

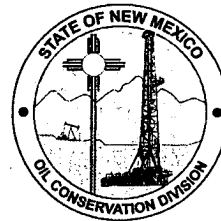


# New Mexico Energy, Minerals and Natural Resources Department

**Bill Richardson**  
Governor

**Jim Noel**  
Cabinet Secretary  
**Karen W. Garcia**  
Deputy Cabinet Secretary

**Mark Fesmire**  
Division Director  
Oil Conservation Division



21-Dec-10

CHESAPEAKE OPERATING INC.  
P.O. BOX 912  
HOBBS, NM 88240

## LETTER OF VIOLATION and SHUT-IN DIRECTIVE Failed Mechanical Integrity Test

Dear Operator:

The following test(s) were performed on the listed dates on the following well(s) shown below in the test detail section.

The test(s) indicates that the well or wells failed to meet mechanical integrity standards of the New Mexico Oil Conservation Division. To comply with guidelines established by the U.S. Environmental Protection Agency, the well(s) must be shut-in immediately until it is successfully repaired. The test detail section which follows indicates preliminary findings and/or probable causes of the failure. This determination is based on a test of your well or facility by an inspector employed by the Oil Conservation Division. Additional testing during the repair operation may be necessary to properly identify the nature of the well failure.

Please notify the proper district office of the Division at least 48 hours prior to the date and time that the well(s) will be retested so the test may be witnessed by a field representative.

### MECHANICAL INTEGRITY TEST DETAIL SECTION

#### E W WALDEN No.006

30-025-10288-00-00  
N-15-22S-37E

Active Injection - (All Types)

|                  |                                                                                                                                                               |                          |                        |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------|
| Test Date:       | 12/21/2010                                                                                                                                                    | Permitted Injection PSI: | Actual PSI:            |
| Test Reason:     | Annual IMIT                                                                                                                                                   | Test Result:             | F                      |
| Test Type:       | Std. Annulus Pres. Test                                                                                                                                       | FAIL TYPE:               | Other Internal Failure |
| Comments on MIT: | ****PRESSURE BUILD UP ON CASING; WOULD NOT BLEED DOWN UNABLE TO CONDUCT PRESSURE TEST****FAILED PT*** **OPERATOR IN VIOLATION OF NMOC D RULE 19.15.26.11***** |                          |                        |

Repair Due: 3/26/2011

FAIL CAUSE:

#### QUAIL QUEEN UNIT No.011

30-025-26707-00-00  
A-11-19S-34E

Active Injection - (All Types)

|                  |                                                                                                                                                |                          |                        |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------|
| Test Date:       | 12/16/2010                                                                                                                                     | Permitted Injection PSI: | Actual PSI:            |
| Test Reason:     | Annual IMIT                                                                                                                                    | Test Result:             | F                      |
| Test Type:       | Bradenhead Test                                                                                                                                | FAIL TYPE:               | Other Internal Failure |
| Comments on MIT: | COMMUNICATION BETWEEN CASING AND TUBING; PRESSURES READ 2000 PSI; ****WELL FAILED BHT****OPERATOR IN VIOLATION OF NMOC D RULE 19.15.26.11***** |                          |                        |

Repair Due: 3/21/2011

FAIL CAUSE:



**HOWSE No.001**

**30-025-36226-00-00**  
L-17-20S-39E

Active Salt Water Disposal Well

|                         |                                                                                                                                                                                                       |                                 |                        |                    |           |
|-------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------------|--------------------|-----------|
| <b>Test Date:</b>       | 12/21/2010                                                                                                                                                                                            | <b>Permitted Injection PSI:</b> |                        | <b>Actual PSI:</b> |           |
| <b>Test Reason:</b>     | Annual IMIT                                                                                                                                                                                           | <b>Test Result:</b>             | F                      | <b>Repair Due:</b> | 3/26/2011 |
| <b>Test Type:</b>       | Std. Annulus Pres. Test                                                                                                                                                                               | <b>FAIL TYPE:</b>               | Other Internal Failure | <b>FAIL CAUSE:</b> |           |
| <b>Comments on MIT:</b> | PUMP NOT RUNNING; GAINED 70# DURING PRESSURE TEST; (570# TO 640#) STANDING FULL OF FLUID ON BACKSIDE; 500# ON CASING BLEED TO 0 PRIOR TO TEST; ***OPERATOR IN VIOLATION OF NMOC D RULE 19.15.26.11*** |                                 |                        |                    |           |

**TRINITY BURRUS ABO UNIT No.020**

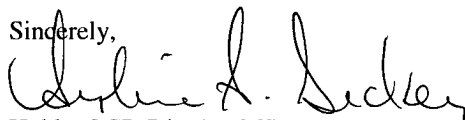
**30-025-36566-00-00**  
O-23-12S-38E

Active Injection - (All Types)

|                         |                                                                                                                                                                              |                                 |                        |                    |           |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------------|--------------------|-----------|
| <b>Test Date:</b>       | 12/17/2010                                                                                                                                                                   | <b>Permitted Injection PSI:</b> |                        | <b>Actual PSI:</b> |           |
| <b>Test Reason:</b>     | Annual IMIT                                                                                                                                                                  | <b>Test Result:</b>             | F                      | <b>Repair Due:</b> | 3/22/2011 |
| <b>Test Type:</b>       | Bradenhead Test                                                                                                                                                              | <b>FAIL TYPE:</b>               | Other Internal Failure | <b>FAIL CAUSE:</b> |           |
| <b>Comments on MIT:</b> | FAILED BHT; 850 PSI ON CASING ***OPERATOR NEEDS TO BLEED TO A TRUCK AND PRESSURE TEST TO SHOW MECHANICAL INTEGRITY ***OPERATOR IN VIOLATION OF NMOC D RULE 19.15.26.11 ***** |                                 |                        |                    |           |

In the event that a satisfactory response is not received to this letter of direction by the "Repair Due:" date shown above, or if the well(s) are not immediately shut-in, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,



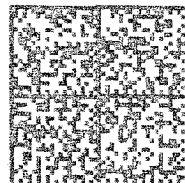
Hobbs OCD District Office

COMPLIANCE OFFICER

Note: Pressure Tests are performed prior to initial injection, after repairs and otherwise, every 5 years; Bradenhead Tests are performed annually. Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data. "Failure Type" and "Failure Cause" and any Comments are not to be interpreted as a diagnosis of the condition of the wellbore. Additional testing should be conducted by the operator to accurately determine the nature of the actual failure. \* Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.

**EMNRD  
OIL CONSERVATION DIVISION  
1625 N FRENCH DRIVE  
HOBBS NM 88240**

**CHESAPEAKE OPERATING INC.  
P.O. BOX 912  
HOBBS, NM 88240**



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|-------------------|--|
| HASLER            |  |
| 01SH14150977      |  |
| <b>\$0.44</b>     |  |
| 12/21/10          |  |
| Mailed From 88240 |  |
| <b>US POSTAGE</b> |  |