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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



Chesapeake

PLU Big Sinks State

ADMINISTRATIVE APPLICATION CHECKLIST

2-24-30

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]

30-015
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- [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 Munds Dry Ocean Munds Dry Attorney 8-2-11
 Print or Type Name Signature Title Date

omundsdry@hollandhart.com
 e-mail Address



August 2, 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

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Big Sinks 2 24 30 USA Well No. 1H to be drilled from a surface location and penetration point 1980 feet from the North line and 200 feet from the West line and a bottomhole location 1980 feet from the North line and 100 feet from the East line of Section 2, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico.

Dear Ms. Bailey:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks administrative approval pursuant to the provisions of Division Rules 19.15.15.13 and 19.15.16.14 for an unorthodox well location for its PLU Big Sinks 2 24 30 USA Well No. 1H. This well is located in Section 2, Township 24 South, Range 30 East, N.M.P.M., Eddy County, New Mexico and is to be drilled in the Bone Spring formation at a surface location and a penetration point 1980 feet from the North line and 200 feet from the West line and a bottomhole location 1980 feet from the North line and 100 feet from the East line of Section 2, Eddy County, New Mexico. A 160-acre project area has been dedicated to this horizontal well comprised of the S/2 N/2 of Section 2. 25
I

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 200 feet from the West line of Section 2 and is therefore 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 is targeting the Avalon Shale at approximately 9360 feet (TVD). Therefore, once Chesapeake reaches the targeted formation, it will be at a standard location. Also, the bottomhole is at a non-standard location since it is only 100 feet from the East line of the section.

Exhibit A is a plat showing the location of the well. This location is encroaching to the west and east of Section 2. This location is within the Poker Lake Unit which is operated by BOPCo. Devon Energy is also an affected party. A copy of this application with all attachments was mailed to BOPCo. and Devon and they 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. They were also advised that if no objections were received by the Division within twenty days, the Division Director could approve the application.

Exhibit B is the C-102 for this well.

Exhibit C is the notice list.

Your attention to this application is appreciated.

Sincerely,



Ocean Munds-Dry
ATTORNEY FOR
CHESAPEAKE OPERATING, INC.

Enclosures
cc: OCD District Office

34
OpenMines
Fed

35
Conoco
HBP
Fed 23S 30E

36
Bass
HBP
State

BIG SINKS
2-24-30
STATE 1H

21

3
Bass
HBP
Fed

2
Bass
HBP
State

1
Devon
HBP
Fed

PLU BIG
SINKS 11
FEDERAL 1H

24S 30E

10
Bass
HBP
Fed

11
Bass
HBP
Fed

10

EOG
HBP
Fed

12

EXHIBIT

A

tabbles

DISTRICT I
1025 N French Dr., Hobbs, NM 88240

DISTRICT II
1801 W. Grand Avenue, Artesia, NM 88210

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

DISTRICT IV
1223 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised July 18, 2010
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	Pool Code 96804	Pool Name Wildcat; Bone Spring
Property Code	Property Name BIG SINKS 2 24 30 STATE	Well Number 1H
OCRID No. 147179	Operator Name CHESAPEAKE OPERATING CO.	Elevation 3465'

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	2	24 S	30 E		1980	NORTH	200	WEST	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
H	2	24 S	30 E		1980	NORTH	100	EAST	EDDY

Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>PENETRATION POINT & SURFACE LOCATION Lat - N 32 24866530' Long - W 103 8595993' NMSPCE- N 454820.880 E 687792.411 (NAD-83)</p> <p>PROPOSED BOTTOM HOLE LOCATION Lat - N 32.24870953' Long - W 103 8432774' NMSPCE- N 454559.615 E 692838 302 (NAD-83)</p>	<p>OPERATOR CERTIFICATION 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> 7/14/2011 Signature Date Bryan Arant Printed Name bryan.arant@chk.com Email Address</p>
	<p>SURVEYOR CERTIFICATION 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> Date Surveyed Signature & Seal of Professional Surveyor</p> <p>Certificate No. Gary L. Jones 7977 BASIN SURVEYS 24817</p>



Exhibit C

Chesapeake's NSL Application
PLU Big Sinks 2 24 30 USA Well No. 1H

BOPCo., LP
201 W. Main Street Suite 3100
Fort Worth, Texas 76102

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

PLU 2 24 30