

DATE IN 9/26/12	SUSPENSE NA	ENGINEER Brooks	LOGGED IN 9/27/12	TYPE NSL	APP NO. PKVR1227130378
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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 Operating  
INC  
PLU Phantom Banks  
20 25 31 USA #1H

## 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 \_\_\_\_\_

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### [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 9/26/12  
agranger@hollandhart.com  
Title Date e-mail Address



September 26, 2012

**VIA HAND DELIVERY**

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

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2012 SEP 26 A 10:59

**Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Phantom Banks 20 25 31 USA 1H well in Section 20, Township 25 South, Range 31 East, N.M.P.M., Eddy County, New Mexico.**

Dear Ms. Bailey:

Chesapeake Operating, Inc. (OGRID No. 147179) hereby seeks administrative approval pursuant to the provisions of Division Rule 19.15.15.13 NMAC for an unorthodox well location for its PLU Phantom Banks 20 25 31 USA 1H well to be located in Section 20, Township 25 South, Range 31 East, N.M.P.M., Eddy County, New Mexico. The proposed well is to be drilled horizontally at a surface location 150 feet from the North line with a penetration point 330 feet from the North line and approximately 660 feet from the West line of Section 20. The bottom-hole location will be at an unorthodox location 100 feet from the South line and 660 feet from the West line of Section 20. A 160-acre project area has been dedicated to this horizontal well comprised of the W/2 W/2 of Section 20.

**Exhibit A** is a land plat for Section 20 and surrounding sections that shows the proposed non-standard location of the PLU Phantom Banks 20 25 31 USA 1H well in relation to adjoining units and existing wells. This location is unorthodox because the formations under this acreage are 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. The bottom-hole location of this well will be located 100 feet from the South line of Section 20 for engineering reasons, and is, therefore, closer to the section line than allowed by Division rules.

**Exhibit B** is the Well Location and Acreage Dedication Plat (Form C-102), which shows that the proposed PLU Phantom Banks 20 25 31 USA 1H well encroaches on the spacing and proration unit to the South.



**Exhibit C** is a list of the affected parties. Pursuant to 19.15.4.12(A)(2)(c) NMAC, affected parties are those toward whom the non-standard location encroaches. Here, the proposed bottom-hole location encroaches on the spacing and proration unit to the South. The affected lessee is BOPCO, L.P. A copy of this application with all attachments was mailed to the notice recipient.

**Exhibit D** is a letter signed by BOPCO, L.P. waiving all objections to the encroachment by the PLU Phantom Banks 20 25 31 USA 1H well.

Your attention to this application is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read 'Adam G. Rankin'.

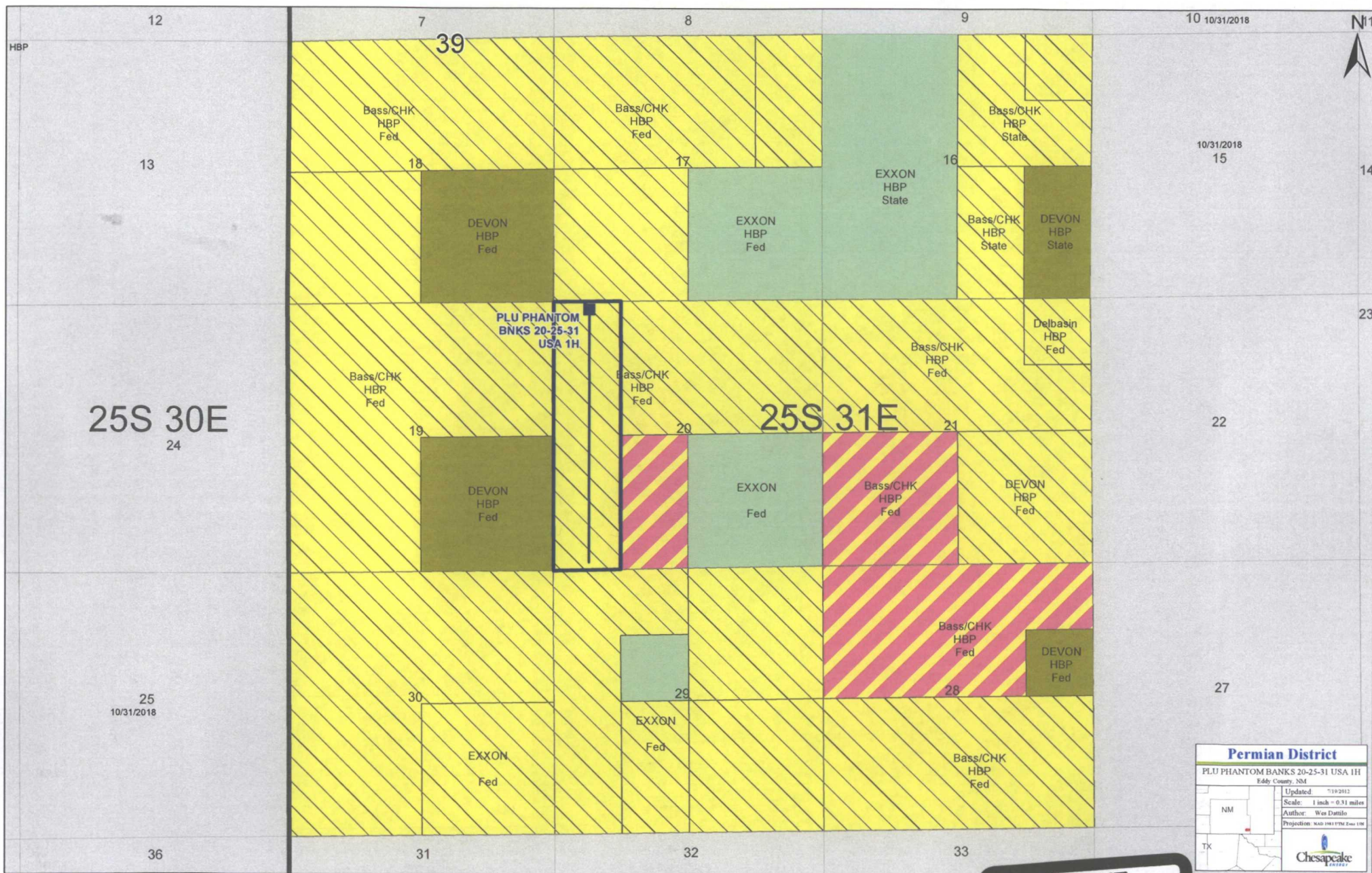
Adam G. Rankin

**ATTORNEY FOR CHESAPEAKE OPERATING, INC.**

AGR

cc: Monty Montgomery, BOPCO, L.P.

Enclosures



**Permian District**  
 PLU PHANTOM BANKS 20-25-31 USA 1H  
 Eddy County, NM  
 Updated: 11/18/2012  
 Scale: 1 inch = 0.31 miles  
 Author: Wes Dattilo  
 Projection: NAD 1983 UTM Zone 18N  
 TX NM



District I  
 1635 N. French Dr., Hobbs, NM 88240  
 Phone: (505) 393-6161 Fax: (505) 393-6170  
 District II  
 811 S. First St., Artesia, NM 88210  
 Phone: (505) 748-4283 Fax: (505) 748-9720  
 District III  
 1000 Rio Arriba Road, Aztec, NM 87410  
 Phone: (505) 331-6178 Fax: (505) 331-6170  
 District IV  
 1220 S. St. Francis Dr., Santa Fe, NM 87505  
 Phone: (505) 476-3160 Fax: (505) 476-3462

State of New Mexico  
 Energy, Minerals & Natural Resources Department  
 OIL CONSERVATION DIVISION  
 1220 South St. Francis Dr.  
 Santa Fe, NM 87505

Form C-102  
 Revised August 1, 2011  
 Submit one copy to appropriate  
 District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 APL Number <b>30-015-40764</b>		2 Pool Code		3 Pool Name <b>WC; BIG SINKS; BONE SPRING</b>	
4 Property Code		5 Property Name <b>PLU PHANTOM BANKS 20 25 31 USA</b>			6 Well Number <b>III</b>
7 OGRIN No. <b>147170</b>		8 Operator Name <b>CHESAPEAKE OPERATING, INC.</b>			9 Elevation <b>3383'</b>

" Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	20	25S	31E		150'	NORTH	660'	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
M	20	25S	31E		100'	SOUTH	660'	WEST	EDDY
10 Dedicated Acres <b>160</b>		11 Joint or Infill		12 Consolidation Code		13 Order No. <b>NSL-Pending</b>			

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.

PROJECTED FIRST PERES  
330' FNL & 660' FWL

	<b>PLU PHANTOM BANKS 20 25 31 USA NO. II WELL</b> X= 663,226 NAD 27 Y= 408,732 LAT. 32.122624 LONG. 103.806088 X= 704,412 NAD83 Y= 408,790 LAT. 32.122748 LONG. 103.806587 ELEVATION +3383' MVD 88	<b>" OPERATOR CERTIFICATION</b> 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 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 is a voluntary pooling agreement or a compulsory pooling order hereby caused by the division. Signature: <i>Bryan Arant</i> Date: 07/18/2012 Printed Name: Bryan Arant Email Address: bryan.arant@chh.com
	<b>PROPOSED BOTTOM HOLE LOCATION</b> X= 663,213 NAD 27 Y= 403,687 LAT. 32.103701 LONG. 103.806212 X= 704,388 NAD83 Y= 403,725 LAT. 32.108825 LONG. 103.806591	<b>" SURVEYOR CERTIFICATION</b> 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 of Survey: June 12, 2012 Signature and Seal of Registered Professional Surveyor: <i>[Signature]</i> Certificate Number: #15078

EXHIBIT

B

**EXHIBIT C**

**Chesapeake's NSL Application  
PLU Phantom Banks 20 25 31 USA 1H well**

BOPCO, L.P.  
201 Main Street, Suite 3100  
Ft. Worth, TX 76102



Teresa Long  
Assistant Landman - Permian District

September 13, 2012

Mr. Monty Montgomery  
BOPCO, L.P.  
201 Main Street, Suite 3100  
Ft. Worth, TX 76102

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Phantom Banks 20 25 31 USA 1H well in the WC; Big Sinks; Bone Spring Pool in Section 20, Township 25 South, Range 31 East, N.M.P.M., Eddy County, New Mexico.

Dear Mr. Montgomery:

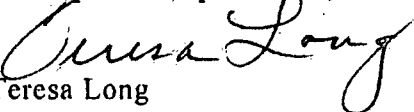
Chesapeake Operating, Inc. has submitted the above-referenced application to the New Mexico Oil Conservation Division for an unorthodox well location for its PLU Phantom Banks 20 25 31 USA 1H well. This well is located in Section 20, Township 25 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, and is to be drilled horizontally in the Bone Spring pool at a surface location 150 feet from the North line with a penetration point 330 feet from the North line and approximately 660 feet from the West line of Section 20. The bottom-hole location will be 100 feet from the South line and 660 feet from the West line of Section 20.

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 or overnight delivery as soon as possible.

Thank you for your consideration of this matter. Should you wish to discuss, please feel free to call me at 405-935-9175.

Sincerely,

Chesapeake Exploration, L.L.C.

  
Teresa Long

BOPCO, L.P. agrees to waive objection to Chesapeake Operating, Inc.'s application for an unorthodox well location for its PLU Phantom Banks 20 25 31 USA 1H well.



Non-standard Location Waiver Letter  
PLU Phantom Banks 20 25 31 USA 1H  
Page Two

**BOPCO, L.P., a Delaware limited partnership**

By: BOPCO GP, L.L.C., a Delaware limited  
liability company, general partner

By: W. Frank McCreight  
W. Frank McCreight, Sr. Vice President *WFM*

Date: 9.19.12

## Brooks, David K., EMNRD

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**From:** Adam Rankin <AGRankin@hollandhart.com>  
**Sent:** Thursday, September 27, 2012 10:34 AM  
**To:** Brooks, David K., EMNRD  
**Subject:** RE: Chesapeake - PLU Big Sinks 14 24 30 USA #1; NSL Application

David,

You may have questions regarding other recent NSL applications filed by Chesapeake, so I've included target formation information for those other wells, too.

Big Sinks 14 24 30 USA 1H - First Bone Spring Shale  
Phantom Banks 25 25 30 USA 1H - First Bone Spring Shale  
Phantom Banks 20 25 31 USA 1H - First Bone Spring Shale

Let me know if you have any questions.

Thanks!

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**From:** Brooks, David K., EMNRD [<mailto:david.brooks@state.nm.us>]  
**Sent:** Wednesday, September 26, 2012 5:41 PM  
**To:** Adam Rankin  
**Subject:** Chesapeake - PLU Big Sinks 14 24 30 USA #1; NSL Application

Dear Adam

Can you advise me of the target formation for this well? I have been unable to find a description of the wildcat pool identified on your attached Form C-102 that associates it with a formation.

Sincerely

David