

Stogner, Michael, EMNRD

From: Stogner, Michael, EMNRD
To: Ocean Munds-Dry
Cc:
Subject:
Attachments:

Sent: Wed 5/24/2006 4:53 PM

Re: Chesapeake's proposed LE "35" State Well No. 2 to be drilled 2255' FSL & 898' FEL (Unit I) of Sec. 35-T16S-R37E, Shipp-Strawn Pool, Lea County, NM.

Ms. Munds-Dry: For clarification: the "Land Plat" shows that Chesapeake owns 76.328% of the WI in the offsetting fee acreage comprising the W/2 SE/4 of Section 11. Who owns the other 23.6172%?

Stogner, Michael, EMNRD

From: Ocean Munds-Dry [Omundsdry@hollandhart.com]
To: Stogner, Michael, EMNRD
Cc:
Subject: FW:
Attachments:

Sent: Thu 6/1/2006 11:19 AM

Is this what you need?

From: Lynda Townsend [mailto:ltownsend@chkenenergy.com]
Sent: Tuesday, May 30, 2006 2:42 PM
To: Ocean Munds-Dry
Subject: RE:

Ocean - I believe Mr. Stogner means the W/2 SE/4 of Section 35 - we now own 77.164%, the rest is owned as follows:

Mineral interest (negotiating lease)
Hanesco, Inc. 16.8985%
Mineral interest (wants to participate)
Roy G. Barton, Jr. 3.125%
HBP by SE/4 of Section 34: West Knowles #1 & #3 wells, Cimarron Explor. Co., oper.
Michael Herd Moore 1.5625%
Loneta S. Curtis 1.25%

THANKS,

Lynda F. Townsend
Chesapeake Energy Corporation
Land Bldg.-251, Ext. 9414
Senior Landman-Permian Basin
405-879-9414
405-767-4251 (fax)
ltownsend@chkenenergy.com

From: Ocean Munds-Dry [mailto:Omundsdry@hollandhart.com]
Sent: Thursday, May 25, 2006 9:58 AM
To: Lynda Townsend
Subject: FW:

Lynda:
I think you are out of the office, so when you get back can you answer Mr. Stogner's question below?

From: Stogner, Michael, EMNRD [mailto:michael.stogner@state.nm.us]
Sent: Wednesday, May 24, 2006 4:54 PM
To: Ocean Munds-Dry
Subject:

Re: Chesapeake's proposed LE "35" State Well No. 2 to be drilled 2255' FSL & 898' FEL (Unit I) of Sec. 35-T16S-R37E, Shipp-Strawn Pool, Lea County, NM.

Ms. Munds-Dry: For clarification: the "Land Plat" shows that Chesapeake owns 76.328% of the WI in the offsetting fee acreage comprising the W/2 SE/4 of Section 11. Who owns the other 23.6172%?

35

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Stogner, Michael, EMNRD

From: Stogner, Michael, EMNRD
To: Ocean Munds-Dry
Cc:
Subject: RE: Incomplete application
Attachments:

Sent: Thu 6/1/2006 1:49 PM

Re: Chesapeake's proposed LE "35" State Well No. 2 to be drilled 2255' FSL & 898' FEL (Unit I) of Sec. 35-T16S-R37E, Shipp-Strawn Pool, Lea County, NM.

Ms. Munds-Dry: Per your reply this morning, this application is incomplete with respect to notice. Your application only shows that Case Oil Company was provided notice. Since the well is 88 feet closer to the offsetting acreage comprising the W/2 SE/4 of Section 35, the list of mineral interests you provided are also due notice pursuant to Division Rule 1210.A (2) which reads in its entirety:

"(2) Unorthodox well locations.

(a) "Affected persons" are the following persons owning interests in the adjoining spacing units:

(i) the division-designated operator;

(ii) in the absence of an operator, any lessee whose interest is evidenced by a written conveyance document either of record or known to the applicant as of the date he files the application; and

(iii) in the absence of an operator or lessee, any mineral interest owner whose interest is evidenced by a written conveyance document either of record or known to the applicant as of the date he filed the application.

(b) In the event the proposed unorthodox well's operator is also the operator of an existing, adjoining spacing unit, and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then "affected persons" include all working interest owners in that spacing unit.

(c) If the proposed location is unorthodox by being located closer to the spacing unit's outer boundary than 19.15.3.104 NMAC or applicable special pool rules permit, the applicant shall notify the affected persons in the adjoining spacing units towards which the unorthodox location encroaches.

(d) If the proposed location is unorthodox by being located in a different quarter-quarter section or quarter section than special pool orders provide, the applicant shall notify all affected persons".

Please submit proof of notice. Thank you.

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Re: Chesapeake's proposed LE "35" State Well No. 2 to be drilled 2255' FSL & 898' FEL (Unit I) of Sec. 35-T16S-R37E, Shipp-Strawn Pool, Lea County, NM.

Ms. Munds-Dry: For clarification: the "Land Plat" shows that Chesapeake owns 76.328% of the W1 in the offsetting fee acreage comprising the W/2 SE/4 of Section 11. Who owns the other 23.6172%?

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HOLLAND & HART^{LLP}



**Ocean Munds-Dry
Associate**

omundsdry@hollandhart.com

June 15, 2006

HAND DELIVERY

Mr. Mark Fesmire, Director
ATTN: Michael Stogner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

2006 JUN 15 PM 3 44

Re: Application of Chesapeake Operating, Inc., for administrative approval of an unorthodox well location for its LE 35 State Well No. 2, to be drilled to the Strawn formation at a surface location 2255 feet from the South line and 898 feet from the East line of Section 35, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Stogner:

Pursuant to your e-mail communication on June 1, 2006, Chesapeake Operating, Inc. has provided notice of its application for an unorthodox well location for its LE 35 State Well No. 2, to be drilled 2255 feet from the South line and 898 feet from the East line of Section 35, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico to the following affected interest owners in offsetting acreage:

Hanesco, Inc.
2210 Encinitas Blvd. Ste Y
Encinitas, CA 92024

Roy G. Barton, Jr.
Box 968
Hobbs, New Mexico 88240

Cimarron Exploration Co.
P.O. Box 1592
Roswell, New Mexico 88202

Michael Herd Moore
P.O. Box 1669

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. ♻

June 15, 2006

Page 2

HOLLAND & HART LLP



Santa Rosa Beach, Florida 32459

Loneta S. Curtis
605 South 15th
Artesia, New Mexico 88210

As required by Rule 1210(A)(2), a copy of this application (with attachments) has been sent to those listed above in accordance with Rule 1207(A)(5) and they have been 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 this notice was sent. A copy of this letter is attached for your information.

Sincerely,

Ocean Munds-Dry
ATTORNEY FOR CHESAPEAKE
OPERATING, INC.

Enclosure



June 15, 2006

CERTIFIED MAIL
RETURN RECEIPT REQUESTED**AFFECTED INTEREST OWNERS**

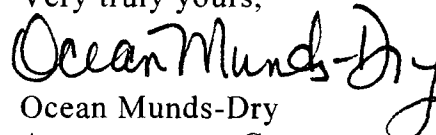
Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its LE 35 State Well No. 2, to be drilled 2255 feet from the South line and 898 feet from the East line of Section 35, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on April 18, 2006 by Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its LE 35 State Well No. 2, to be drilled to the Strawn formation, Shipp-Strawn Gas Pool, at a location 2255 feet from the South line and 898 feet from the East line of Section 35, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

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.

Very truly yours,


Ocean Munds-Dry
ATTORNEY FOR CHESAPEAKE
OPERATING, INC.

Enclosures

April 18, 2006

HAND DELIVERY

Mr. Mark Fesmire, 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 LE 35 State Well No. 2, to be drilled to the Strawn formation at a surface location 2255 feet from the South line and 898 feet from the East line of Section 35, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Fesmire:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4) and Rule 4 of the Special Rules for the Shipp-Strawn Pool, of an unorthodox well location in the Shipp-Strawn Pool for its LE 35 State Well No. 2 located 2255 feet from the South line and 898 feet from the East line of Section 35 (Unit E), Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico.


This proposed location in the Strawn formation is unorthodox because it is governed by Special Pool Rules and Regulations for the Shipp-Strawn Pool which provides for wells on 80-acre spacing units to be located within 150 feet of the center of a governmental quarter-quarter section or lot. The proposed unorthodox well location is 214 feet outside of the standard orthodox location circle. A standard 80-acre spacing unit and proration unit comprised of the E/2 SE/4 of Section 35 will be dedicated to the well.

The non-standard location is required by geologic conditions. As shown on the attached **Exhibit A**, the proposed location is positioned to encounter the Strawn formation at the highest and thickest point possible. Exhibit A is a composite map based upon subsurface geology and 3D seismic interpretation and shows a (Isopach) net

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. 

This is a Patch T type separator



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Strawn Porosity Contour Interval of 20 feet (in green) and a (Structure) T/Strawn Porosity Contour Interval of 50 feet (gray contour lines). The map also shows the Strawn producers in red along with the cumulative production gas (in red) and oil (in green). Finally, the map shows the Strawn water leg in blue. A location within the orthodox circle would find minimal thickness of Strawn porosity and would not be in the best structural position, resulting in a dryhole or a non-commercial producer which would ultimately leave the bulk of the reserves unrecovered. The abandoned Strawn producer in the SE/4 SE/4 (S/2 of 80-acre unit), produced 35 MBO, 72 MMCFG and 32 MBW. The water cut increased significantly late in the producing life of the well. The water leg depicted in blue on the map is the original water contact for the reservoir. The current water contact has moved up and sits at the structural level of this abandoned producer. A location within the orthodox circle of the SE4/SE4 would be essentially a twin to this wellbore and would result in a dryhole. An orthodox location in the NE4/SE/4 would also be within the present day water column and would encroach the edge of the Strawn porosity development.

Exhibit B is a plat that shows the subject area, the 80-acre proposed spacing unit comprised of the E/2 SE/4 of Section 35, the proposed unorthodox well location and the offsetting spacing units.

Exhibit C is the C-102 filed for the well that shows the surveyed location of the well.

Exhibit D is a list of affected parties. As required by Rule 1210(A)(2), a copy of this application (with attachments) has been sent to those listed on Exhibit D in accordance with Rule 1207(A)(5) and they have been 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 this notice was sent.

Also enclosed is a proposed administrative order prepared by Chesapeake on behalf of the Division.

Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry

Ocean Munds-Dry
ATTORNEY FOR CHESAPEAKE
OPERATING, INC.

Enclosures

cc: David Godsey

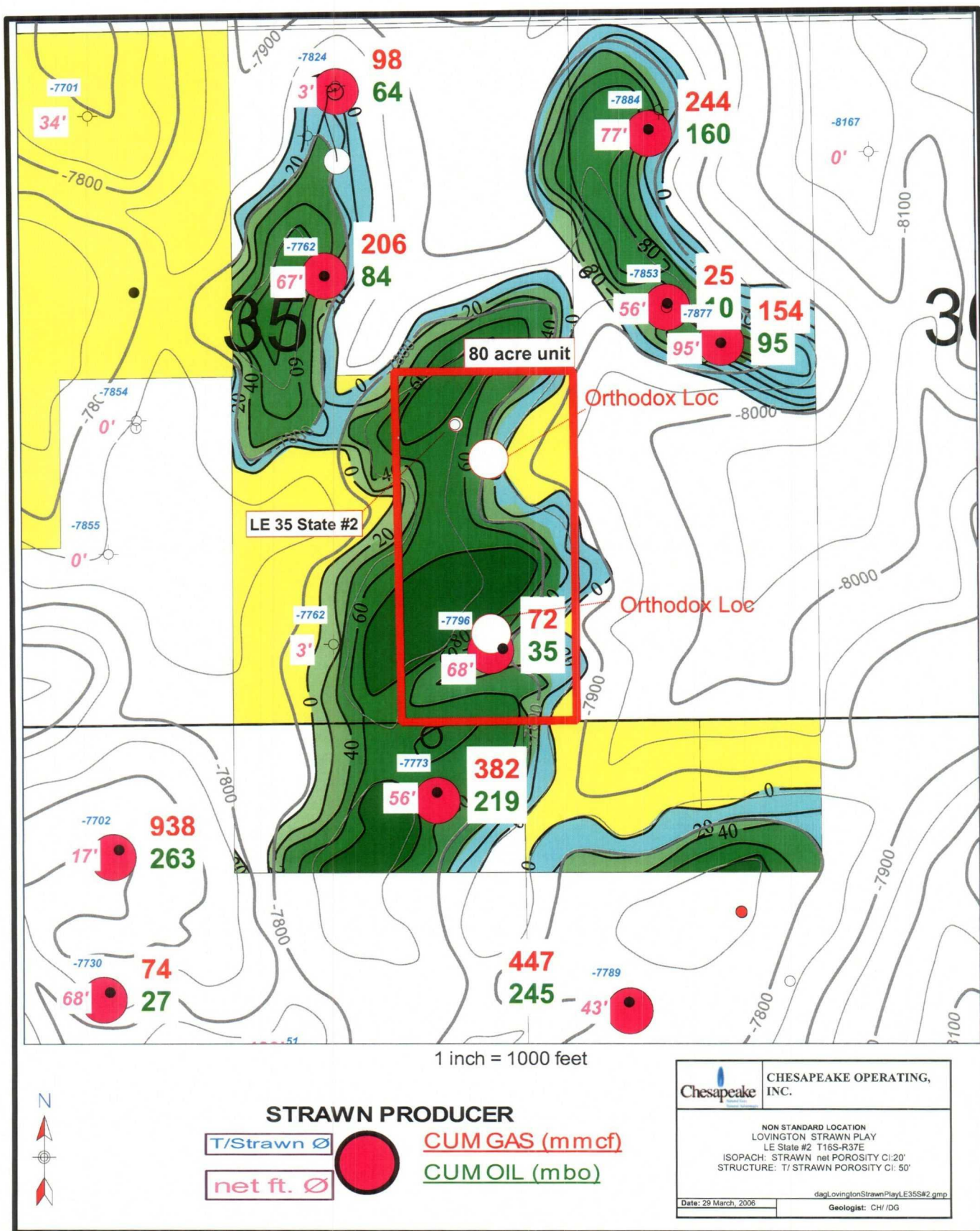
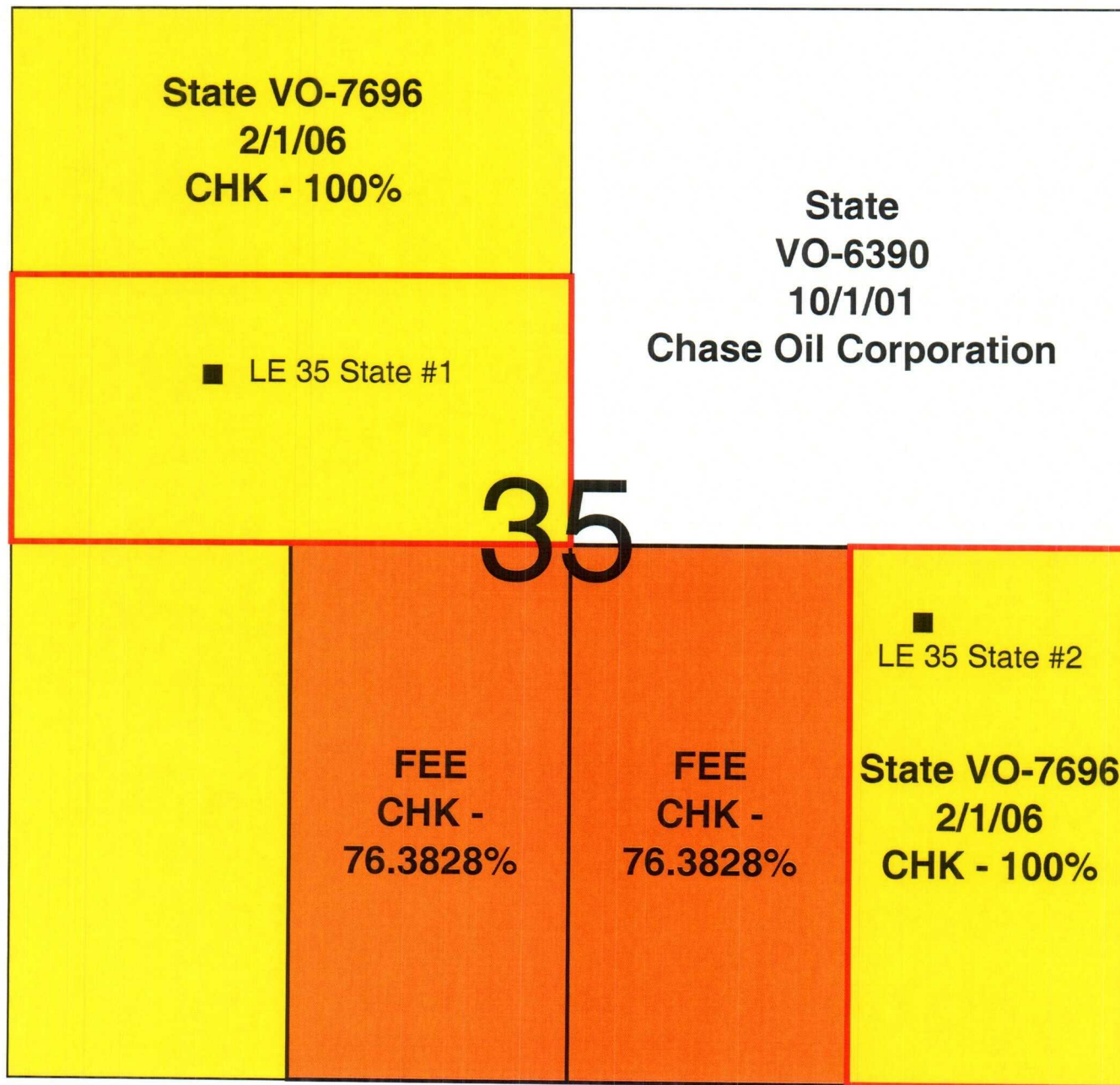


EXHIBIT A

LAND PLAT



CHESAPEAKE OPERATING, INC.
SECTION 35-16S-37E
Lea County, New Mexico

EXHIBIT B

LE 35 State #1 Well
1879' FNL and 978' FWL
LE 35 State #2 Well
2255' FSL and 898' FEL

Exhibit D

**Application of Chesapeake Operating, Inc.
LE 35 State Well No. 2**

Chase Oil Company
P.O. Box 1767
Artesia, New Mexico 88211

HanESCO, Inc.
2210 Encinitas Blvd. Ste Y
Encinitas, CA 92024

Roy G. Barton, Jr.
Box 968
Hobbs, New Mexico 88240

Cimarron Exploration Co.
P.O. Box 1592
Roswell, New Mexico 88202

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P.O. Box 1669
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