

DATE IN 9/29/08	SUSPENSE	ENGINEER Brooks	LOGGED IN 9/30/08	TYPE NSL	APP NO. PKU08 27433080
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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



RECEIVED  
2008 SEP 29 52

Chesapeake  
Operating, Inc.

Pueblo 5 Federal #1H  
5955

**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.

Ocean Monnds-Dry      Ocean Monnds Dry      Attorney      9-29-08  
 Print or Type Name      Signature      Title      Date  
 omondsdy@hollandhart.com  
 e-mail Address



September 29, 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 well location for its Pueblo 5 Federal Well No. 1H to be drilled from a surface location and penetration point 350 feet from the South line and 150 feet from the East line and a bottomhole location 350 feet from the South and West lines of Section 5, Township 24 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 for an unorthodox well location for its Pueblo 5 Federal Well No. 1H. This well is located in Section 5, Township 24 South, Range 29 East, N.M.P.M., Eddy County, New Mexico and will be drilled in the Bone Spring formation, Undesignated North Pierce Crossing-Bone Spring Pool at an unorthodox surface location and penetration point 350 feet from the South line and 150 feet from the East line to a standard bottomhole location 350 feet from the South and West lines of said Section 5, Eddy County, New Mexico. A 160-acre project area has been dedicated to this horizontal well comprised of the S/2 of the S/2 of Section 5.

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 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 penetrates the Bone Spring formation at a point 150 feet from the East line of Section 5 and is therefore 180 feet closer than allowed by Division rules.



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 penetrates the top of the Bone Spring at approximately 6668 feet (MD) in the vertical portion of the well. Chesapeake is targeting the Harkey Sand Zone which is estimated at 9094 feet (MD). 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 and the project area dedicated to the well.

A copy of this application with all attachments was mailed to Yates Petroleum Corporation who is the offset operator and/or lessee in Section 4 towards which Chesapeake is encroaching. Yates 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.

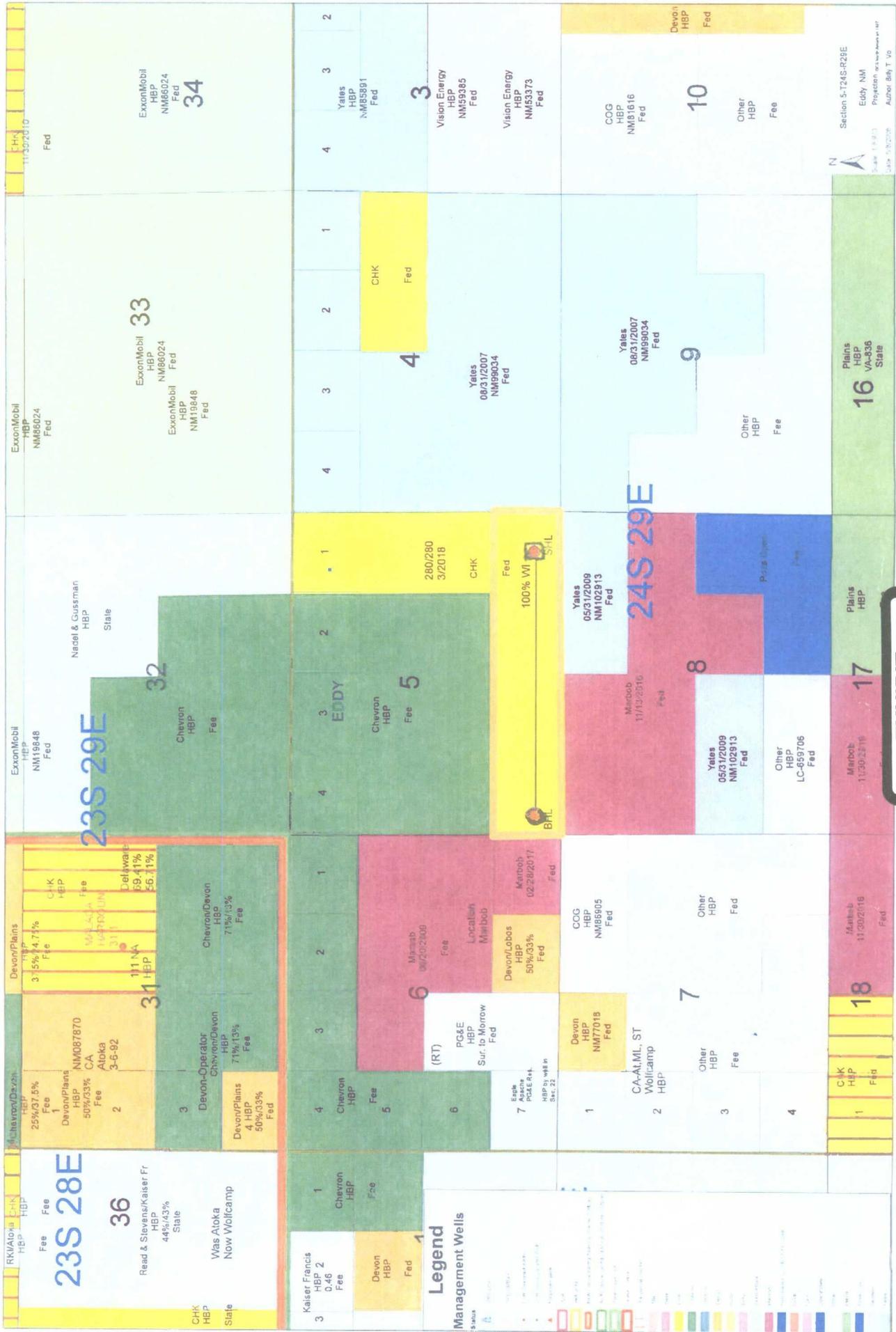
Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry  
Attorney for Chesapeake Operating, Inc.

Enclosures

cc: OCD/Artesia, District 2



EXHIBIT

A

tabbles

Section 5-124S-R29E  
 Eddy NM  
 Projection: NAD 83  
 Scale: 1" = 100'  
 Date: 5/20/2008  
 Author: Bly, T. V.

**Legend**  
 Management Wells

- 1. Kaiser Francis HBP 2 0.46 Fee
- 2. Devon HBP Fee
- 3. Kaiser Francis HBP 2 0.46 Fee
- 4. Kaiser Francis HBP 2 0.46 Fee
- 5. Kaiser Francis HBP 2 0.46 Fee
- 6. Kaiser Francis HBP 2 0.46 Fee
- 7. Kaiser Francis HBP 2 0.46 Fee
- 8. Kaiser Francis HBP 2 0.46 Fee
- 9. Kaiser Francis HBP 2 0.46 Fee
- 10. Kaiser Francis HBP 2 0.46 Fee