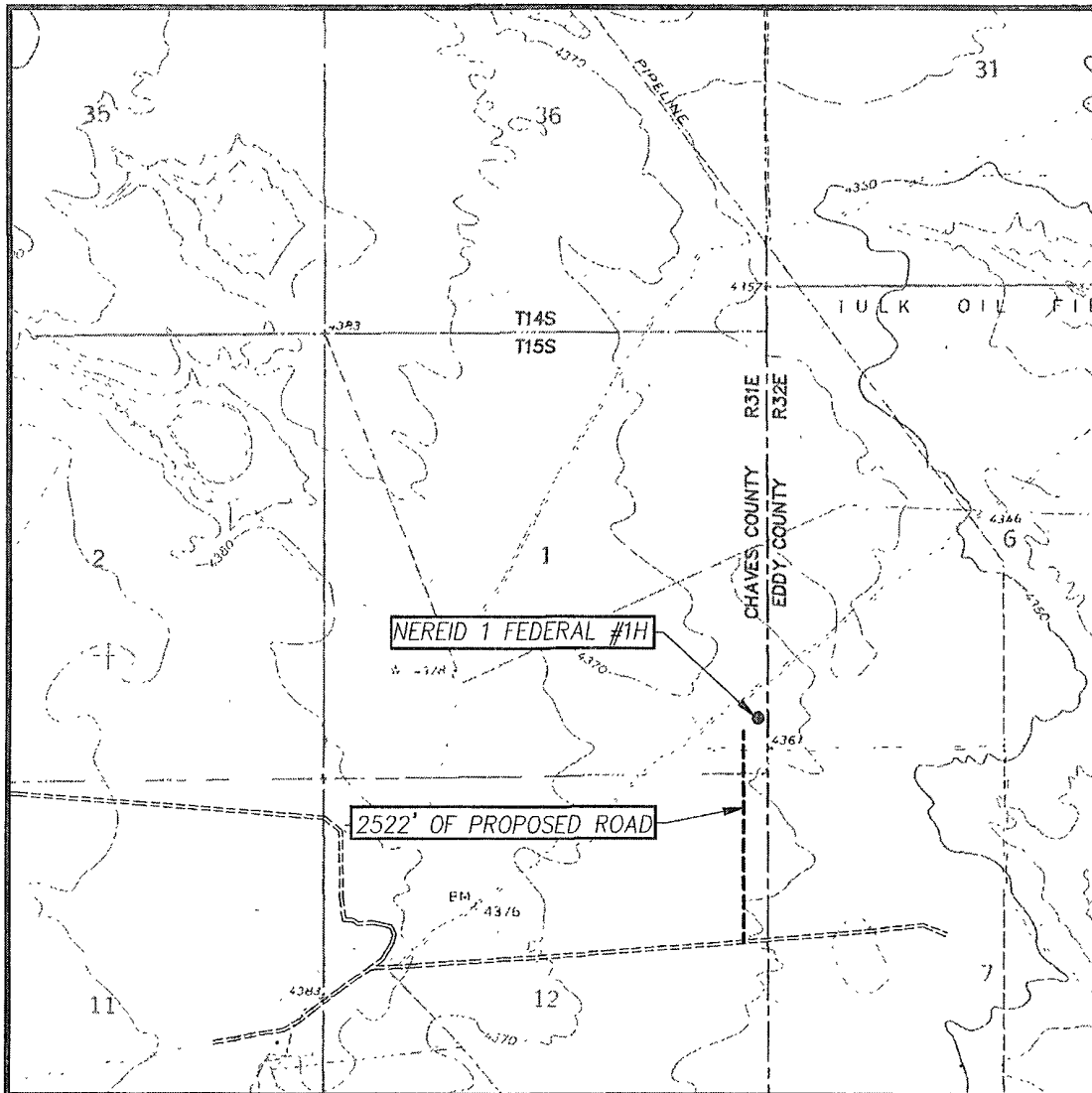
CHESAPEAKE OPERATING, INC.

NEREID 1 FEDERAL #1H WELL
LOCATED 660 FEET FROM THE SOUTH LINE
AND 100 FEET FROM THE EAST LINE OF SECTION 1,
TOWNSHIP 15 SOUTH, RANGE 31 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO

Survey Date: 3/30/10	Sheet 1 of 1 Sheets
W.O. Number: 10.11.0423	Dr. By: LA
Date: 4/6/10	10110423
	Scale: 1"=100'

EXHIBIT A-2

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
CEDAR POINT SE, N.M. - 10'

SEC. 1 TWP. 15-S RGE. 31-E

SURVEY N.M.P.M.

COUNTY CHAVES STATE NEW MEXICO

DESCRIPTION 660' FSL & 100' FEL

ELEVATION 4367'

OPERATOR CHESAPEAKE OPERATING, INC.

LEASE NEREID 1 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
CEDAR POINT SE, N.M.

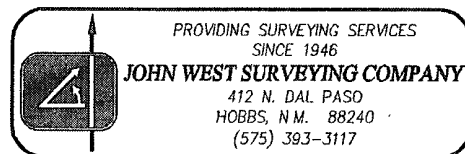
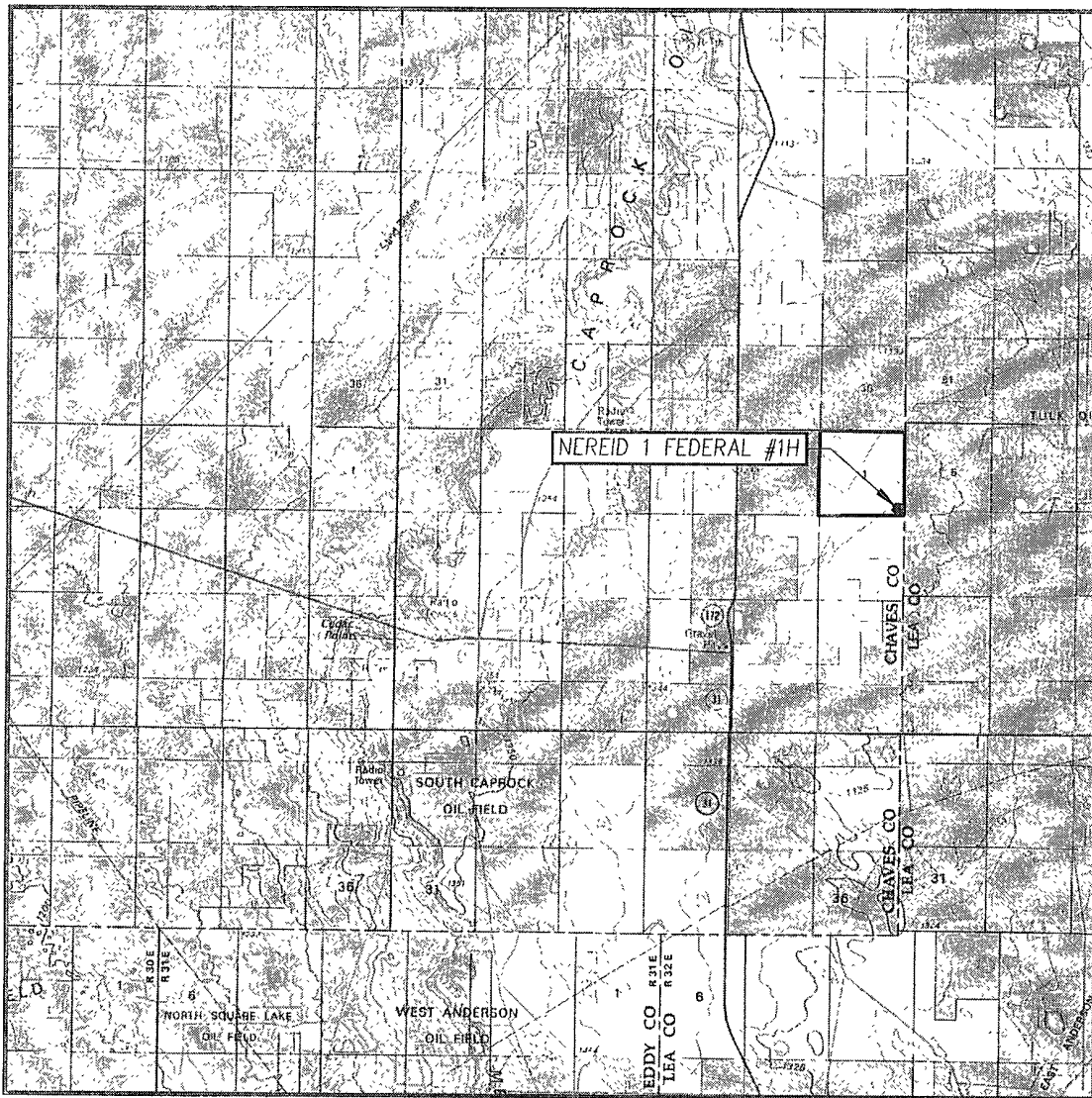


EXHIBIT A-3

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 1 TWP. 15-S RGE. 31-E
 SURVEY N.M.P.M.
 COUNTY CHAVES STATE NEW MEXICO
 DESCRIPTION 660' FSL & 100' FEL
 ELEVATION 4367'
 OPERATOR CHESPEAKE OPERATING, INC.
 LEASE NEREID 1 FEDERAL

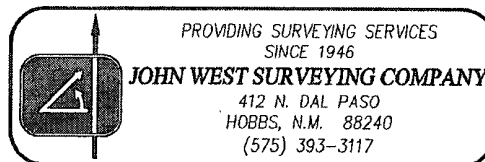


EXHIBIT A-4

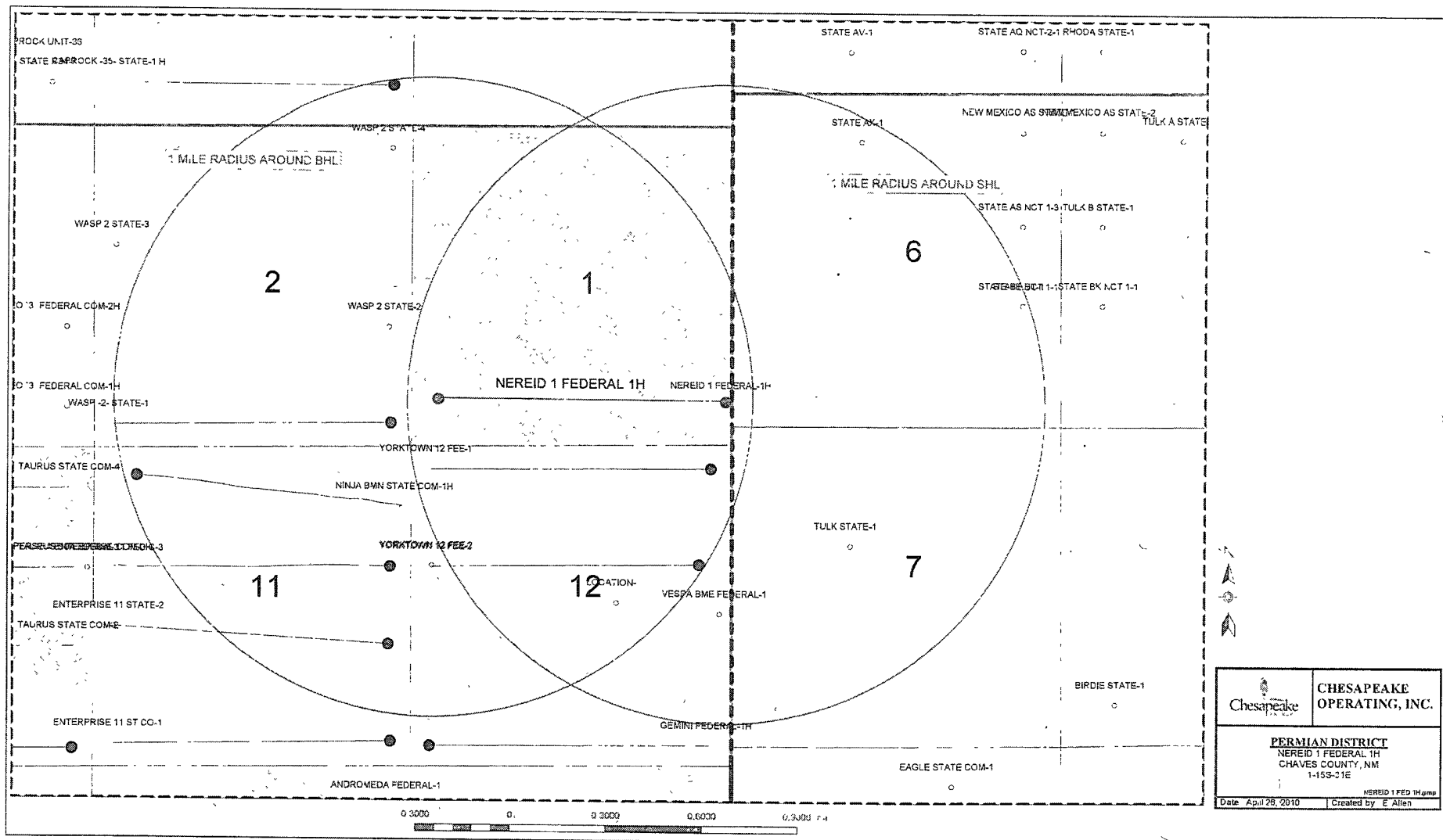


EXHIBIT B

RECEIVED

AUG 02 2010

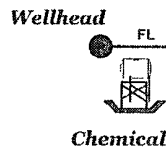
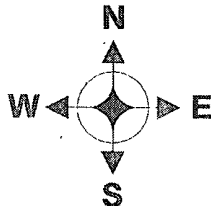
HOBBSOCD



Nereid 1 Federal #1H

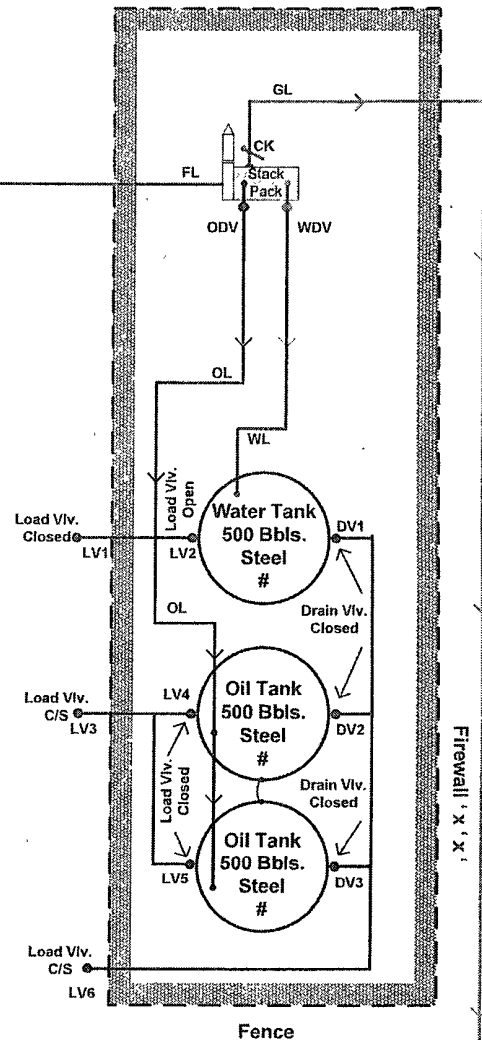
Lat: 33.039480 Long.: -103.766583
SE SE S01-T15S-R31E 660 FSL-100 FEL
Chaves Co., New Mexico

202 Feet



This lease is subject to
Chesapeake's Site Security
Plan located at 6100 N.
Western Oklahoma City, OK
73118

General sealing of valves and sales by tank gauging. Production phase: all drain valves (D1-D4) and sales valves (L1-L7) sealed closed. Sales phase: the tank from which sales are being made will be isolated by sealing closed the drain, fill, and any equalizer valves during sales. Draining phase: the tank being drained will be isolated by sealing closed the sales, fill, equalizer valves and drain valves on the other tanks.



Fence

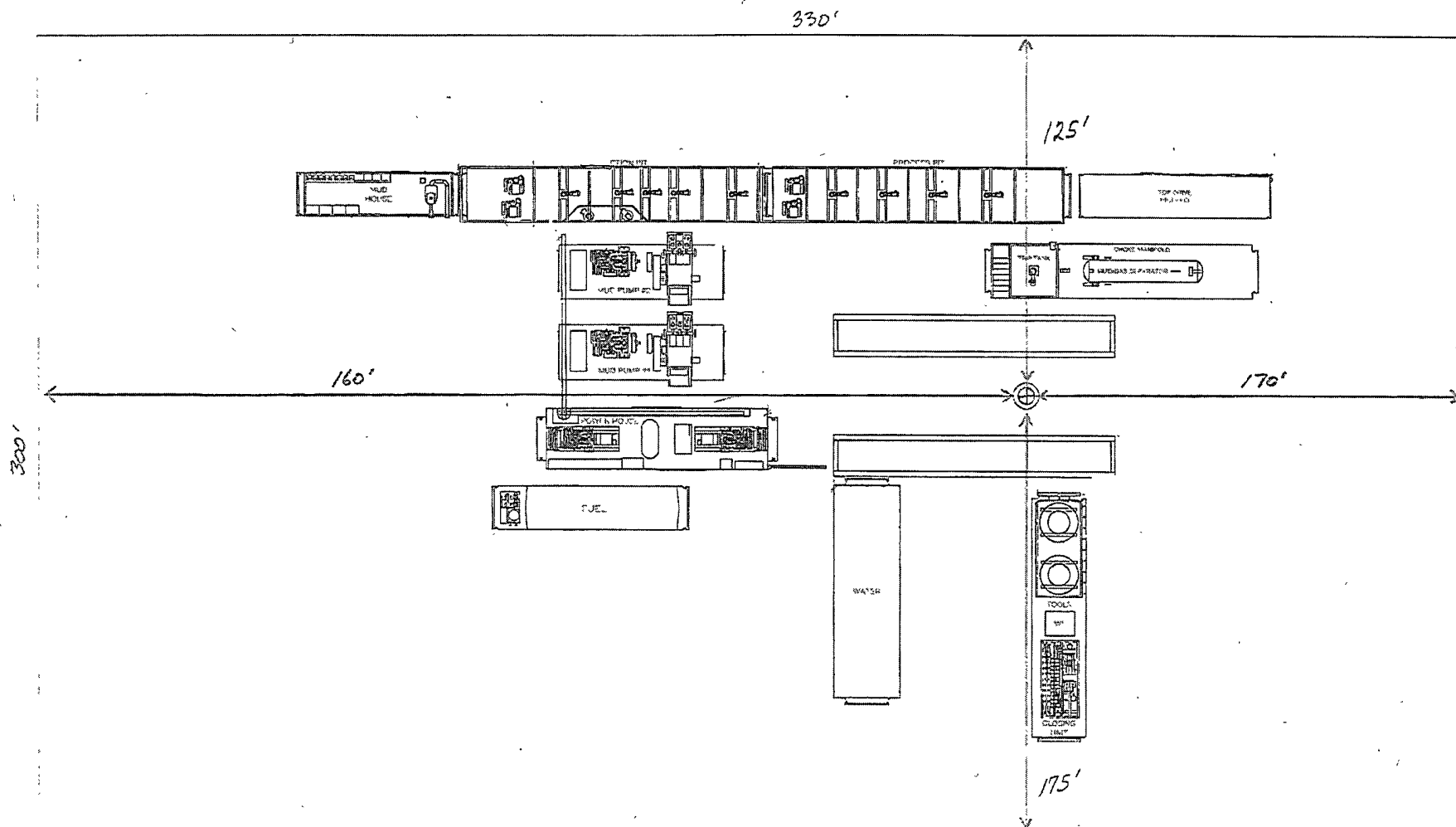
Prepared by: Jackie Reynolds
Date: 4-26-2010

Approved by:
Date:

Direction of Flow off Site:

** Gas sold to DCP **

EXHIBIT C



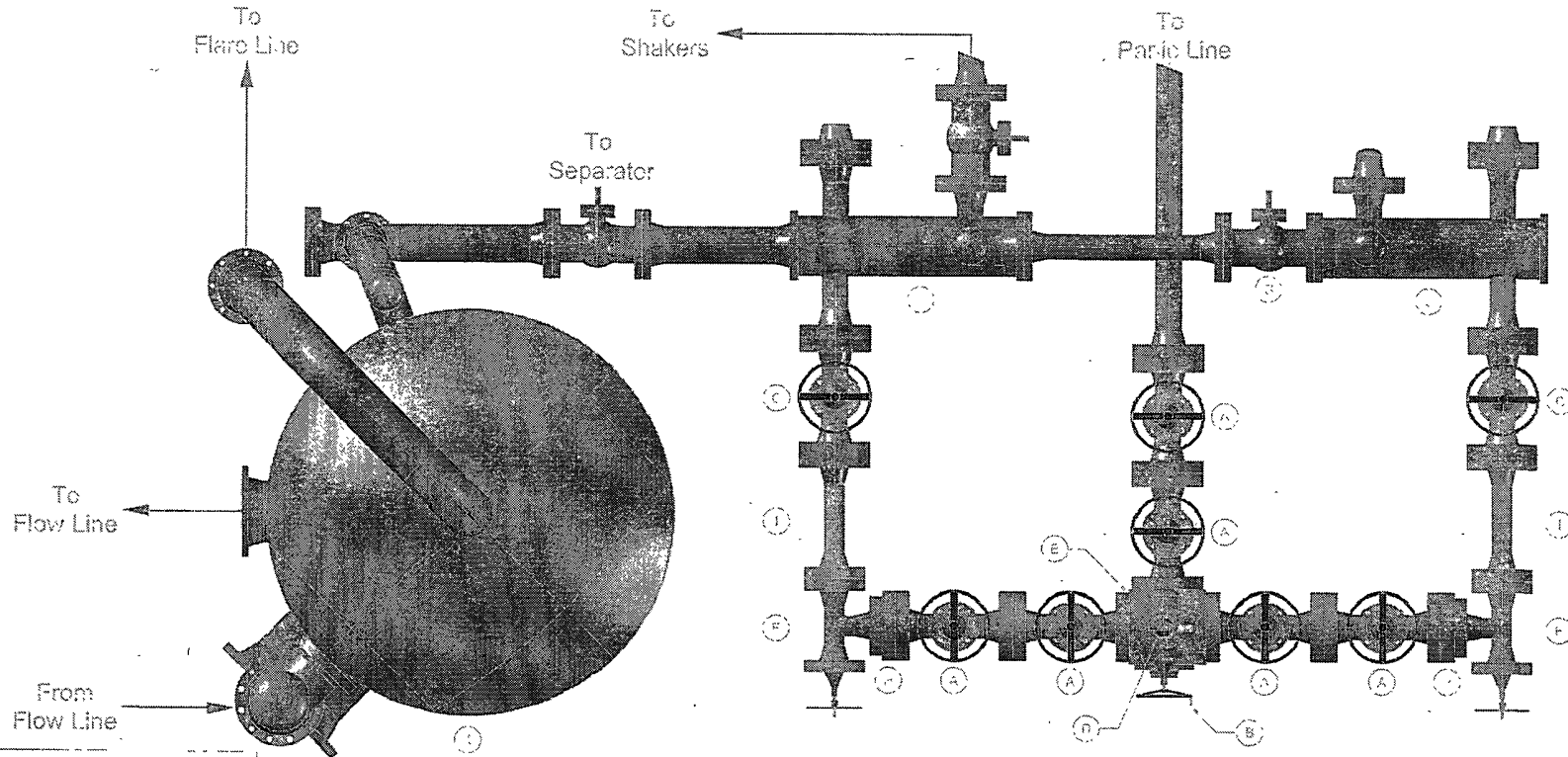
THIS DRAWING IS COMPLETED AND CONTAINS THE INFORMATION OF CASTUS DRILLING COMPANY, L.L.C. IT IS LOANED TO YOU AND IS TO BE RETURNED UPON COMPLETION OF WORK OR UPON EARLY CANCELLATION. IT IS NOT TO BE REPRODUCED OR COPIED IN ANY MANNER WITHOUT THE WRITTEN PERMISSION OF CASTUS DRILLING COMPANY, L.L.C. ANY OTHERS NOT TO MAKE ANY USE OF IT OR THE INFORMATION CONTAINED THEREIN WITHOUT THE WRITTEN PERMISSION OF CASTUS DRILLING COMPANY, L.L.C.

TOLERANCES UNLESS OTHERWISE SPECIFIED				CUSTOMER INFO	
DIMENSIONS, IN INCHES				FILE #	DATE
GENERAL DIMENSION				DRG BY	J.D.L.
CONCENTRICITY				CHEK BY	J.P.S.
AXIAL	0.005	1	FLR	APP BY	J.P.S.
ANGULAR	0.005	0.01	FLR		
ANGULAR	0.005	0.01	FLR		

castus Drilling Co., L.L.C.	
Drilling Co., L.L.C.	
Tel: 888-577-4242 Fax: 405-577-4242	
RIG 120	
DRILL SITE	
Job #	CAC120-A001

EXHIBIT D

EXHIBIT
F-2



GENERAL EQUIPMENT INFORMATION

ITEM	DESCRIPTION	MAKE	MODEL
1	Wellhead	WELDON	WELDON
2	Flow Line	WELDON	WELDON
3	Separator	WELDON	WELDON
4	Shakers	WELDON	WELDON
5	Partic Line	WELDON	WELDON
6	Manifold	WELDON	WELDON
7	Valves	WELDON	WELDON
8	Flare Line	WELDON	WELDON
9	Flow Line	WELDON	WELDON
10	From Flow Line	WELDON	WELDON

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<p>PROJECT: RIG 120 LOCATION: PRESSURE-FLOW</p>		<p>DATE: 10/15/10 DRAWN BY: J.D.L. CHECKED BY: J.P.S. SCALE: AS SHOWN</p>				
<p>REVISIONS:</p> <table border="1"> <tr> <th>NO.</th> <th>DESCRIPTION</th> </tr> <tr> <td>1</td> <td>AS SHOWN</td> </tr> </table>		NO.	DESCRIPTION	1	AS SHOWN	<p>PROJECT: CAC120-AC08 SHEET: 8</p>
NO.	DESCRIPTION					
1	AS SHOWN					