	ABOVE THIS LINE FOR DIVISION USE ONLY NEW MEXICO OIL CONSERVATION DIVISION - Engineering Bureau - 1220 South St. Francis Drive, Santa Fe, NM 87505 # 2 H
	ADMINISTRATIVE APPLICATION CHECKLIST
	Cation 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]
[1]	TYPE OF APPLICATION - Check Those Which Apply for [A] [A] Location - Spacing Unit - Simultaneous Dedication [A] Location - Spacing Unit - Simultaneous Dedication [A] NSP [S] 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 C (D) Other: Specify T T T T
	[D] Other: Specify
[2]	NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply
	[B] Diffset 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 val is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this

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Ocean Munds-	Dry	Ocean Munds-Dry	attorney	5-9-08
Print or Type Name	5	Signature J	Title	Date
			Omundsdrypho e-mail Address	llandhart.com

HOLLAND&HART.

Ocean Munds-Dry omundsdry@hollandhart.com

May 9, 2008

HAND-DELIVERED

Mark E. Fesmire, P.E. Director Oil Conservation Division New Mexico Department of Energy, Minerals and Natural Resources 1220 South Saint Francis Drive Santa Fe, New Mexico 87505

NSL 5720 5799-8

- 5

Re: Application of Chesapeake Operating, Inc. to amend Administrative Order NSL-5799 for administrative approval of an unorthodox penetration point for its IMC 21 Federal Well No. 2H drilled as a horizontal wellbore from a surface location 460 feet from the North line and 410 feet from the East line, intersecting the Delaware formation at an unorthodox penetration point 460 feet from the North line and 410 feet from the East line to a standard bottomhole location 330 feet from the South line and 650 feet from the East line of Section 21, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico.

Dear Mr. Fesmire:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks administrative approval to amend Administrative Order NSL-5799 pursuant to the provisions of Division Rules 104 and 111 of an unorthodox penetration point for its IMC 21 Federal Well No. 2H. This well is located in Section 21, Township 23 South, Range 29 East, N.M.P.M., Eddy County, New Mexico which has been drilled to test the Delaware formation, Harroun Ranch Delaware Oil Pool, from an unorthodox surface location 460 feet from the North line and 410 feet from the East line, intersecting the Delaware formation at an unorthodox penetration point 460 feet from the North line and 410 feet from the East line, and to a standard bottomhole location 330 feet from the South line and 650 feet from the East line of said Section 21, Eddy County, New Mexico. A 120-acre project area has been dedicated to this horizontal well comprised of the SE/4 NE/4 and the E/2 SE/4 of Section 21.

This location is unorthodox because the Delaware 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 111 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

Holland & Hart LUP

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. 3



penetrates the Delaware formation at a point outside of the producing area and the project area.

In its original application, Chesapeake indicated that the well would be at a standard location at the producing interval. Administrative Order NSL-5799 granted Chesapeake's application for a non-standard location for the well, but also stated that it was the Division's understanding that "the only interval that will be perforated is the Lower Brushy Canyon member of the Delaware formation, and all perforations will be located in the producing area."

Chesapeake now requests approval to perforate and produce beginning at the northern boundary of the project area, at a measured depth of 7,228 feet, dedicated to the well. When the well was completed, in order to be 330 feet from the northern line, Chesapeake set the shallowest perforation at 7,558 feet. Chesapeake therefore requests approval to perforate and produce that interval from 7,228 feet to 7,558 feet.

Exhibit A is a copy of the mudlog for the IMC 21 Fed Com Well 2H. The lithology that corresponds to the highlighted interval from 7,228 feet to 7,558 feet is roughly 90% shale, has no shows, no gas increase and slow drilling. **Exhibit B** is a TerraVu (Geo-Steering) Cross-Section that illustrates, in the highlighted area that the interval is out of zone. This corresponds with what is shown on the mudlog.

As previously stated, ownership is identical in the offsetting spacing unit towards which the well encroaches and therefore no notice is required pursuant to Division rules. However, because Chesapeake seeks to perforate and produce closer to the offsetting unit, it is providing a copy of this application with all attachments to all interest owners in the offsetting spacing unit as well as Devon who is the operator to the north in Section 16. Affected parties are listed in <u>Exhibit C</u> to this application. The affected parties 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. It was also advised that if no objections were received by the Division within twenty days, the Division Director could approve the application.

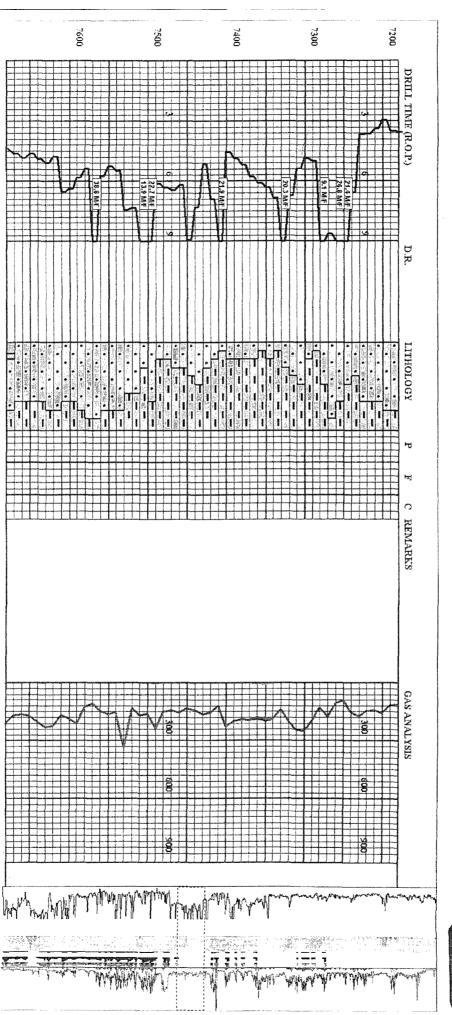
Your attention to this application is appreciated.

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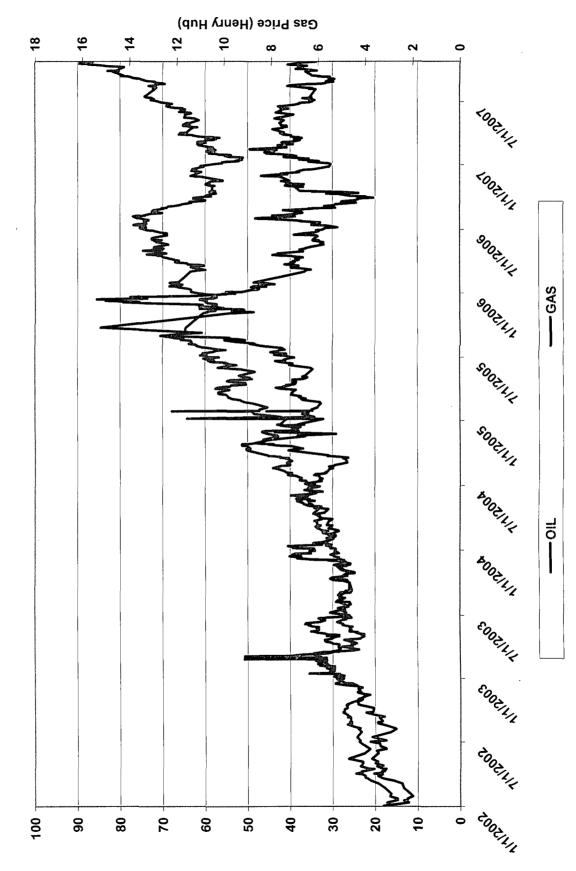
Sincerely, Lean WI under 12.

Ocean Munds-Dry (J Attorney for Chesapeake Operating, Inc.

Enclosures cc: OCD/Artesia, District 2







Oil Price (West Texas Intermediate)

Oil and Gas Prices 2002-2007

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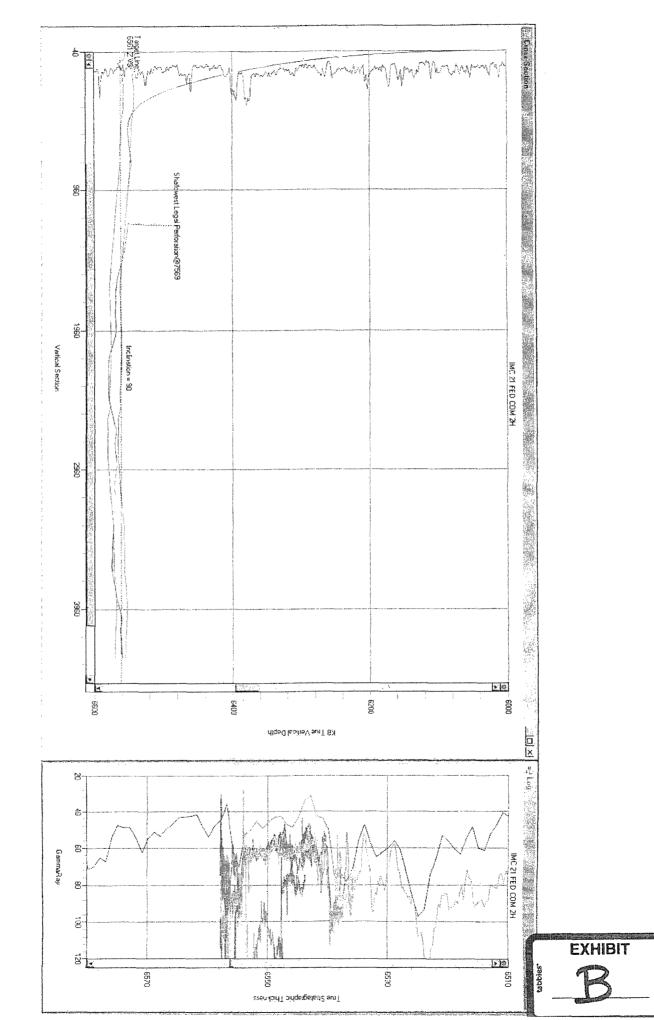


Exhibit C

Application of Chesapeake to Amend NSL-5799 Section 21, Township 23 South, Range 29 East Eddy County, New Mexico

Devon Energy Production Co., LP 20 North Broadway Suite 1500 Oklahoma City, OK 73102-8260

TLW Investments LLC PO Box 54525 Oklahoma City, OK 73154-1525

Liberty Energy Corp. 175 Berkeley, 18K Boston, MA 02116

Quientesa Royalty LP 508 W. Wall Ave Ste 500 Midland, TX 79701

TDY Industries Inc. Bank of America AGT PO Box 840738 Dallas, TX 75284-0738

Michael D. Hayes 3608 Meadowridge Ln. Midland, TX 79707

Madison M. Hinkle PO Box 2292 Roswell, NM 88202-2292

Rolla R. Hinkle III PO Box 2292 Roswell, NM 88202-2292

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	[C]	Application is One	Which Requires Pub	olished Legal Not	ice		
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- 44		Statement must be complete					

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omundsdry@hollandhart.Com e-mail Address HOLLAND&HART

Ocean Munds-Dry omundsdry@hollandhart.com

February 15, 2008

HAND-DELIVERED

Mark E. Fesmire, P.E. 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 penetration point for its IMC 21 Federal Well No. 2H to be drilled as a horizontal wellbore from a surface location 460 feet from the North line and 410 feet from the East line, intersecting the Delaware formation at an unorthodox penetration point 460 feet from the North line and 410 feet from the East line to a standard bottomhole location 330 feet from the South line and 650 feet from the East line of Section 21, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico.

Dear Mr. Fesmire:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks administrative approval pursuant to the provisions of Division Rules 104 and 111 of an unorthodox penetration point for its IMC 21 Federal Well No. 2H. This well is located in Section 21, Township 23 South, Range 29 East, N.M.P.M., Eddy County, New Mexico and will be drilled to test the Delaware formation, Harroun Ranch Delaware Oil Pool, from an unorthodox surface location 460 feet from the North line and 410 feet from the East line, intersecting the Delaware formation at an unorthodox penetration point 460 feet from the East line, and to a standard bottomhole location 330 feet from the South line and 650 feet from the East line of said Section 21, Eddy County, New Mexico. A 120-acre project area has been dedicated to this horizontal well comprised of the SE/4 NE/4 and the E/2 SE/4 of Section 21.

This location is unorthodox because the Delaware 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 111 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

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HOLLAND&HART

penetrates the Delaware formation at a point outside of the producing area and the project area.

Although the wellbore penetrates the top of the Delaware Mountain Group at an unorthodox location, the well will be at a standard location at the producing interval. The surface location was chosen for topography reasons due to the salt lake being nearby. Chesapeake penetrates the top of the Delaware at approximately 2,968 feet in the vertical portion of the well and then will kick-off at approximately 3215 feet. Chesapeake is targeting the Lower Brushy Canyon interval which is estimated at 6536 feet to 6528 feet. Therefore, once Chesapeake reaches the target formation, it will be at a standard location.

Exhibit A is a copy of the C-102 filed for this well. **Exhibit B** is a plat which shows the subject area and the 120-acre horizontal well project area for this well comprised of the SE/4 NE/4 and the E/2 SE/4 of Section 21. The project area is comprised of federal acreage.

A copy of this application with all attachments was mailed to Devon Energy who is the offset operator in the adjoining spacing unit towards which Chesapeake is encroaching. The affected party was 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. It was also advised that if no objections were received by the Division within twenty days, the Division Director could approve the application.

Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry

Ocean Munds-Dry () Attorney for Chesapeake Operating, Inc.

Enclosures cc: OCD/Artesia, District 2 DISTRICT I 1025 N. PRENCH DB., HOBBS, NM 80240

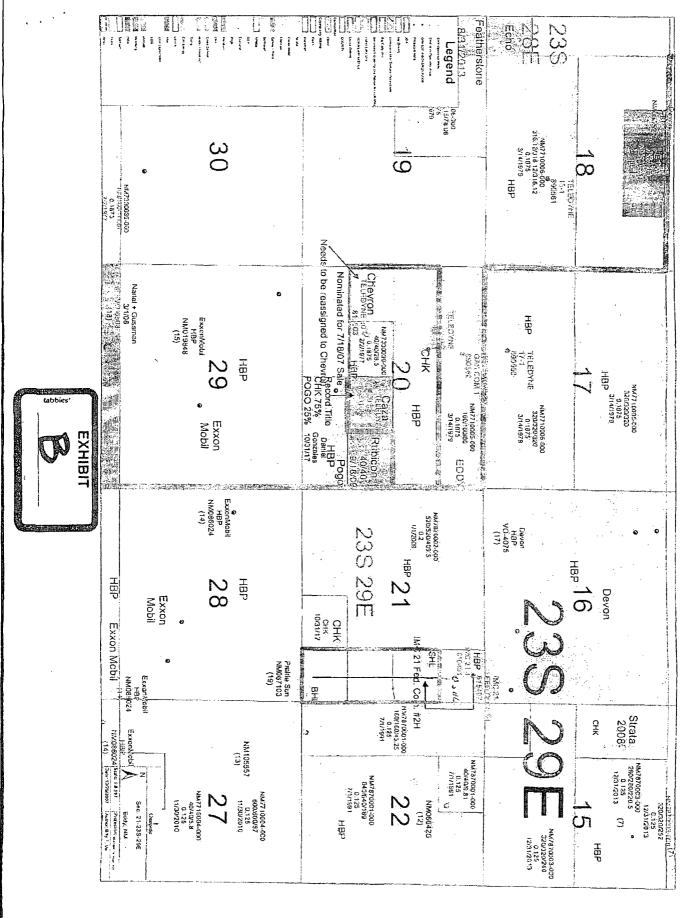
DISTRICT II 1301 W. GRAND AVENUE, ARTESTA, NK 88210

DISTRICT III 1000 Rin Brazos Rd., Aztoc, NN 67410

State 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 October 12, 2005 Submit to Appropriate District Office State Lease - 4 Copies Fee Lesse - 3 Copies

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Brooks, David K., EMNRD

From:Brooks, David K., EMNRDSent:Tuesday, March 11, 2008 9:07 AMTo:'Ocean Munds-Dry'Subject:NSL - Chesapeake - IMC 21 Fed Com #2H

Dear Ocean

I gather that the NE/NE of Section 21, where the well is located, will not be included in the project area.

Is ownership identical between the NE/NE of 21 and the proposed project area? If not, I believe the NE/NE would be an affected unit, and notice to owners, if any other than Chesapeake, in that unit would be required.

Please advise.

Thanks

David K. Brooks Legal Examiner

Brooks, David K., EMNRD

From:Ocean Munds-Dry [Omundsdry@hollandhart.com]Sent:Monday, March 17, 2008 1:19 PMTo:Brooks, David K., EMNRDSubject:RE: NSL - Chesapeake - IMC 21 Fed Com #2H

David:

I have just confirmed with Chesapeake that ownership is identical in the NE/NE of Section 21.

Thanks, Ocean

> From: Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us] Sent: Tuesday, March 11, 2008 10:07 AM To: Ocean Munds-Dry Subject: NSL - Chesapeake - IMC 21 Fed Com #2H

Dear Ocean

I gather that the NE/NE of Section 21, where the well is located, will not be included in the project area.

Is ownership identical between the NE/NE of 21 and the proposed project area? If not, I believe the NE/NE would be an affected unit, and notice to owners, if any other than Chesapeake, in that unit would be required.

Please advise.

Thanks

David K. Brooks Legal Examiner

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New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson Governor

Joanna Prukop Cabinet Secretary Reese Fullerton Deputy Cabinet Secretary Mark Fesmire Division Director Oil Conservation Division



March 17, 2008

Ms. Ocean Munds-Dry Holland & Hart, LLP P.O. Box 2208 Santa Fe, NM 87504

Administrative Order NSL-5799

Re: Chesapeake Operating, Inc. IMC 21 Federal Com Well No. 2H API No. 30-015-36109 Unit A, Section 21-23S-39E Eddy County

Dear Ms Munds-Dry:

Reference is made to the following:

(a) your application (administrative application reference No. pKVR08-0805056937) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chesapeake Operating, Inc. (Chesapeake) on February 15, 2008, and

(b) the Division's records pertinent to this request.

Chesapeake has requested to drill the above-referenced well as a horizontal well in the Delaware formation, at a location that will be unorthodox under Division Rule 111. The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location:

460 feet from the North line and 410 feet from the East line (Unit A) of Section 21, Township 23S, Range 29E, NMPM Eddy County, New Mexico

Point of Penetration: Same as Surface Location.

Terminus

330 feet from the South line and 650 feet from the East line (Unit P) of said Section .

Oil Conservation Division * 1220 South St. Francis Drive * Santa Fe, New Mexico 87505 * Phone: (505) 476-3440 * Fax (505) 476-3462* <u>http://www.emnrd.state.nm.us</u> March 17, 2008 Page 2

The SE/4 NE/4 and E/2 SE/4 of Section 21 will be dedicated to the proposed well to form a project area comprising three entire, standard spacing units in the Northeast Harroun Ranch-Delaware Pool (96878). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is unorthodox because a portion of the producing interval will be located outside the boundaries of the project area, and therefore outside the producing area.

THP

- unit A

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location because of surface topography. It is further understood that, although the wellbore penetrates the top of the Delaware Mountain Group in Unit A of Section 21 (which is outside of the project area, as well as outside the producing area), the only interval that will be perforated is the Lower Brushy Canyon member of The Delaware formation, and all perforations will be located within the producing area.

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 1210.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 104.F(2), 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 40.

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

Sincerely,

Mark É. Fesmire, P.E. Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
 New Mexico State Land Office - Santa Fe
 United States Bureau of Land Management - Carlsbad

Warnell, Terry G, EMNRD

From: Ocean Munds-Dry [Omundsdry@hollandhart.com]

Sent: Thursday, June 19, 2008 4:49 PM

To: Warnell, Terry G, EMNRD

Subject: RE: Chesapeake's NSL for IMC 21 Federal Well No. 2H

Terry: I was referring to Unit A in Section 21.

From: Warnell, Terry G, EMNRD [mailto:TerryG.Warnell@state.nm.us] Sent: Thursday, June 19, 2008 2:28 PM To: Ocean Munds-Dry Subject: Chesapeake's NSL for IMC 21 Federal Well No. 2H

Hi Ocean,

David Brooks and I have a question regarding this Admin Order. You mentioned "ownership is identical in the offsetting spacing unit towards which this well encroaches and therefore no notice...." Which 40 acre unit are you referring to A or P?

Regards,

Terry G. Warnell New Mexico Oil Conservation Division 1220 South St. Francis Santa Fe, NM 87505 505-476-3466

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