



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 Pierce Canyon 21 24 30 USA Well No. 1H to be drilled from a surface location and penetration point 130 feet from the North line and 1940 feet from the East line and a bottomhole location 350 feet from the South line and 1980 feet from the East line of Section 21, 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 Pierce Canyon 21 24 30 USA Well No. 1H. This well is located in Section 21, 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 130 feet from the North line and 1940 feet from the East line and a bottomhole location 350 feet from the South line and 1980 feet from the East line of Section 21, Eddy County, New Mexico. A 160-acre project area has been dedicated to this horizontal well comprised of the W/2 E/2 of Section 21.

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 130 feet from the North line of Section 21 and is therefore closer than allowed by Division rules.

HOLLAND & HART^{LLP}



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 8120 feet (TVD). 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 encroaching to the north of Section 21. This location is within the Poker Lake Unit which is operated by BOPCo. A copy of this application with all attachments was mailed to BOPCo. and 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

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

DISTRICT II
1301 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 97798	Pool Name WILDCAT G-06S243026M; BONE SPRING
Property Code	Property Name PLU PIERCE CANYON 21 24 30 USA	Well Number 1H
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING CO.	Elevation 3353'

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	21	24 S	30 E		130	NORTH	1940	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
O	21	24 S	30 E		350	SOUTH	1980	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>Penetration Point & SURFACE LOCATION Lat - N 32.21012306° Long - W 103.8838613° NMSPC - N 440467.503 E 680350.408 (NAD-83)</p>	<p>Project Area</p>	<p>Producing Area</p>	<p>3356.1'</p> <p>3361.3'</p> <p>1940'</p> <p>130'</p> <p>3347.0'</p> <p>3358.9'</p> <p>4797.8'</p> <p>B.H.</p> <p>350'</p> <p>1980'</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, 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 Arrant</i> 7/28/2011 Signature Date Bryan Arrant Printed Name bryan.arrant@chk.com Email Address</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><i>Gary L. Jones</i> Date Surveyed Signature & Seal of Professional Surveyor</p>
				<p>Certificate No. Gary L. Jones 7977</p>
				<p>BASIN SURVEYS 24812</p>

EXHIBIT
tabbles
B

Exhibit C

Chesapeake's NSL Application
PLU Pierce Canyon 21 24 30 USA Well No. 1H

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