

ABOVE THIS LINE FOR DIVISION USE ONLY

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



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-Quantified 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 _____

2005 MAR 4 PM 2 36

- [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.

Print or Type Name _____ Signature *Kellahin* Title KELLAHIN & KELLAHIN Date 3/4/05
 Attorneys At Law
 P.O. Box 2265
 Santa Fe, NM 87504-2265

KELLAHIN & KELLAHIN
Attorney at Law

W. Thomas Kellahin
Recognized Specialist in the Area of
Natural Resources-oil and gas law-
New Mexico Board of Legal Specialization

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Santa Fe, New Mexico 87501

Telephone 505-982-4285
Facsimile 505-982-2047
kellahin@earthlink.net

March 4, 2005

HAND DELIVERED

Mr. Mark Fesmire Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

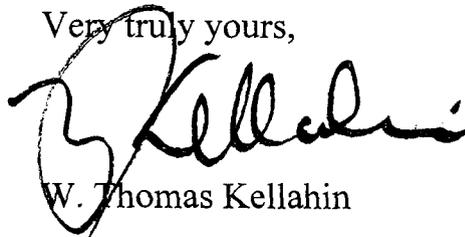
Re: Administrative Application of Chesapeake Operating, Inc.
for approval of a unorthodox well location for its
Burrus "23" Well No. 4, Unit E,
SW/4NW/4 (40-acre) dedication, Section 23,
T12S, R38E, Lea County, New Mexico
Trinity Wolfcamp Pool

Dear Mr. Fesmire:

On behalf of Chesapeake Operating, Inc., please find enclosed our referenced application that is being filed in accordance with the Rule 104. This location crowds the southwestern corner of the boundary of this 40-acre spacing unit.

Concurrent with this application, Chesapeake has filed its APD with the OCD-Hobbs.

Very truly yours,



W. Thomas Kellahin

CC: Mr. Chris Williams-OCD-Hobbs
Chesapeake Operating, Inc.
Attn: Lynda Townsend

2005 MAR 4 PM 2 36

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE ADMINISTRATIVE
APPLICATION OF CHESAPEAKE OPERATING, INC.
FOR APPROVAL OF AN UNORTHODOX WELL LOCATION
LEA COUNTY, NEW MEXICO**

ADMINISTRATIVE APPLICATION

Comes now CHESAPEAKE OPERATING, LTD. ("Chesapeake") and by and through its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division ("Division") for approval of an unorthodox oil well location for its proposed Burrus "23" Well No. 4 to be drilled at a unorthodox location 2431 feet from the North line and 175 feet from the West line (Unit E) of Section 23, T12S, R38E, Lea County, New Mexico to be dedicated to a standard 40-acre oil spacing unit consisting of the SW/4NE/4 of this section for production from the Trinity Wolfcamp Pool.

In support, Chesapeake states:

1. Chesapeake is the proposed operator for this well to be dedicated to a standard 40-acre oil spacing and proration unit consisting of the SW/4NE/4 of this section.
2. The well is to be located 2431 feet FNL and 175 feet FEL (Unit W) Section 23, T12S, R38E, at an unorthodox oil well location for the Wolfcamp formation (Trinity-Wolfcamp Pool). See APD and Form C-102, attached as Exhibit "A" and "B"
3. This well location is subject to Division Rule 104 for the Trinity-Wolfcamp Pool that require standard well locations to be not less than ~~660~~ feet from the outer boundaries of the 40-acre spacing unit. 330

4. This location, as illustrated on Exhibit "C" and explained in Exhibit "D" attached, is based upon geologic reasoning:
 - a. This location is based upon a 3D seismic interpretation indicating greater porosity thickness at the unorthodox well location than at any point within the standard well location window.
 - b. A commercial well in this area has not been completed in less than 10 feet of net porosity thickness.
 - c. All locations with the standard window are projected to have less than 10 feet of net porosity thickness.
 - d. The proposed unorthodox well location is projected to be more than 10 feet of net porosity thickness.

OFFSETTING OWNERSHIP

5. This well encroaches towards the adjoining three spacing units: Units H and I of Section 22 and Unit F of Section 23.
6. Chesapeake is the operator of this proposed spacing unit and all three adjoining spacing units with the working interest owners all being the same but with **different** percentage interests. See Ownership list attached as Exhibit "E"

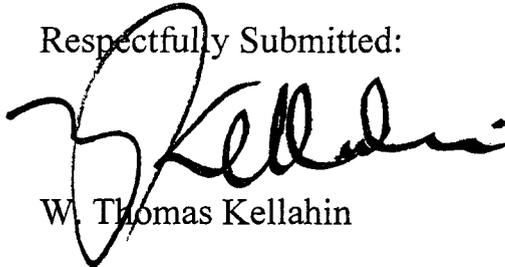
NOTIFICATION TO OFFSETTING OWNERS

7. Although all working interest owners have approved and will participate in this well they are being send notice of the application because they have different percentages interests. See Rule 1207.A(2)(a)(iii). Attached as Exhibit "F"

8. Approval of this application will afford the owners and the applicant the opportunity to produce their just and equitable share of the hydrocarbons in the Ellenburger formation, will promote the orderly development in this area, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

WHEREFORE, Applicant requests that this application be approve by the Division.

Respectfully Submitted:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a large, stylized, circular scribble.

W. Thomas Kellahin

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
May 27, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to appropriate District Office

AMENDED REPORT

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

¹ Operator Name and Address Chesapeake Operating, Inc. P. O. Box 18496 Oklahoma City, OK 73154-0496		² OGRID Number 147179
³ Property Code		⁴ API Number 30 -
⁵ Property Name Burris "23"		⁶ Well No. 4
⁹ Proposed Pool 1 Trinity Wolf Camp		¹⁰ Proposed Pool 2

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
E	23	12S	38E		2431	N	175	W	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

Additional Well Information

¹¹ Work Type Code N	¹² Well Type Code O	¹³ Cable/Rotary R	¹⁴ Lease Type Code P	¹⁵ Ground Level Elevation 3801'
¹⁶ Multiple N	¹⁷ Proposed Depth 9300'	¹⁸ Formation Wolfcamp	¹⁹ Contractor Patterson 54	²⁰ Spud Date 04/01/2005
Depth to Groundwater		Distance from nearest fresh water well		Distance from nearest surface water
Pit: Liner: Synthetic <input type="checkbox"/> _____mils thick Clay <input type="checkbox"/>		Pit Volume: _____bbls		Drilling Method:
Closed-Loop System <input type="checkbox"/>		Fresh Water <input type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>		

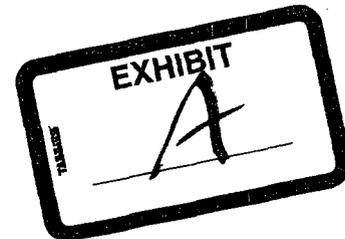
²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17-1/2	13-3/8	48#	425'	400	Surf
11"	8-5/8	24#	4500	1030	Surf
7-7/8	5-1/2	17#	9300	665	4000

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 9300' w/TD in the Wolfcamp Lime with Patterson as the drilling contractor.

Patterson's BOP stack is per attached schematics.



²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines , a general permit , or an (attached) alternative OCD-approved plan .

Lynda J. Townsend

OIL CONSERVATION DIVISION

Approved by:

Printed name: Lynda Townsend

Title:

Title: Sr. Landman

Approval Date:

Expiration Date:

E-mail Address: ltownsend@chkenegy.com

Date: 04/24/05

Phone: (405) 848-8000

Conditions of Approval Attached

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	59890	Trinity Wolf Camp
Property Code	Property Name	Well Number
	BURRIS "23"	4
OGRID No.	Operator Name	Elevation
147179	CHESAPEAKE OPERATING INC.	3801'

Surface Location

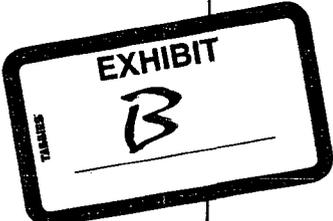
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	23	12 S	38 E		2431	NORTH	175	WEST	LEA

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
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						
40 SW NW									

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>LOT 1 - 39.46 AC.</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Lynda Townsend</i> Signature</p> <p>Lynda Townsend Printed Name</p> <p>Senior Landman Title</p> <p>02/24/05 Date</p>
	<p>LOT 2 - 38.57 AC.</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>LOT 3 - 37.69 AC.</p>	<p>FEBRUARY 5, 2005 Date Surveyed</p> <p><i>James Jones</i> Signature</p> <p>Professional Surveyor</p>
	<p>LOT 4 - 36.80 AC.</p>	<p>7977 Professional Surveyor License No. 505</p> <p>Certificate No. 7977</p> <p>BASIN SURVEYS</p>



COI
Burrus 23 #4
Unorthodox Location Exception
2431' FNL & 175' FWL, SEC 23, T12S-R38E

The attached map is:

ISOPACH: Net Porosity \geq 10% CI 10'
STRUCTURE: T/ "Burrus" Pay CI: 10'

The map is built from subsurface borehole data and 3D seismic interpretation. Seismic Stratigraphic interpretation for the identification of \emptyset development has been integral and highly successful in the development of this field. Borehole location in the better developed \emptyset is extremely important for finding commercially productive wells. Examples are the Burrus #2 (22P) which found 0' of $\emptyset > 10\%$ in the vertical borehole, the location is not in the seismic \emptyset anomaly. A completion attempt was unsuccessful. The well was subsequently PB, KO and drilled laterally into the seismic \emptyset anomaly for a successful completion. Another example is the State 22 #1 (22H) which is located in a very weak ie low porosity anomaly, encountered 6' of \emptyset and made a poor well. The State 22 #1 produced initially 35 BOPD (1st month daily avg.) starting in 12/2002, it has produced a cumulative 15,202 BO thru 9/2004, current daily rate is 14 BOPD. COI recently drilled the State 22 #3 (22H) as an increased density in the 40 ac. unit. The location is in a much more porous seismic anomaly, found 15' of \emptyset and completed for 200 BOPD in 11/2004.

A net \emptyset thickness of 10' or greater is necessary for commercial production.

To effectively drain this 40 ac. proration unit and to prevent waste; the requested location is needed to target the necessary porosity development.

David A Godsey
Senior Geologist
Chesapeake Energy



Owner	Burrus 23 #1 Well (south offset; NW/4 SW/4 Sec 23)	State 22 #3 and State 22 #1 Wells (west offset; SE/4 NE/4 Sec 22)	Burrus #4 Well (southwest offset; NE/4 SE/4 Sec 22)	Address 1	City
Matrix Production Company and/or Matrix New Mexico Holdings, LLC	35.000% 30.000%	31.500% 37.000%	38.000% 34.000%	5725 Commonwealth Blvd. P. O. Box 18496	Sugar Land, TX 77479 Oklahoma City, OK 73154-0496
Chesapeake Permian, LP					
Claude C. Arnold Working Interest Oil & Gas Properties, LLC	12.000% 8.000%	10.800% 7.200%	9.600% 6.400%	5600 N. May, Suite 125 430 NW 13th Street	Oklahoma City, OK 73112 Oklahoma City, OK 73103
H. J. Freede, Inc.					
Blake Arnold Working Interest Oil & Gas Properties, LLC	3.000%	2.700%	2.400%	5600 N. May, Suite 125	Oklahoma City, OK 73112
Rehoboth, Inc.	3.000%	2.700%	2.400%	20 N. Broadway, Ste 1800	Oklahoma City, OK 73102
Cardinal River Energy Co.	2.500%	2.250%	2.000%	2601 Northwest Expressway, Suite 5	Oklahoma City, OK 73112
J. Dunwood Pate Trust	1.000%	0.900%	0.800%	3625 Goodger	Oklahoma City, OK 73112
James D. Pate Trust u/t/a 8-886	1.000%	0.900%	0.800%	3625 Goodger	Oklahoma City, OK 73112
Joe H. Pate Trust	1.000%	0.900%	0.800%	3625 Goodger	Oklahoma City, OK 73112
Larry Fenly	1.000%	0.900%	0.800%	2301 Brookside Avenue	Edmond OK 73034
Tropical Minerals, Inc.	1.000%	0.900%	0.800%	P. O. Box 20671	Oklahoma City, OK 73156
Monarch Resources, L.L.C.	1.000%	0.900%	0.800%	P. O. Box 1197	Oklahoma City, OK 73156
David C. Story	0.500%	0.450%	0.400%	1816 Rising Star	Edmond OK 73034
Totals	100.000%	100.000%	100.000%		



KELLAHIN & KELLAHIN
Attorney at Law

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Santa Fe, New Mexico 87501

Telephone 505-982-4285
Facsimile 505-982-2047
kellahin@earthlink.net

March 4, 2005

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

**NOTICE OF THE FOLLOWING NEW MEXICO OIL CONSERVATION
DIVISION ADMINISTRATIVE CASE:**

OFFSETTING WORKING INTEREST OWNERS:

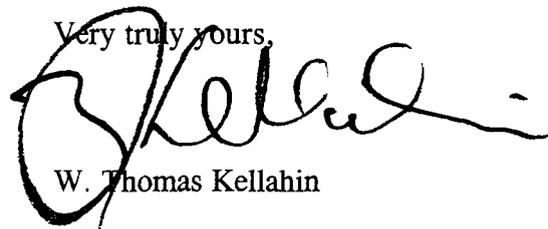
*Re: Administrative Application of Chesapeake Operating, Inc. for
approval of unorthodox well location for its Burrus "23" Well No. 4, Unit E,
SW/4NW/4 of Section 23, T12S, R38E, Lea County, New Mexico.*

Dear interest owner:

On behalf of Chesapeake Operating, Inc. please find enclosed a copy of its referenced administrative application. This notice is based upon records that indicate that you have a percentage interest in this well that is different from your percentage interest in the three adjoining 40-acre spacing units towards which this well encroaches.

If you have no objection, then there is nothing for you to do. If you are willing to waiver objection, please sign this letter as indicated and return it to me. However, should you have any objection to the Division approving this application, then it will be necessary for you to file a written objection with the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505 within twenty (20) days of the date of this letter. Failure to file a timely objection will preclude you from objecting at a later date.

Very truly yours,



W. Thomas Kellahin

WAIVER OF OBJECTION:

By: _____ with authority for
and on behalf of _____
Date: _____



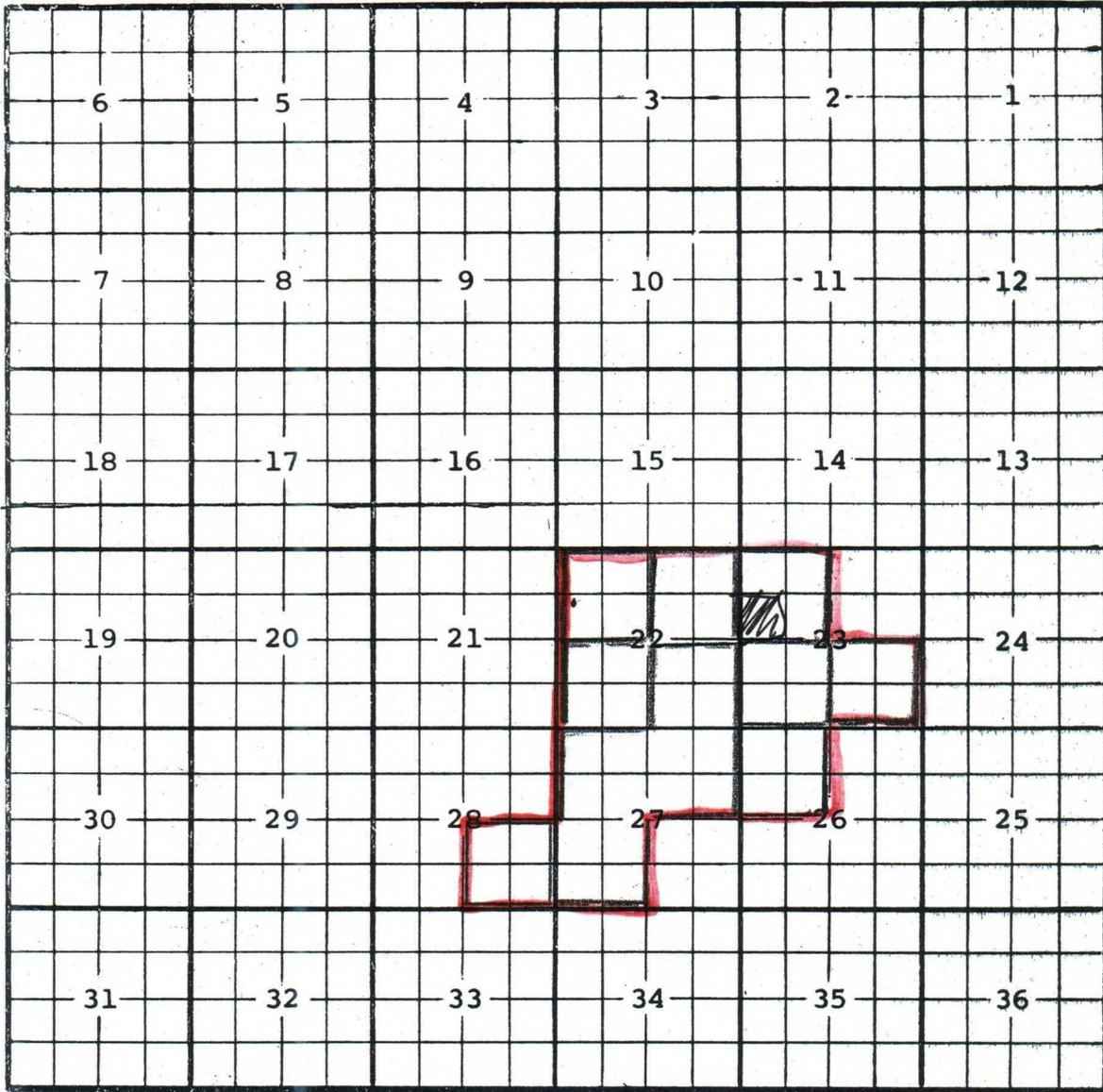
COUNTY *Lea*

POOL *Trinity - Wolfcamp*

TOWNSHIP *12 South*

RANGE *38 East*

NMPM



Description: $SE/4$ Sec 28 (R-5417, 4-1-77)

Ext: $SE/4$ Sec. 22, $N/2$ and $SW/4$ Sec. 22 (R-11728, 2-20-02)

Ext: $NE/4$ and $SW/4$ Sec. 22 (A-12046, 11-3-03) Ext: $SW/4$ Sec. 23 (R-12063, 11-25-05)

Ext: $NW/4$ Sec. 26 (A-12141, 5-10-04) Ext: $SE/4$ and $NW/4$ Sec. 23 (R-12223, 10-25-04)

Ext: $NW/4$ Sec. 22 (A-12317, 3-25-05)