

DATE IN 3.6.12	SUSPENSE	ENGINEER DB	LOGGED IN 3.6.12	TYPE NSL	APP NO. 1206646190
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Chesapeake
147179

PLU Pierce Canyon 712420

ADMINISTRATIVE APPLICATION CHECKLIST

30-015-39768

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location]** **[NSP-Non-Standard Proration Unit]** **[SD-Simultaneous Dedication]**
[DHC-Downhole Commingling] **[CTB-Lease Commingling]** **[PLC-Pool/Lease Commingling]**
[PC-Pool Commingling] **[OLS - Off-Lease Storage]** **[OLM-Off-Lease Measurement]**
[WFX-Waterflood Expansion] **[PMX-Pressure Maintenance Expansion]**
[SWD-Salt Water Disposal] **[IPI-Injection Pressure Increase]**
[EOR-Qualified Enhanced Oil Recovery Certification] **[PPR-Positive Production Response]**

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication**
☒ **NSL** ☐ **NSP** ☐ **SD**

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement**
☐ **DHC** ☐ **CTB** ☐ **PLC** ☐ **PC** ☐ **OLS** ☐ **OLM**

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery**
☐ **WFX** ☐ **PMX** ☐ **SWD** ☐ **IPI** ☐ **EOR** ☐ **PPR**

- [D] Other: Specify _____**

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

- [A]** ☐ Working, Royalty or Overriding Royalty Interest Owners
[B] ☒ Offset Operators, Leaseholders or Surface Owner
[C] ☐ Application is One Which Requires Published Legal Notice
[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
[F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Adam G. Rankin
 Print or Type Name Signature

Attorney *3/5/12*
 Title Date

agrankin@ndlandhart.com
 e-mail Address

B-21-245-30E
NSL
6460

RECEIVED OOD
 MAR - 5 PM 4:15

Amend
NSL-6460

HOLLAND & HART LLP



Adam G. Rankin
Associate
Phone 505-954-7294
Fax 505-983-6043
AGRankin@hollandhart.com

March 5, 2012

VIA HAND DELIVERY

Jami Bailey
Oil Conservation Division
New Mexico Department of
Energy, Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

2012 MAR -5 P 11:15
RECEIVED OGD

Re: Application of Chesapeake Operating, Inc. for Amendment to Administrative Order NSL-6460 Approving An Unorthodox Well Location for the PLU Pierce Canyon 21 24 30 USA Well No. 1H in Section 21, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico.

Dear Ms. Bailey:

By Administrative Order NSL-6460, dated September 2, 2011, and attached as **Exhibit A**, the Division approved an unorthodox well location for Chesapeake Operating, Inc.'s ("Chesapeake") PLU Pierce Canyon 21 24 30 USA Well No. 1H located in Section 21, Township 24 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. Under the NSL Order, the wildcat well is to be drilled in the Bone Spring formation at a surface location and a penetration point 130 feet from the North line and 1940 feet from the East line, and a terminus location 330 feet from the South line and 1980 feet from the East line of Section 21. Notice was provided to the affected parties and no objection was received by the Division prior to issuance of Order NSL-6460.

As reflected on the attached amended C-102 report, attached as **Exhibit B**, Chesapeake now seeks to drill the well to a terminus location 100 feet from the South line of Section 21 in order to maximize the length of the completion interval within the target zone. Notice of Chesapeake's application to amend NSL-6460 has been sent to ConocoPhillips, **Exhibit C**, the lessee being encroached upon to the south.

Accordingly, Chesapeake respectfully requests that Administrative Order NSL-6460 be amended to reflect approval of a terminus location 100 feet instead of 350 feet from the South line of Section 21.

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Denver Aspen Boulder Colorado Springs Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Salt Lake City Santa Fe Washington, D.C. ☉



Your attention to this application is appreciated.

Sincerely,

Adam G. Rankin

ATTORNEY FOR CHESAPEAKE OPERATING, INC.

AGR

cc: David K. Brooks
Teresa Long, Chesapeake Operating, Inc. w/o encls



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

JamI Bailey
Division Director
Oil Conservation Division



September 2, 2011

Chesapeake Operating, Inc.
c/o Holland & Hart LLP
Attn: Ms Ocean Munds-Dry

Administrative Order NSL-6460
Administrative Application Reference No. pTWG11-21528274

Chesapeake Operating, Inc.
OGRID 147179
PLU Pierce Canyon 21 24 30 USA Well No. 1H
API No. 30-015-

Proposed Location:

	Footages	Unit	Sec.	Township	Range	County
Surface	130 FNL & 1940 FEL	B	21	24S	30E	Eddy
Penetration Point	same as surface location					
Terminus	330 FSL & 1980 FEL	O	21	24S	30E	Eddy

Proposed Project Area:

Description	Acres	Pool	Pool Code
W/2 E/2 Section 21	160	Wildcat Bone Spring	97798

Reference is made to your application received on August 3, 2011.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by statewide Rule 15.9.A [19.15.15.9.A NMAC], which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary, and Rule 15.16.14.B(2) [19.15.16.14.B(2) NMAC] concerning directional wells in designated project areas. This location is unorthodox because portions of the proposed producing interval are less than 330 feet from an outer boundary of the project area.

Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

Oil Conservation Division
1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD



It is our understanding that you are seeking this location for engineering reasons, in order to maximize the portion of the target zone within the producing area penetrated by the well bore lateral.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9 [19.15.15.9 NMAC].

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey", is written over a horizontal line.

Jami Bailey
Director

JB/db

cc: New Mexico Oil Conservation Division – Artesia
United States Bureau of Land Management

DISTRICT I

1625 N. French Dr., Hobbs, NM 88240
Phone (505) 393-6161 Fax: (505) 393-6720

DISTRICT II

611 S. First St., Artesia, NM 88210
Phone (505) 748-1263 Fax: (505) 748-0720

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 534-6178 Fax: (505) 534-6170

DISTRICT IV

1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 476-2460 Fax: (505) 476-3462State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102

Revised August 1, 2011

Submit one copy to appropriate
District Office

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-39768	Pool Code 96403	Pool Name WILDCAT; BONE SPRING
Property Code 38970	Property Name PLU PIERCE CANYON 21 24 30 USA	Well Number 1H
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING CO.	Elevation 3353'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	21	24 S	30 E		130	NORTH	1940	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	21	24 S	30 E		100	SOUTH	1980	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>SURFACE LOCATION</p> <p>Lat - N 32.21012306° Long - W 103.8838613° NMSPC - N 440467.503 E 680350.408 (NAD-83)</p> <p>Lat - N 32.209999848° Long - W 103.883375686° NMSPC - N 440408.685 E 639166.261 (NAD-27)</p> <p>Project Area</p>	<p>SL</p> <p>3347.0'</p> <p>3358.9'</p> <p>Projected Penetration Point 330' FSL & 1940' FEL</p> <p>5042.8'</p> <p>1940'</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Bryan Arrant</i> 02/21/2012 Signature Date</p> <p>Bryan Arrant Printed Name</p> <p>bryan.arrant@chk.com Email Address</p>
<p>PROPOSED BOTTOM HOLE LOCATION</p> <p>Lat - N 32.196248048° Long - W 103.883991213° NMSPC - N 435419.818 E 680331.314 (NAD-83)</p> <p>Lat - N 32.196124688° Long - W 103.883506203° NMSPC - N 435361.108 E 639147.012 (NAD-27)</p> <p>Producing Area</p>	<p>B.H.</p> <p>100'</p> <p>1980'</p>	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p>GARY L. JONES Date Surveyed Signature & Seal of Professional Surveyor</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS 24812</p>

EXHIBIT

B

EXHIBIT C

**Chesapeake's Application to Amend NSL-6460
PLU Pierce Canyon 21 24 30 USA Well No. 1H**

ConocoPhillips
Attn: Mr. Tom Atkins, Land Manager
3300 N. A Street, Building 6-100
Midland, TX 79705

HOLLAND & HART LLP



Adam G. Rankin
Phone 505-988-4421
Fax 505-983-6043
agrarkin@hollandhart.com

March 5, 2012

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO AFFECTED PARTIES

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Pierce Canyon 21 24 30 USA Well No. 1H well in the Bone Spring Pool Section 21, Township 24 South, Range 30 East, N.M.P.M., Eddy County, New Mexico.

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application to amend NSL-6460 which was filed with the New Mexico Oil Conservation Division on this date by Chesapeake Operating Co. for administrative approval of an unorthodox well location for its PLU Pierce Canyon 21 24 30 USA Well No. 1H. The proposed wildcat well is to be drilled in the Bone Spring formation at a surface location and a penetration point 130 feet from the North line and 1940 feet from the East line, and a terminus location 330 feet from the South line and 1980 feet from the East line of Section 21.

As an owner of an interest that may be affected by the proposed well, you may object to this application. Objections must be filed in writing within twenty days from this date at the Division's Santa Fe office that is located at 1220 South Saint Francis Drive, Santa Fe, New Mexico. 87505. If no objection is received within this twenty-day period, this application for an unorthodox well location may be approved.

Sincerely,

Adam G. Rankin

**ATTORNEY FOR CHESAPEAKE OPERATING,
INC.**

Enclosures

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Denver Aspen Boulder Colorado Springs Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Salt Lake City Santa Fe Washington, D.C. ☐

Brooks, David K., EMNRD

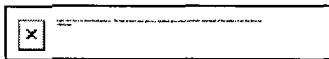
From: Adam Rankin [AGRankin@hollandhart.com]
Sent: Monday, March 19, 2012 11:04 AM
To: Brooks, David K., EMNRD
Subject: Chesapeake application to amend NSL 6460, PLU Pierce Canyon 21 24 30 1H

David,

This is a confirmatory email reflecting my request to expedite approval of the above-referenced application to amend NSL-6460. The application was filed and received by the Division on March 5. The application will be ripe for approval on March 26, assuming no objections are received. Because of its rig schedule, Chesapeake is currently drilling this well and would appreciate a timely approval.

Thanks for your consideration and attention this request.

Adam G. Rankin
Holland & Hart LLP
110 North Guadalupe Suite 1
P.O. Box 2208
Santa Fe, NM 87504
Office: (505) 988-4421
Direct: (505) 954-7294
Cell: (505) 570-0377
Fax (505) 983-6043
E-mail: agrarkin@hollandhart.com
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