

DATE IN 3.6.12	SUSPENSE	ENGINEER DB	LOGGED IN 3.6.12	TYPE NSL	APP NO 1206647018
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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



C hesapeake 147179

PLU Phantombank 47631 USA #114

ADMINISTRATIVE APPLICATION CHECKLIST

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

Title

3/5/12

Date

agr@rankin@hollandhart.com

e-mail Address

6488-A

RECEIVED OOD
 2012 MAR - 6 PM 1:16

N-4-76531/E

Amend-
 NSL 6488

West Jennings B.S.
 #6403-?

HOLLAND & HART^{LLP}



Adam G. Rankin
Associate

Phone 505-954-7294

Fax 505-983-6043

agrarkin@hollandhart.com

March 5, 2012

VIA HAND DELIVERY

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

RECEIVED OGD
MAR - 5 P 4:16

Re: Application of Chesapeake Operating, Inc. for Amendment to Administrative Order NSL-6488 Approving An Unorthodox Well Location for the PLU Phantom Banks 4 26 31 USA Well No. 1H in Section 4, Township 26 South, Range 31 East, NMPM, Eddy County, New Mexico.

Dear Ms. Bailey:

By Administrative Order NSL-6488, dated October 14, 2011, the Division approved an unorthodox well location for Chesapeake Operating, Inc.'s ("Chesapeake") PLU Phantom Banks 4 26 31 USA Well No. 1H located in Section 4, Township 21 South, Range 31 East, N.M.P.M., Eddy County, New Mexico. Under the NSL Order, the well is to be drilled in the Bone Spring formation at a surface location and a penetration point 300 feet from the South line and 1980 feet from the West line with a terminus location 350 feet from the North line and 1980 feet from the West line of Section 4. Notice was provided to the affected parties and no objection was received by the Division prior to issuance of Order NSL-6488.

As reflected on the attached amended C-102 report, Chesapeake now seeks to drill the well to a terminus location 100 feet from the North line of Section 4 in order to maximize the length of the completion interval within the target zone. Included with this cover letter is a letter from Bass Operating and Production Company, the only affected interest, waiving any objections to Chesapeake's request for such an amendment.

Accordingly, Chesapeake respectfully requests that Administrative Order NSL-6488 be amended to reflect approval of a terminus location 100 feet instead of 350 feet from the North line of Section 4.

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.

Enclosures
AGR

cc: David K. Brooks
Monty Montgomery, BOPCO
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



October 14, 2011

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

Administrative Order NSL-6488
Administrative Application Reference No. pTWG11-25857209

Chesapeake Operating, Inc.
OGRID 147179
PLU Phantom Banks 4 26 31 USA Well No. 1H
API No. 30-015

Proposed Location:

	Footages	Unit	Sec.	Township	Range	County
Surface	300 FSL & 2180 FWL	N	4	26S	31E	Eddy
Penetration Point	same as surface location					
Terminus	350 FNL & 1980 FWL	C	4	26S	31E	Eddy

Proposed Project Area:

Description	Acres	Pool	Pool Code
E/2 W/2 of Section 4	160	undesignated West Jennings; Bone Spring	

Reference is made to your application received on September 14, 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.

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



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].

It is our understanding that you are seeking this location for engineering reasons, in order to penetrate the maximum amount of the target zone within the producing area with the wellbore lateral.

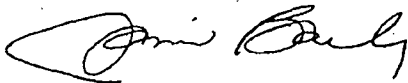
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

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 [19.15.5.9 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". The signature is fluid and cursive, with a large initial "J" and a stylized "B".

Jami Bailey
Director

JB/db

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

DATE IN 9/15/11	SUSPENSE	ENGINEER DB	LOGGED IN	TYPE NSL	APP NO. 1125257209
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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

PLU Phantom Bank 42631 HSP

ADMINISTRATIVE APPLICATION CHECKLIST

#1/H

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[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

RECEIVED OGD
SEP 16 P 3:36
Eddy Fed

- [1] TYPE OF APPLICATION - Check Those Which Apply for [A]
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☒ NSL ☐ NSP ☐ SD
- Check One Only for [B] or [C]
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☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM
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☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR
- [D] Other: Specify _____
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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
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[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.

Ocean Mounds-Dry Ocean Mounds-Dry Attorney 9-14-11
 Print or Type Name Signature Title Date
 amundsdry@hollandhart.com
 e-mail Address

September 14, 2011

HAND-DELIVERED

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

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Phantom Banks 4 26 31 USA Well No. 1H to be drilled from a surface location and penetration point 300 feet from the South line and 2180 feet from the West line and a bottomhole location 350 feet from the North line and 1980 feet from the West line of Section 4, Township 26 South, Range 31 East, NMPM, Eddy County, New Mexico.

Dear Ms. Bailey:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks administrative approval pursuant to the provisions of Division Rules 19.15.15.13 and 19.15.16.14 for an unorthodox well location for its PLU Pierce Canyon 4 26 31 USA Well No. 1H. This wildcat well is located in Section 4, Township 26 South, Range 31 East, N.M.P.M., Eddy County, New Mexico and is to be drilled in the Bone Spring formation at a surface location and a penetration point 300 feet from the South line and 2180 feet from the West line and a bottomhole location 350 feet from the North line and 1980 feet from the West line of Section 4, Eddy County, New Mexico. A 160-acre project area has been dedicated to this horizontal well comprised of the E/2 W/2 of Section 4.

This location is unorthodox because the Bone Spring formation under this acreage is governed by the Division's statewide rules which provide for wells on 40-acre spacing units to be located no closer than 330 feet to the outer boundary of the spacing unit. Division Rule 19.15.16.14 defines the "Penetration Point" as "the point where the wellbore penetrates the top of the pool from which it is intended to produce." The wellbore penetrates the Bone Spring formation at a point 300 feet from the South line of Section 4 and 50 feet south of the producing area; it is, therefore, closer than allowed by Division rules.

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

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

HOLLAND & HART



Although the wellbore penetrates the top of the Bone Spring at an unorthodox location, the well will be at a standard location at the producing interval. Chesapeake is targeting the Lower Avalon at approximately 8,710 feet (TVD). Therefore, once Chesapeake reaches the targeted formation, it will be at a standard location.

Exhibit A is a plat showing the location of the well. This location is encroaching to the south of Section 4. This location is within the Poker Lake Unit which is operated by BOPCo. A copy of this application with all attachments was mailed to BOPCo. and ConocoPhillips and they were advised that if they have an objection to this application it must be filed in writing with the Division's Santa Fe office within twenty days from the date notice was sent. BOPCo. was also advised that if no objections were received by the Division within twenty days, the Division Director could approve the application.

Exhibit B is the C-102 for this well.

Exhibit C is the notice list.

Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry
ATTORNEY FOR
CHESAPEAKE OPERATING, INC.

Enclosures

cc: OCD District Office - Artesia

DISTRICT I

1025 N. French Dr., Hobbs, NM 88240

DISTRICT II

1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1820 S. St. Francis Dr., Santa Fe, NM 87503

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102

Revised July 16, 2010

Submit one copy to appropriate
District Office

OIL CONSERVATION DIVISION

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 96403	Pool Name <i>West Jennings BS</i> WILDCAT, BONE SPRING
Property Code	Property Name PLU PHANTOM BANKS 4 26 31 USA	Well Number 1H
GRID No. 147179	Operator Name CHESAPEAKE OPERATING CO.	Elevation 3277'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	4	26 S	31 E		300	SOUTH	2180	WEST	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
C	4	26 S	31 E		350	NORTH	1980	WEST	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

	PROPOSED BOTTOM HOLE LOCATION Lat - N 32.07844149° Long - W 103.7853968° NMSPC - N 392705.192 NMSPC - E 711047.665 (NAD-83) Lat - N 32.07831877° Long - W 103.78492021° NMSPC - N 392847.501 NMSPC - E 869861.629 (NAD-27)	OPERATOR CERTIFICATION 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. <i>Bryan Arrant</i> 8/25/2011 Signature Date Printed Name Bryan Arrant Email Address bryan.arrant@chk.com
	Penetration Point & SURFACE LOCATION Lat - N 32.06558211° Long - W 103.7847756° NMSPC - N 388028.181 NMSPC - E 711283.836 (NAD-83) Lat - N 32.06545727° Long - W 103.78429970° NMSPC - N 387970.608	SURVEYOR CERTIFICATION 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. Date Surveyed Signature & Seal of Professional Surveyor Certificate No. Gary L. Jones 7877 BASIN SURVEYS 24762

EXHIBIT

B

Exhibit C

Chesapeake's NSL Application
PLU Pierce Canyon 4 26 31 USA Well No. 1H

BOPCo., LP
201 W. Main Street Suite 3100
Fort Worth, Texas 76102

ConocoPhillips
3300 N. A Street
Building 6-100
Midland, Texas 79705



HOLLAND & HART^{LLP}



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

February 29, 2012

VIA E-MAIL AND
UPS OVERNIGHT DELIVERY

BEPCO *

Attn.: Monty Montgomery
201 Main Street, Suite 3100
Fort Worth, Texas 76102

Re: Application of Chesapeake Operating, Inc. to Amend NSL-6488.

Dear Mr. Montgomery:

Chesapeake Operating, Inc. intends to submit the above-referenced application to the New Mexico Oil Conservation Division to amend NSL-6488, see attached, to change the approved bottom-hole location. NSL-6488 provides for a bottom-hole location 350 feet from the North line of Section 4, Township 26 South, Range 31 East, N.M. P.M., Eddy County, New Mexico. Chesapeake Operating, Inc. is seeking to change the bottom-hole location to an unorthodox location 100 feet from the North line of said Section 4.

Division Rules provide that an application may be approved sooner if the applicant obtains waivers from affected parties. We therefore request your waiver of objection to this administrative application. We respectfully request you that you sign this letter and return it by e-mail delivery to me (agrarkin@hollandhart.com) as soon as possible.

Thank you for your consideration of this matter. Should you wish to discuss please feel free to call Teresa Long at (405) 935-9175.

Sincerely,

Adam G. Rankin

BEPCO* agrees to waive objection to Chesapeake Operating, Inc.'s application for an unorthodox well location for its **PLU Phantom Banks 4 26 31 USA 1H** well.

By: W. Frank McCreight

Name & Title

W. Frank McCreight, Sr. Vice President

Date: 3-5-2012

*now known as BOPCO, L.P.

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. ☺

DISTRICT I1625 N. French Dr., Hobbs, NM 88240
Phone (505) 393-8181 Fax: (505) 393-0720**DISTRICT II**811 S. First St., Artesia, NM 88210
Phone (505) 748-1883 Fax: (505) 748-9720**DISTRICT III**1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 334-6178 Fax: (505) 334-6170**DISTRICT IV**1920 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 476-3460 Fax: (505) 476-8462State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102

Revised August 1, 2011

Submit one copy to appropriate
District Office**OIL CONSERVATION DIVISION****WELL LOCATION AND ACREAGE DEDICATION PLAT**☐ AMENDED REPORT

API Number 30-015-39847	Pool Code 97860	Pool Name Jennings; Bone Spring, West
Property Code 39032	Property Name PLU PHANTOM BANKS 4 26 31 USA	Well Number 1H
OGMD No. 147179	Operator Name CHESAPEAKE OPERATING CO.	Elevation 3277'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	4	26 S	31 E		300	SOUTH	2180	WEST	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
C	4	26 S	31 E		100	NORTH	1980	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
162.81			

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>Project Area</p> <p>Producing Area</p> <p>Projected Penetration Point 330' FSL & 2180' FWL</p> <p>3276.0'</p> <p>3278.0'</p> <p>3267.0'</p> <p>3267.9'</p>	PROPOSED BOTTOM HOLE LOCATION Lat - N 32.078128513 Long - W 103.785394885 NMSPCE- N 392955.122 E 711046.981 (NAD-83) Lat - N 32.079003800 Long - W 103.784918286 NMSPCE- N 392897.425 E 669860.954 (NAD-27)	OPERATOR CERTIFICATION 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. Signature Date 02/22/2012 Printed Name Bryan Arrant Email Address bryan.arrant@chk.com
	SURFACE LOCATION Lat - N 32.06558211" Long - W 103.7847756" NMSPCE- N 388028.191 E 711263.836 (NAD-83) Lat - N 32.06545727" Long - W 103.78429970" NMSPCE- N 387970.608 E 670077.627 (NAD-27)	SURVEYOR CERTIFICATION 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. Date Surveyed Signature & Seal of Professional Surveyor Certificate No. Gary L. Jones 7977 BASIN SURVEYS 24762

