

PTG W

DATE IN 5.17.11	SUSPENSE	ENGINEER DB	LOGGED IN 5.17.11	TYPE NSL	APP NO 1113753675
-----------------	----------	-------------	-------------------	----------	-------------------

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



Chesapeake

PLU Ross Ranch 32 State #14

**ADMINISTRATIVE APPLICATION CHECKLIST 30-015-37938**

6396

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

RECEIVED OOD  
 2011 MAY 16 P 3:51

**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.

Olivia Ita  
 Print or Type Name

Olivia Ita  
 Signature

Legal Assistant  
 Title

5-16-11  
 Date

ogita@hollandhart.com  
 e-mail Address

May 16, 2011

**HAND-DELIVERED**

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

RECEIVED OOD  
2011 MAY 16 P 3:54

Re: Application of Chesapeake Operating, Inc. for Administrative Approval of an Unorthodox Well Location for its PLU Ross Ranch "32" State Well 1H, to be horizontally drilled from an unorthodox surface location 175 feet from the South line and 400 feet from the East line (Unit P) to a standard bottom hole location 350 feet from the North line and 400 feet from the East line of Section 32, Township 25 South, Range 30 East, N.M.P.M., Eddy County, New Mexico.

Dear Ms. Bailey:

Pursuant to the provisions of Oil Conservation Division General Rule 19.15.15.13 NMAC, Chesapeake Operating, Inc. hereby seeks administrative approval of an unorthodox oil well location for its PLU Ross Ranch "32" State Well 1H to be drilled as a horizontal well at a point 175 feet from the South Line and 400 feet from the East line to a standard bottom hole location 350 feet from the North line and 400 feet from the East line of Section 32, Township 25 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. A 160-acre non-standard spacing and proration unit/project area comprised of the E/2 E/2 of Section 32 will be dedicated to the well in the Bone Spring formation.

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 19.15.16.14 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 175 feet from the South line of Section 32 and is therefore closer than allowed by Division rules.



Although the wellbore penetrates the top of the First Bone Spring Shale at an unorthodox location, the well will be at a standard location at the producing interval. Chesapeake is targeting the First Bone Spring Shale (TVD 8700'). 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. This location is within the Poker Lake Unit which is operated by BOPCo., LP. Chesapeake is drilling this well pursuant to a contract with BEPCo., LP. **Exhibit B** is the C-102 for this well.

A copy of this application with all attachments was mailed to Yates Petroleum who is the offset operator in Section 5. Yates Petroleum 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.

**Exhibit C** is a list of affected persons as defined in Paragraph (2) of Subsection A of 19.15.4.12 NMAC. A copy of this application, including all attachments, has been mailed to each of these offset operators/affected persons by certified mail-return receipt requested in accordance with Rule 19.15.4.12 A (2)(a). Each owner has been advised that if it has 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.

Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry  
ATTORNEY FOR  
CHESAPEAKE OPERATING, INC.

Enclosures

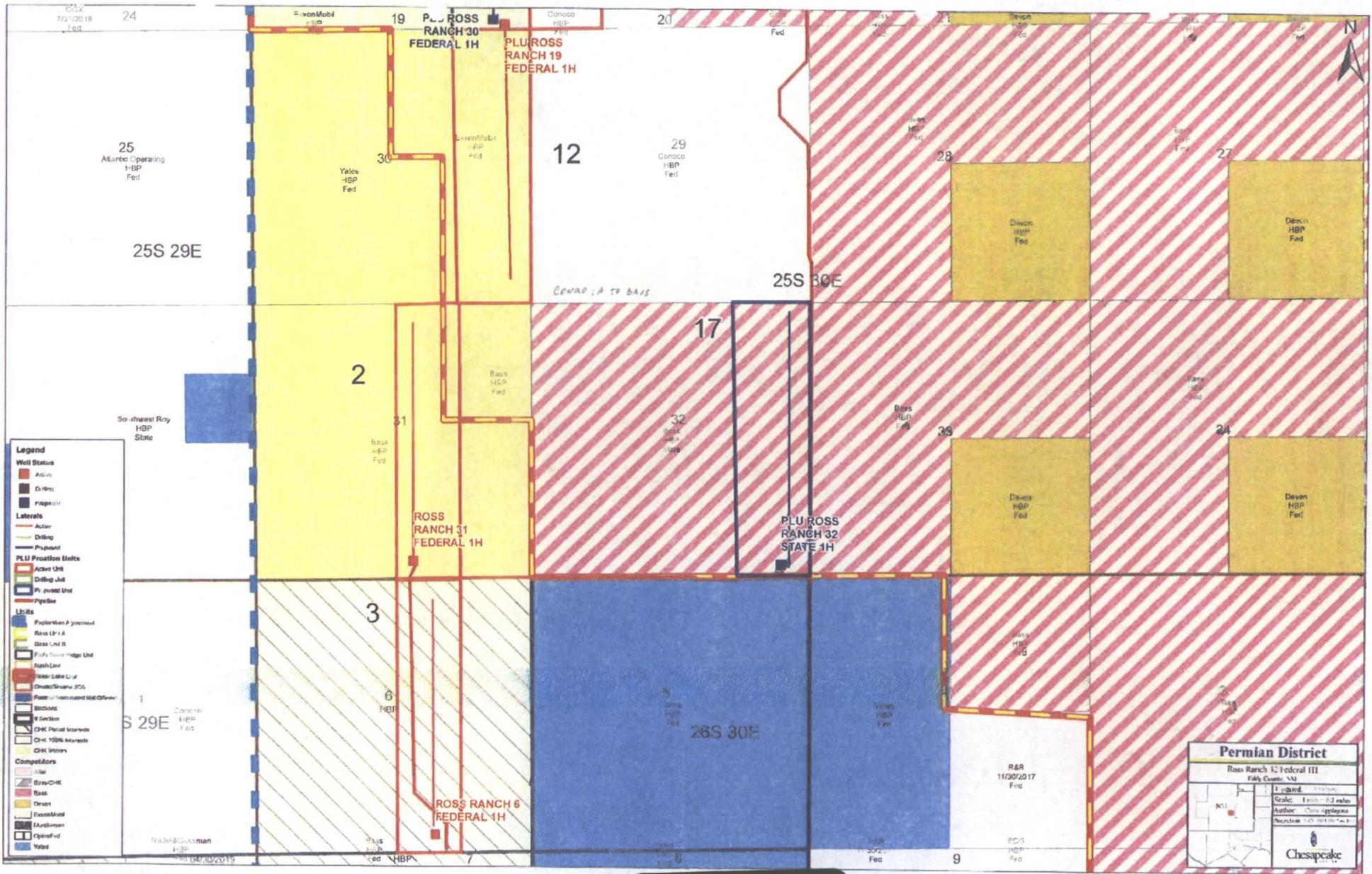
cc: OCD/Artesia, District 2

**EXHIBIT C**

Application of Chesapeake Operating, Inc.  
for Administrative Approval of an Unorthodox Well Location  
for its PLU Ross Ranch "32" State Well 1H  
Section 32, Township 25 South, Range 30 East, N.M.P.M.,  
Eddy County, New Mexico.

**NOTICE LIST**

Yates Petroleum  
105 South Fourth Street  
Artesia, New Mexico 88201



**EXHIBIT**  
**A**

DISTRICT I  
1485 N. French Dr., Hobbs, NM 88240

DISTRICT II  
1301 W. Grand Avenue, Artesia, NM 88110

DISTRICT III  
1000 Rio Bravo Rd., Aztec, NM 87410

DISTRICT IV  
1820 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised October 18, 2009

Submit one copy to appropriate  
District Office

**OIL CONSERVATION DIVISION**  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

AMENDED REPORT

API Number 30-015-37938	Pool Code 13354	Pool Name Corral Canyon; Bone Spring, South
Property Code 38213	Property Name PLU ROSS RANCH "32" STATE	Well Number 1H
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING CO.	Elevation 3172'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	32	25 S	30 E		175	SOUTH	400	EAST	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
A	32	25 S	30 E		350	NORTH	400	EAST	EDDY

Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
------------------------	-----------------	--------------------	-----------

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><b>PROPOSED BOTTOM HOLE LOCATION</b> Lot - N 32.08276623' Long - W 103.8960747' NMSPC- N 397758.664 E 676746.761 (NAD-83)</p>	<p>Project Area</p>	<p>Producing Area 4786.8'</p>	<p>Penetration Point &amp; <b>SURFACE LOCATION</b> Lot - N 32.07957779' Long - W 103.8961761' NMSPC- N 392960.875 E 676736.763 (NAD-83)</p>	<p>350'</p>	<p>400'</p>
				<p>175'</p>	<p>400'</p>
<p><b>OPERATOR CERTIFICATION</b></p> <p>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 unleased 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 to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Bryan Arant</i> 05/02/2010 Signature Date</p> <p>Bryan Arant Printed Name</p>				<p><b>SURVEYOR CERTIFICATION</b></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 14 2010 Date Surveyed</p> <p>Signature of Professional Surveyor</p> <p>Professional Surveyor</p> <p>2270 Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>	

EXHIBIT  
B

**EXHIBIT C**

Application of Chesapeake Operating, Inc.  
for Administrative Approval of an Unorthodox Well Location  
for its PLU Ross Ranch "32" State Well 1H  
Section 32, Township 25 South, Range 30 East, N.M.P.M.,  
Eddy County, New Mexico.

**NOTICE LIST**

Yates Petroleum  
105 South Fourth Street  
Artesia, New Mexico 88201

