

DATE IN 3.9.12	SUSPENSE	ENGINEER DB	LOGGED IN 3.9.12	TYPE NSL	APP NO. 1206929122
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PTG W

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 Phantom Bank 3 2630 USA #14

ADMINISTRATIVE APPLICATION CHECKLIST 30-015-39932

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]

- [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 _____

2012 MAR - 8 P 3:44

RECEIVED OGD

-3-265-30E
Amend
NSL-6487

- [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.

Adam G. Rankin L. Ortiz for A.G. Rankin Attorney 3/7/12
 Print or Type Name Signature Title Date
 e-mail Address: aarankin@hollandkort.com



March 8, 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 - 8 P 3:41

Re: Application of Chesapeake Operating, Inc. for administrative approval for amendment of NSL-6487 approving an unorthodox well location for its PLU Phantom Banks 3 26 30 USA No. 1H well in the Bone Spring formation Section 3, Township 26 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 for amendment of NSL-6487, attached as **Exhibit A**, pursuant to the provisions of Division Rule 19.15.15.13 NMAC for an unorthodox well location for its PLU Phantom Banks 3 26 30 USA No. 1H to be located in Section 3, Township 26 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. The proposed wildcat well is to be drilled at a surface location 300 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 3. Chesapeake is seeking to amend NSL-6487 to provide for a bottom-hole location 100 feet from the North line and 1980 feet from the East line of Section 3. A 160-acre project area has been dedicated to this horizontal well comprised of the W/2 E/2 of Section 3.

Exhibit B is a land plat for Section 3 and surrounding sections that shows the proposed non-standard location of the PLU Phantom Banks 3 26 30 USA 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 3 for engineering reasons, and is, therefore, closer to the section line than allowed by Division rules.

Exhibit C is the Well Location and Acreage Dedication Plat (Form C-102), which shows that the proposed PLU Phantom Banks 3 26 30 USA No. 1H well encroaches on the spacing and proration unit to the North.



Exhibit D 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.

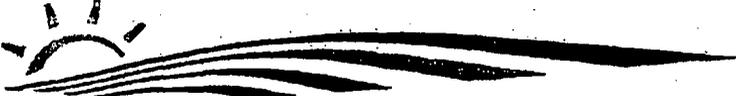
Sincerely,

Adam G. Rankin

ATTORNEY FOR CHESAPEAKE OPERATING, INC.

MHF

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



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



October 14, 2011

Chesapeake Operating, Inc.
c/o Holland & Hart LLP
Attn: Ms. Ocean Munds-Dry

Administrative Order NSL-6487
Administrative Application Reference No. pTWG11-25857377

Chesapeake Operating, Inc.
OGRID 147179
PLU Phantom Banks 3 26 30 USA Well No. 1H
API No. 30-015

Proposed Location:

	Footages	Unit	Sec.	Township	Range	County
Surface	300 FSL & 1980 FEL	O	3	26S	30E	Eddy
Penetration Point	same as surface location					
Terminus	350 FNL & 1980 FEL	B	3	26S	30E	Eddy

Proposed Project Area:

Description	Acres	Pool	Pool Code
W/2 E/2 of Section 3	160	wildcat Bone Spring	

Reference is made to your application received on September 14, 2011.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by statewide Rule 15.9.A [19.15.15.9.A NMAC], which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary, and Rule 15.16.14.B(2) [19.15.16.14.B(2) NMAC] concerning directional wells in designated project areas. This location is unorthodox because portions of the proposed producing interval are less than 330 feet from an outer boundary of the project area.

Oil Conservation Division
1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD



Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

It is our understanding that you are seeking this location for engineering reasons, in order to penetrate the maximum amount of the target zone within the producing area with the wellbore lateral.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9 [19.15.5.9 NMAC].

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Jami Bailey
Director

JB/db

cc: New Mexico Oil Conservation Division – Artesia
United States Bureau of Land Management

DISTRICT I
1825 N. French Dr., Hobbs, NM 88240
Phone (575) 393-8161 Fax: (575) 393-0720

DISTRICT II
811 S. First St., Artesia, NM 88210
Phone (505) 748-1855 Fax: (505) 748-9720

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 334-8178 Fax: (505) 334-8170

DISTRICT IV
1320 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 478-3460 Fax: (505) 478-3468

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	Pool Code 96403	Pool Name WILDCAT; BONE SPRING
Property Code	Property Name PLU PHANTOM BANKS 3 26 30 USA	Well Number 1H
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING CO.	Elevation 3163'

Surface Location

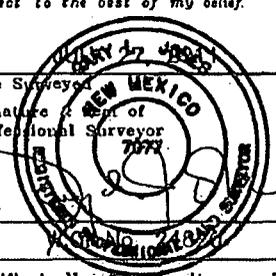
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	3	26 S	30 E		300	SOUTH	1980	EAST	EDDY

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	3	26 S	30 E		100	NORTH	1980	EAST	EDDY

Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
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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 Lat - N 32.07890355° Long - W 103.86691793° NMSPCE- N 392754.577 E 685797.457 (NAD-83) Lat - N 32.07877893° Long - W 103.86643840° NMSPCE- N 392696.808 E 644611.764 (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> 02/22/2012 Signature Date Bryan Arrant Printed Name bryan.arrant@chk.com Email Address</p>	
			<p>3162.7'</p>	<p>3171.1'</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 Signature of Professional Surveyor Certificate No. Gary L. Jones 7977</p>
			<p>3155.8'</p>	<p>3161.5'</p>		<p>Projected Penetration Point 330' FSL & 1980' FEL</p>

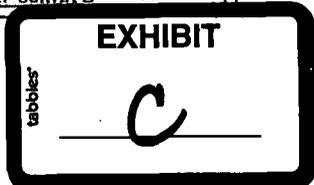


EXHIBIT D
Chesapeake's NSL Application
PLU Phantom Banks 3 26 30 USA No. 1H

BOPCO, LP
Attn: Monty Montgomery
201 Main Street, Suite 3100
Ft. Worth, TX 76102

HOLLAND & HART ^{LLP}



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

March 8, 2012

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO AFFECTED PARTIES

Re: Application of Chesapeake Operating, Inc. for administrative approval for amendment of NSL-6487 approving an unorthodox well location for its PLU Phantom Banks 3 26 30 USA No. 1H well in the Bone Spring formation Section 3, Township 26 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 for amendment of NSL-6487 approving an unorthodox well location for its PLU Phantom Banks 3 26 30 USA No. 1H. The proposed wildcat well is to be drilled at a surface location 300 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 3. Chesapeake is seeking to amend NSL-6487 to provide for a bottom-hole location 100 feet from the North line and 1980 feet from the East line of Section 3.

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

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. ♻

Brooks, David K., EMNRD

From: Adam Rankin [AGRankin@hollandhart.com]
Sent: Tuesday, March 13, 2012 9:46 AM
To: Brooks, David K., EMNRD
Subject: Chesapeake: Waiver for Application to Amend NSL-6487
Attachments: Application to Amend NSL-6487.pdf; 20120313090514763.pdf

David,

Attached to this email is a waiver received from Bass Operating Co. (BOPCO) waiving any objections to amend NSL-6487 to approve a bottom-hole location 100 feet from the North line of Section 3, rather than 350 feet from the North line of the Section as provided in the original Order.

Please accept this waiver as part of the application package to amend NSL-6487, which I also have attached for your reference, so that an order may be entered without waiting the required 20-day period.

Let me know if you have any questions or would prefer that I file this in hard copy with Florene.

Best,
Adam

Adam G. Rankin
Holland & Hart LLP
110 North Guadalupe Suite 1
P.O. Box 2208
Santa Fe, NM 87504
Office: (505) 988-4421
Direct: (505) 954-7294
Cell: (505) 570-0377
Fax (505) 983-6043
E-mail: agrarkin@hollandhart.com
[Download vCard](#)



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

March 1, 2012

VIA ELECTRONIC MAIL

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

Re: Application of Chesapeake Operating, Inc. to Amend NSL-6487.

Dear Mr. Montgomery:

Chesapeake Operating, Inc. intends to submit the above-referenced application to the New Mexico Oil Conservation Division to amend NSL-6487, see attached, to change the approved bottom-hole location. NSL-6487 provides for a bottom-hole location 350 feet from the North line of Section 3, Township 26 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. Chesapeake Operating, Inc. is seeking to change the bottom-hole location to an unorthodox location 100 feet from the North line of said Section 3.

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 to amend NSL-6487 for an unorthodox well location for its PLU Phantom Banks 3 26 30 USA 1H well.

By: Lee Muñcy Date: March 13, 2012
Lee Muñcy
Vice President

*Now known as BOPCO, L.P.

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

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