

ABOVE THIS LINE FOR DIVISION USE ONLY

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



Chesapeake 147179

PLU Price C. 162430 state 14

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-Qualified Enhanced Oil Recovery Certification]** **[PPR-Positive Production Response]**

6590

- [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 _____

0-16-245-30E

2012 MAR -5 P 4:16
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E-14/State

- [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

*Willard, Bone Springs
 96423*

[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.

Adam G. Rankin *AGR* Attorney 3/5/12
 Print or Type Name Signature Title Date
agrarkin@hollandhart.com
 e-mail Address

HOLLAND & HART



Adam G. Rankin
Associate
Phone 505-954-7294
Fax 505-983-6043
AGRankin@hollandhart.com

March 5, 2012

VIA HAND DELIVERY

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

RECEIVED OOD
2012 MAR -5 P 4: 16

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Pierce Canyon 16 24 30 State No. 1H well in the Bone Spring Pool Section 16, Township 24 South, Range 30 East, N.M.P.M., Eddy County, New Mexico.

Dear Ms. Bailey:

Chesapeake Operating, Inc. (OGRID No. 147179) hereby seeks administrative approval pursuant to the provisions of Division Rule 19.15.15.13 NMAC for an unorthodox well location for its PLU Pierce Canyon 16 24 30 State No. 1H to be located in Section 16, Township 24 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. The proposed wildcat well is to be drilled at a surface location 50 feet from the South line with a projected penetration point 330 feet from the South line and 1980 feet from the East line of Section 16. The bottom-hole location will be 100 feet from the North line and 1980 feet from the East line of Section 16. A 162.26-acre project area has been dedicated to this horizontal well comprised of the W/2 E/2 of Section 16.

Exhibit A is a land plat for Section 16 and surrounding sections that shows the proposed non-standard location of the PLU Pierce Canyon 16 24 30 State No. 1H in relation to adjoining units and existing wells. 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. The bottom-hole location of this well will be located 100 feet from the North line of Section 16 for engineering reasons, and is, therefore, closer to the section line than allowed by Division rules.

Exhibit B is the Well Location and Acreage Dedication Plat (Form C-102), which shows that the proposed PLU Pierce Canyon 16 24 30 State No. 1H well encroaches on the spacing and proration unit to the North.

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Denver Aspen Boulder Colorado Springs Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Salt Lake City Santa Fe Washington, D.C.



Exhibit C is a list of the affected parties. Pursuant to 19.15.4.12(A)(2)(c) NMAC, affected parties are those toward whom the non-standard location encroaches. Here, the proposed bottom-hole location encroaches on to the North. The affected working interest is BOPCO, LP. A copy of this application with all attachments was mailed to the notice recipient.

Your attention to this application is appreciated.

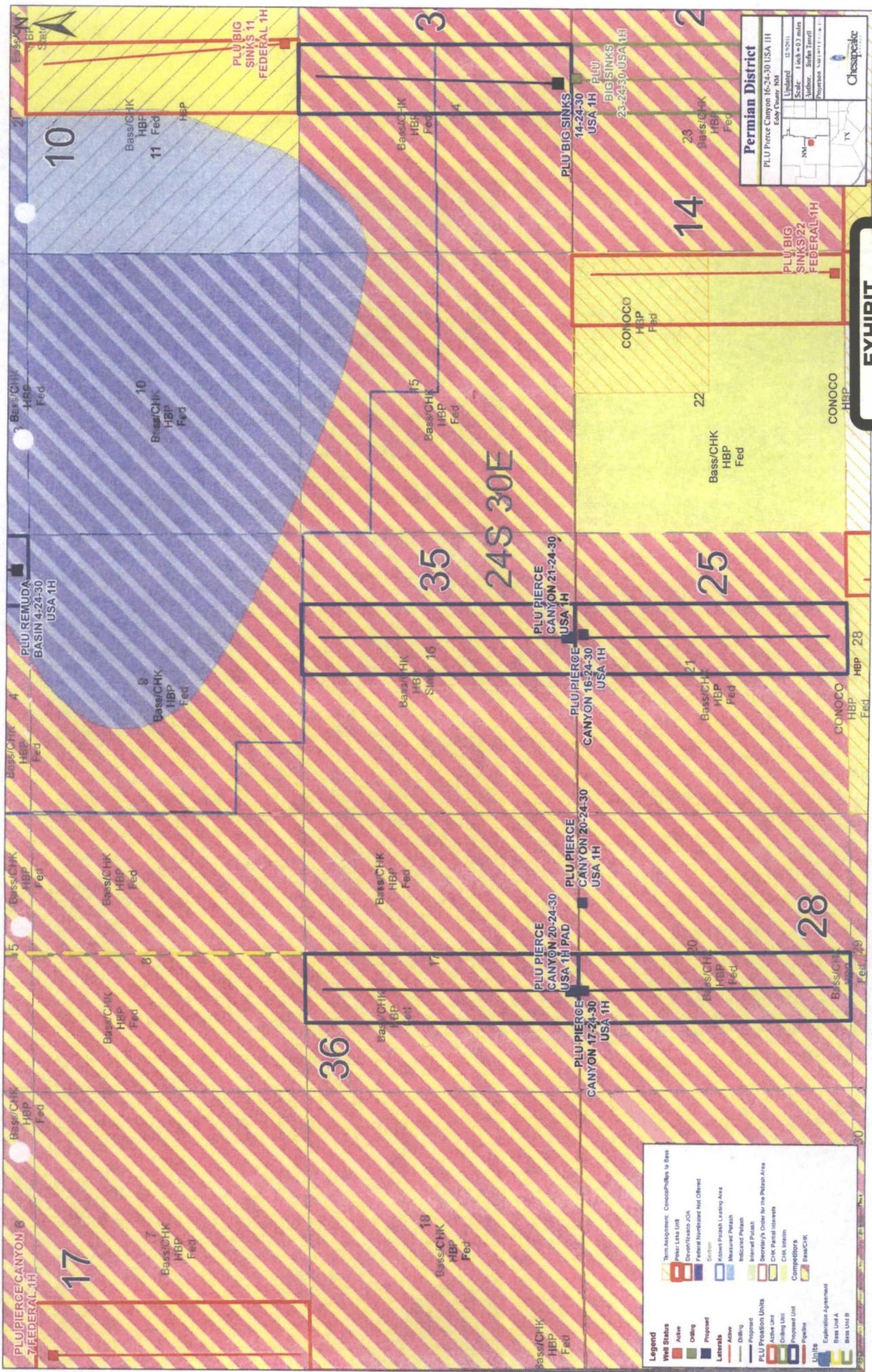
Sincerely,

Adam G. Rankin

ATTORNEY FOR CHESAPEAKE OPERATING, INC.

AGR

cc: David K. Brooks
Monty Montgomery, BOPCO
Teresa Long, Chesapeake Operating, Inc. w/o encls



DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
Phone (505) 393-6181 Fax: (505) 393-0720

DISTRICT II
811 S. First St., Artesia, NM 88210
Phone (505) 334-6178 Fax: (505) 334-0170

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 354-6178 Fax: (505) 354-0170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 478-3480 Fax: (505) 478-3483

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised August 1, 2011

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 30-015-40126		Pool Code 96403	Pool Name WILDCAT; BONE SPRING
Property Code	Property Name PLU PIERCE CANYON 16 24 30 STATE		Well Number 1H
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING CO.		Elevation 3355'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	16	24 S	30 E		50	SOUTH	1980	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
B	16	24 S	30 E		100	NORTH	1980	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
162.26			

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>PROPOSED BOTTOM HOLE LOCATION Lot - N 32.224718722° Long - W 103.883937566° NMSPC-E N 445777.093 E 680304.807 (NAD-83) Lot - N 32.224595682° Long - W 103.883451378° NMSPC-E N 445718.160 E 639120.624 (NAD-27)</p>	<p>Project Area</p>	<p>Producing Area</p>	<p>100' B.H.</p>	<p>1980'</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. <i>Bryan Arrant</i> 02/17/2012 Signature Date Bryan Arrant Printed Name bryan.arrant@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. Date Surveyed FEBRUARY 17, 2012 Signature Seal Professional Surveyor 7977 Certificate No. Gary L. Jones 7977 BASIN SURVEYS 26087</p>
<p>SURFACE LOCATION Lot - N 32.210617112° Long - W 103.883988704° NMSPC-E N 440647.066 E 680310.243 (NAD-83) Lot - N 32.210493903° Long - W 103.883503098° NMSPC-E N 440588.244 E 639126.102 (NAD-27)</p>					

Projected Penetration Point
330' FSL & 1980' FEL



Exhibit C

Chesapeake's NSL Application
PLU Pierce Canyon 16 24 30 State No. 1H

BOPCO, LP
201 Main Street, Suite 3100
Ft. Worth, TX 76102



Adam G. Rankin
Phone 505-988-4421
Fax 505-983-6043
agrankin@hollandhart.com

February 29, 2012

VIA E-MAIL AND
UPS OVERNIGHT DELIVERY

BEPCO *
Attn.: Monty Montgomery
201 Main Street, Suite 3100
Fort Worth, Texas 76102

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Pierce Canyon 16 24 30 State 1H well in the Bone Spring Pool Section 16, Township 24 South, Range 30 East, N.M.P.M., Eddy County, New Mexico.

Dear Mr. Montgomery:

Chesapeake Operating, Inc. has submitted the above-referenced application to the New Mexico Oil Conservation Division for an unorthodox well location for its PLU Pierce Canyon 16 24 30 State 1H well. This well is located in Section 16, Township 24 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, and is to be drilled horizontally in the Bone Spring pool at a surface location 50 feet from the South line and a penetration point 330 feet from the South line, and approximately 1980 feet from the East line of Section 16. The bottom-hole location will be at an unorthodox location 100 feet from the North line and 1980 feet from the East line of Section 16.

Division Rules provide that an application may be approved sooner if the applicant obtains waivers from affected parties. We therefore request your waiver of objection to this administrative application. We respectfully request you that you sign this letter and return it by e-mail delivery to me (agrankin@hollandhart.com) as soon as possible.

Thank you for your consideration of this matter. Should you wish to discuss please feel free to call Teresa Long at (405) 935-9175.

Sincerely,

Adam G. Rankin

BEPCO* agrees to waive objection to Chesapeake Operating, Inc.'s application for an unorthodox well location for its PLU Pierce Canyon 16 24 30 State 1H well.

By: W. Frank McCreight Date: 3-5-2012
Name & Title

W. Frank McCreight, Sr. Vice President

*now known as BOPCO, L.P.

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Denver Aspen Boulder Colorado Springs Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Salt Lake City Santa Fe

HOLLAND & HART LLP



Adam G. Rankin
Phone 505-988-4421
Fax 505-983-6043
agrarkin@hollandhart.com

March 5, 2012

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO AFFECTED PARTIES

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Pierce Canyon 16 24 30 State No. 1H well in the Bone Spring Pool Section 16, Township 24 South, Range 30 East, N.M.P.M., Eddy County, New Mexico.

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date by Chesapeake Operating Co. for administrative approval of an unorthodox well location for its PLU Pierce Canyon 16 24 30 State No. 1H. The proposed wildcat well is to be drilled at a surface location 50 feet from the South line with a projected penetration point 330 feet from the South line and 1980 feet from the East line of Section 16. The bottom-hole location will be 100 feet from the North line and 1980 feet from the East line of Section 16.

As an owner of an interest that may be affected by the proposed well, you may object to this application. Objections must be filed in writing within twenty days from this date at the Division's Santa Fe office that is located at 1220 South Saint Francis Drive, Santa Fe, New Mexico, 87505. If no objection is received within this twenty-day period, this application for an unorthodox well location may be approved.

Sincerely,

Adam G. Rankin
ATTORNEY FOR CHESAPEAKE OPERATING, INC.

Enclosures

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