

NSL 6/25/98

CHESAPEAKE OPERATING, INC.

P.O. BOX 18496
OKLAHOMA CITY, OKLAHOMA 73154-0496
405/848-8000, Ext. 416
405/879-9560 Fax

LAND DEPARTMENT

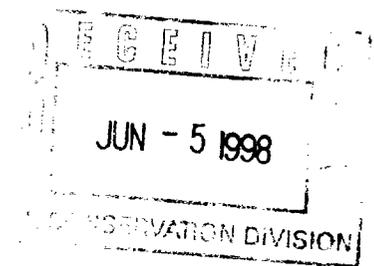
MIKE HAZLIP, CPL
LANDMAN

June 1, 1998

VIA FEDERAL EXPRESS

Mr. Chris Williams
New Mexico OCD
1000 West Broadway
Hobbs, New Mexico 88240

Mr. Michael Stogner
New Mexico OCD
2040 South Pacheco
Santa Fe, New Mexico 87505



Re: Warehouse 1-10 well - Unorthodox Location – Directional Well
Surface Location 1172' FNL & 2445' FEL
Bottom Hole Location 1438' FNL & 1856' FWL
Section 10-T16S-R36E
Lea County, New Mexico

Dear Mr. Williams and Mr. Stogner:

Enclosed is our submittal of forms C-101, C-102, along with a Strawn Time Map and Amplitude Map prepared from our 3-D seismic data covering the captioned well. Please consider this letter as a request for administrative approval of an unorthodox location for the subject well. The rules established by the Northeast Shoe Bar-Strawn Pool allow for wells to be drilled no closer than 330 feet to any quarter-quarter section line. Please note that Chesapeake's application to drill does not exceed that 330' rule for any outer boundary of the proration unit. The only affected boundary line is the inner boundary between the N/2 NW/4 and the S/2 NW/4 Section 10, of which the proration unit is comprised.

Chesapeake's request for the bottom hole location is based upon the need to drill at the optimum location to encounter the most advantageous combination of structure and stratigraphy (porosity), identified from Chesapeake's analysis of subsurface geology calibrated to our 3-D seismic coverage. The attached time structure map prepared from our 3-D seismic data exhibits the required four-way closure at the requested location. This structural closure coincides with the area of maximum Strawn mound growth as illustrated by the attached amplitude map. The requested bottom hole location is coincident with both structure and porosity development as portrayed on the attached maps.

The request for the surface location, requiring a directionally drilled well, is due to the constraints resulting from the bottom hole's proximity to commercial and industrial businesses and residential dwellings.

Mr. Williams and Mr. Stogner NMOCD
June 1, 1998
Page 2

Chesapeake would appreciate your consideration for administrative approval of the unorthodox bottom-hole location and the surface location for the captioned well. Please call me at (405) 848-8000, extension 416, should you have any questions or concerns regarding our submittal.

Most sincerely,

A handwritten signature in black ink, appearing to read "Mike Hazlip". The signature is stylized and somewhat cursive, with the first name "Mike" being more prominent than the last name "Hazlip".

Mike Hazlip

LARGE FORMAT
EXHIBIT HAS
BEEN REMOVED
AND IS LOCATED
IN THE NEXT FILE

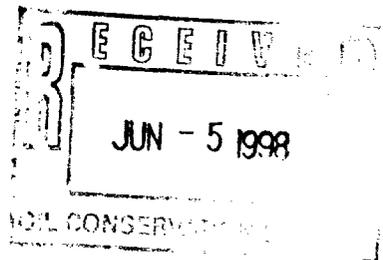
LARGE FORMAT
EXHIBIT HAS
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AND IS LOCATED
IN THE NEXT FILE

CHESAPEAKE OPERATING, INC.

PO. BOX 18496
OKLAHOMA CITY, OKLAHOMA 73154-0496
405 848-8000
405 879-9574 FAX

May 29, 1998

Mr. Chris Williams
Oil Conservation Division
P. O. Box 1980
1000 W. Broadway
Hobbs, NM 88240



RE: Warehouse 10-1
Sec 10, 16S-36E
Lea Co., NM

Dear Mr. Williams:

Enclosed for your approval are the following:

C-101 Original and 4 copies
C-102 3 originals
Location Verification Map
Vicinity Map

If additional information is required, please call Mike Hazlip, Dave Ault or Barbara Bale at the above number.

Sincerely,

Barbara J. Bale
Regulatory Analyst

Cc: File, Lindsay Ofc
KC, DA, RH, MH, BJB

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C-101
 Revised February 10, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 6 Copies
 Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | |
|---|---------------------------------|--------------------------|
| Operator Name and Address. Chesapeake Operating, Inc. P. O. Box 18496 Oklahoma City, OK 73154-0496 | | ' OGRID Number 147179 |
| | | ' API Number 30 - 0 |
| ' Property Code | ' Property Name WAREHOUSE 10 | ' Well No. 1 |

⁷ Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| B | 10 | 16S | 36E | | 1172 | North | 2445 | East | LEA |

⁸ Proposed 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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| F | 10 | 16S | 36E | | 1438 | North | 1856 | West | LEA |

| | |
|--|-------------------------------|
| ⁹ Proposed Pool 1 N.E. Shoe Bar-Strawn | ¹⁰ Proposed Pool 2 |
|--|-------------------------------|

| | | | | |
|-----------------------------------|---|-----------------------------------|--|--|
| ¹¹ Work Type Code N | ¹² Well Type Code O | ¹³ Cable/Rotary R | ¹⁴ Lease Type Code P | ¹⁵ Ground Level Elevation 3,909' |
| ¹⁶ Multiple No | ¹⁷ Proposed Depth MD: 12,141' TVD: 11,976' | ¹⁸ Formation Strawn | ¹⁹ Contractor Patterson 45 | ²⁰ Spud Date 07-15-98 |

²¹ Proposed Casing and Cement Program

| Hole Size | Casing Size | Casing weight/foot | Setting Depth | Sacks of Cement | Estimated TOC |
|-----------|-------------|--------------------|---------------|-----------------|---------------|
| 17-1/2" | 13-3/8" | 48# | 450' | 500 | Surface |
| 12-1/4" | 9-5/8" | 40# | 4,500' | 2000 | Surface |
| 7-7/8" | 5-1/2" | 17# | 12,150' | 1500 | ± 4,000' |
| | | | | | |

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Chesapeake Operating, Inc. proposes to drill to 12,141 in the Strawn formation with Patterson as the drilling contractor.

Patterson's BOP stack consists of 11" 5M# x Blind & pipe rams with 11" 5M# annular.

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Barbara J. Bale*

Printed name: Barbara J. Bale

Title: Regulatory Analyst

Date: 05/29/98

Phone: (405)848-8000

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

Expiration Date:

Conditions of Approval:

Attached

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Artec, NM 87410

DISTRICT IV
P.O. Box 2088, Santa Fe, NM 87504-2088

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---------------|----------------------------|----------------------|
| API Number | Pool Code | Pool Name |
| | | N.E. Shoe Bar-Strawn |
| Property Code | Property Name | Well Number |
| | WAREHOUSE "10" | 1 |
| OGRID No. | Operator Name | Elevation |
| 147179 | CHESAPEAKE OPERATING, INC. | 3909 |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| B | 10 | 16 S | 36 E | | 1172 | NORTH | 2445 | EAST | LEA |

Bottom Hole Location If Different From Surface

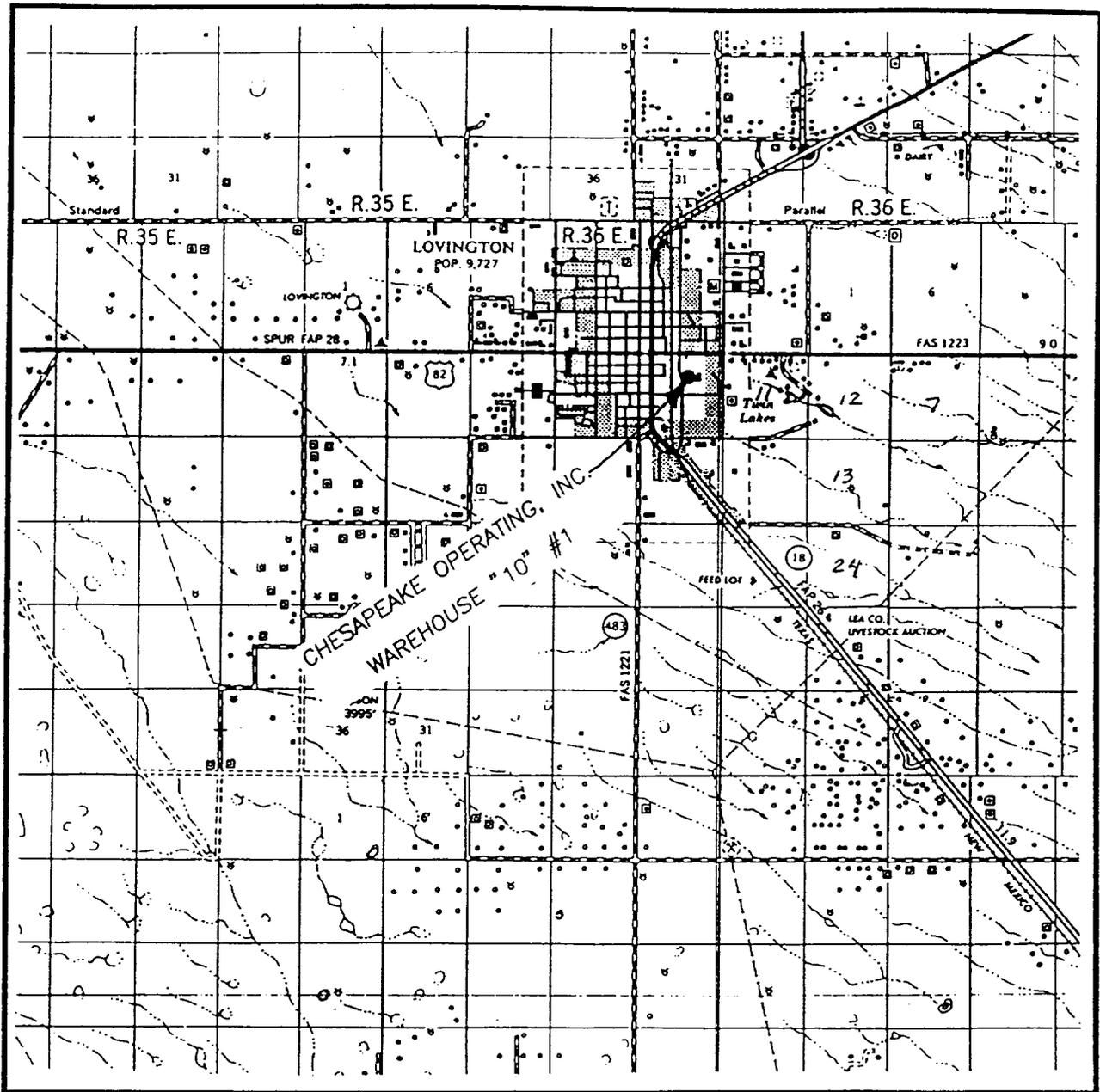
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| F | 10 | 16 S | 36 E | | 1438 | NORTH | 1856 | WEST | LEA |

| | | | |
|-----------------|-----------------|--------------------|-----------|
| Dedicated Acres | Joint or Infill | Consolidation Code | Order No. |
| 80 | | | |

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>BOTTOM HOLE NAD 27 NME Y=707091 N X=803367 E</p> <p>SURFACE NAD 27 NME Y=707357.5 N X=804345.8 E</p> | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Barbara J. Bale</i> Signature</p> <p>Barbara J. Bale Printed Name</p> <p>Regulatory Analyst Title</p> <p>05/27/98 Date</p> |
| | <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>MAY 13, 1998 Date Surveyed</p> <p>JLP Signature of Seal Professional Surveyor</p> <p><i>Ronald J. Eidson</i> Professional Surveyor</p> <p>3239 N.O. Num 98-11-0743</p> <p>Certificate No. RONALD J. EIDSON, 3239 RONALD J. EIDSON, 12641 RONALD J. EIDSON, 12185</p> |

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 10 TWP. 16-S RGE. 36-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1172' FNL & 2445' FEL

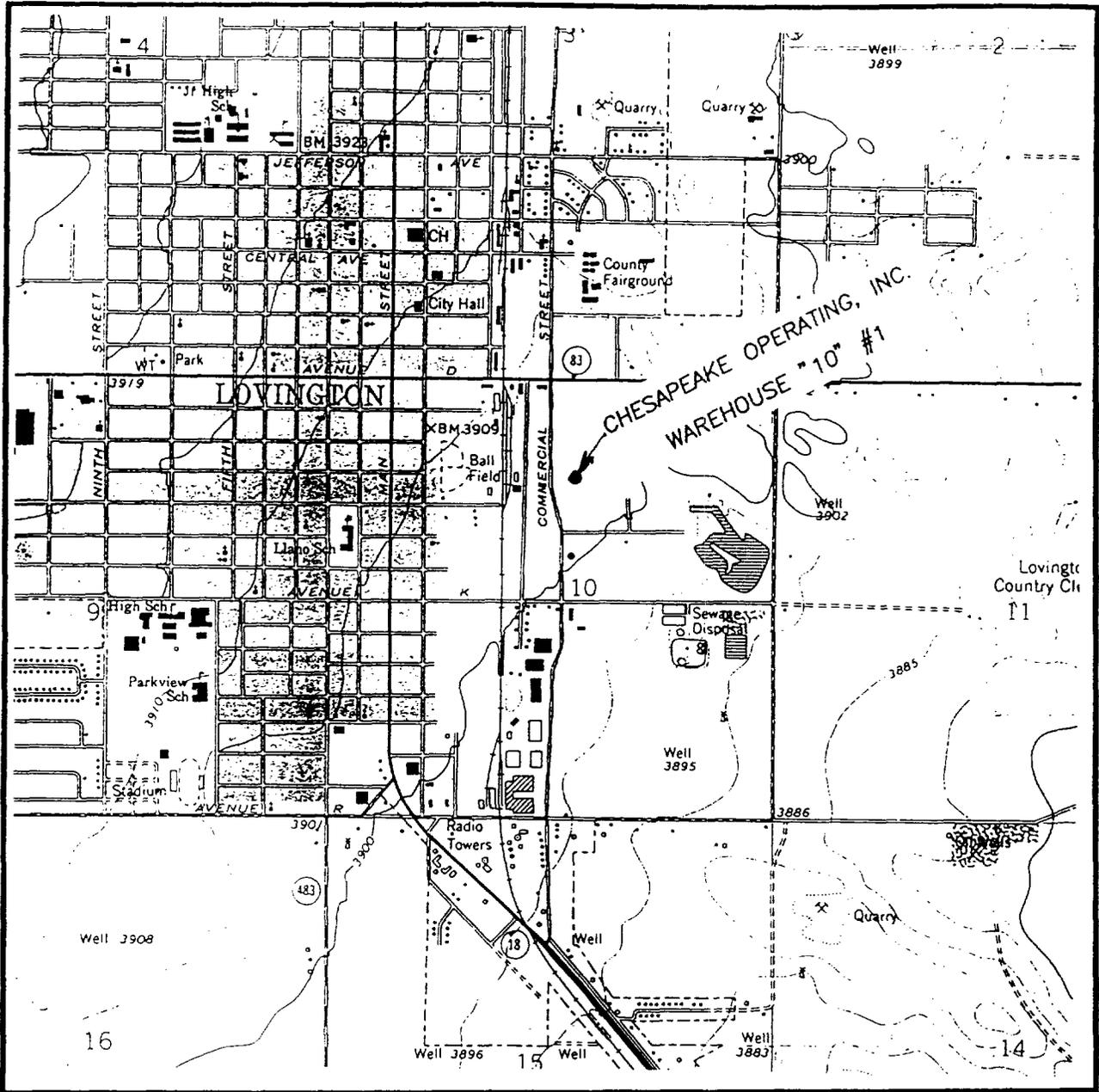
ELEVATION 3901'

OPERATOR CHESAPEAKE OPERATING, INC.

LEASE WAREHOUSE #10

JOHN WEST ENGINEERING
HOBBS, NEW MEXICO
(505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL - 5'

SEC. 10 TWP. 16-S RGE. 36-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1172' FNL & 2445' FEL

ELEVATION 3901'

OPERATOR CHESAPEAKE OPERATING, INC.

LEASE WAREHOUSE "10"

U.S.G.S. TOPOGRAPHIC MAP

LOVINGTON, N.M.

**JOHN WEST ENGINEERING
HOBBS, NEW MEXICO**

(505) 393-3117