

PTG-W

DATE IN 6.7.12	SUSPENSE	ENGINEER DB	LOGGED IN 6.7.12	TYPE NSL	APP NO. 1216027414
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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 147179

PLU big Sinks 152530 USA #11

### ADMINISTRATIVE APPLICATION CHECKLIST 30-015-39 893

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 \_\_\_\_\_

NSL-6495-8

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[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 Rankin  
Print or Type Name

*[Signature]*  
Signature

Attorney  
Title

6/7/12  
Date

agrankin@hollandhart.com  
e-mail Address



June 7, 2012

**VIA HAND DELIVERY**

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

RECEIVED OOD  
2012 JUN -7 P 2:48

**Re: Application of Chesapeake Operating, Inc. for Amendment to Administrative Order NSL-6495-A Approving An Unorthodox Well Location for the PLU Big Sinks 15 25 30 USA Well No. 1H in Section 15, Township 25 South, Range 30 East, NMPM, Eddy County, New Mexico.**

Dear Ms. Bailey:

By Administrative Order NSL-6495-A, dated March 7, 2012, the Division approved an unorthodox well location for Chesapeake Operating, Inc.'s ("Chesapeake") PLU Big Sinks 15 25 30 USA Well No. 1H located in Section 15, Township 25 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. NSL-6495-A approved a surface location 10 feet from the North line and 1980 from the West line of Section 22, Township 25 South, Range 30 East, with a penetration point into the Bone Spring formation 10 feet from the South line and 1980 feet from the West line and bottom-hole location 100 feet from the North line and 1980 feet from the West line of said Section 15. Notice was provided to the affected parties and no objection was received by the Division prior to issuance of Order NSL-6495-A.

As reflected on the attached amended "as drilled" C-102 report, Chesapeake now seeks to amend NSL-6495-A to approve a surface location 10 feet from the North line and 1980 feet from the West line of Section 22, Township 25 South, Range 30 East, with the first perforations in the completed interval at a location 62 feet from the South line and 1936 feet from the West line of Section 15, and a bottom-hole location 226 feet from the North line and 1947 feet from the West line for engineering reasons.

**Exhibit A** is a land plat for Section 15 and the surrounding sections that shows the adjoining units and existing wells. The "as drilled" first perforations makes the well unorthodox because the 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 "as drilled" perforations are closer to the boundary of the spacing unit and section line than allowed by Division rules.



**Exhibit B** is the Well Location and Acreage Dedication Plat (Form C-102), which shows that the change to the PLU Big Sinks 15 25 30 USA Well No. 1H places its first perforations closer to the section line than approved under NSL-6495-A.

**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 first perforations in the completed interval encroach to the South upon BOPCO. A copy of this application to amend NSL-6495-A with all attachments was mailed to the notice recipient. Included with this application is a letter from BOPCO waiving all objections to the requested amendment to NSL-6495-A.

Accordingly, Chesapeake respectfully requests that Administrative Order NSL-6495-A be amended to reflect approval of a surface location 10 feet from the North line and 1980 feet from the West line of Section 22, Township 25 South, Range 30 East, with the first perforations in the completed interval at a location 62 feet from the South line and 1936 feet from the West line of Section 15, and a bottom-hole location 226 feet from the North line and 1947 feet from the West line.

Your attention to this application is appreciated.

Sincerely,

Adam G. Rankin  
ATTORNEY FOR  
CHESAPEAKE OPERATING, INC.

Enclosures  
AGR

cc: David K. Brooks  
Andy Morrison, 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

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

Division Director  
**Jami Bailey**  
Oil Conservation Division



March 7, 2012

Chesapeake Operating, Inc.  
c/o Adam Rankin, Attorney

**Administrative Order NSL-6495-A**

**Re: Chesapeake Operating, Inc.**  
**PLU Big Sinks 15 25 30 USA Well No. 1H (API No. 30-015-39693)**  
**SHL: 10 FNL 1980 FWL of Section 22, T25S, R30E**  
**PP: 10 FSL 1980 FWL of Section 15, T25S, R30E**  
**BHL: 100 FNL 1980 FWL of Section 15, T25S, R30E**  
**Project Area: E/2 W/2 of Section 15, T25S, R30E**  
**Eddy County, New Mexico**

Dear Mr. Rankin:

This Order supersedes Order NSL-6495.

Reference is made to the following:

(a) your application (administrative application reference No. **pTGW12-06664516**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chesapeake Operating, Inc. (Chesapeake) [OGRID 147179], on March 6, 2012, and

(b) the Division's records pertinent to this request, including the file relating to Administrative Order NSL-6495.

Chesapeake has requested to drill the above-referenced well as a horizontal well in the Lower Avalon ("target") member of the Bone Spring formation, at a location that will be unorthodox under Division Rule 16.14.B(2) [19.15.16.14.B(2) NMAC].

The E/2 W/2 of Section 15 will be dedicated to the proposed well to form a project area comprising four standard 40-acre spacing units in the Wildcat; Bone Spring Pool. This pool is governed by statewide Rule 15.9 [19.15.15.9 NMAC], which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is unorthodox because



portions of the completed interval will be less than 330 feet from an outer boundary of the project area.

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.

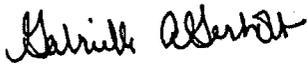
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2) [19.15.4.12.A(2) NMAC], in all adjoining units towards which the proposed location encroaches. We further understand that Bass Operating and Production Company, whose waiver of objection you have submitted, is the only person affected by the amendment to Order NSL-6495.

Pursuant to the authority conferred by Division Rule 15.13.B [19.15.15.13.B NMAC], 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,



*for* JAMI BAILEY  
Director

JB/wvj

cc: Oil Conservation Division – Artesia  
Bureau of Land Management

**DISTRICT I**  
 1026 N. French Dr., Hobbs, NM 88240  
 Phone: (505) 393-8101 Fax: (505) 393-0720

**DISTRICT II**  
 811 S. First St., Arlanco, NM 88210  
 Phone: (505) 748-1283 Fax: (505) 748-9720

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

**DISTRICT IV**  
 1820 S. St. Francis Dr., Santa Fe, NM 87505  
 Phone: (505) 476-3460 Fax: (505) 476-3462

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 30-015-39693	Pool Code 96403	Pool Name WILD CAT; BONE SPRING
Property Code 38939	Property Name PLU BIG SINKS 15 25 30 USA	Well Number 1H
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING CO.	Elevation 3339'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	22	25 S	30 E		10	NORTH	1980	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
C	15	25 S	30 E		226	NORTH	1947	WEST	EDDY

Dedicated Acres 163.02	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

**PROPOSED BOTTOM HOLE LOCATION**  
 Lat - N 32.13746604°  
 Long - W 103.87119257°  
 NMSPC - N 414052.713°  
 E 684382.151°  
 (NAD-83)

**FIRST PERFORATIONS**  
 62' FSL & 1936' FWL

**SURFACE LOCATION**  
 Lat - N 32.12306940°  
 Long - W 103.8711942°  
 NMSPC - N 408815.491°  
 E 684404.128°  
 (NAD-83)

Lat - N 32.12284525°  
 Long - W 103.87071260°  
 NMSPC - N 408757.366°  
 E 643218.961°  
 (NAD-27)

**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.

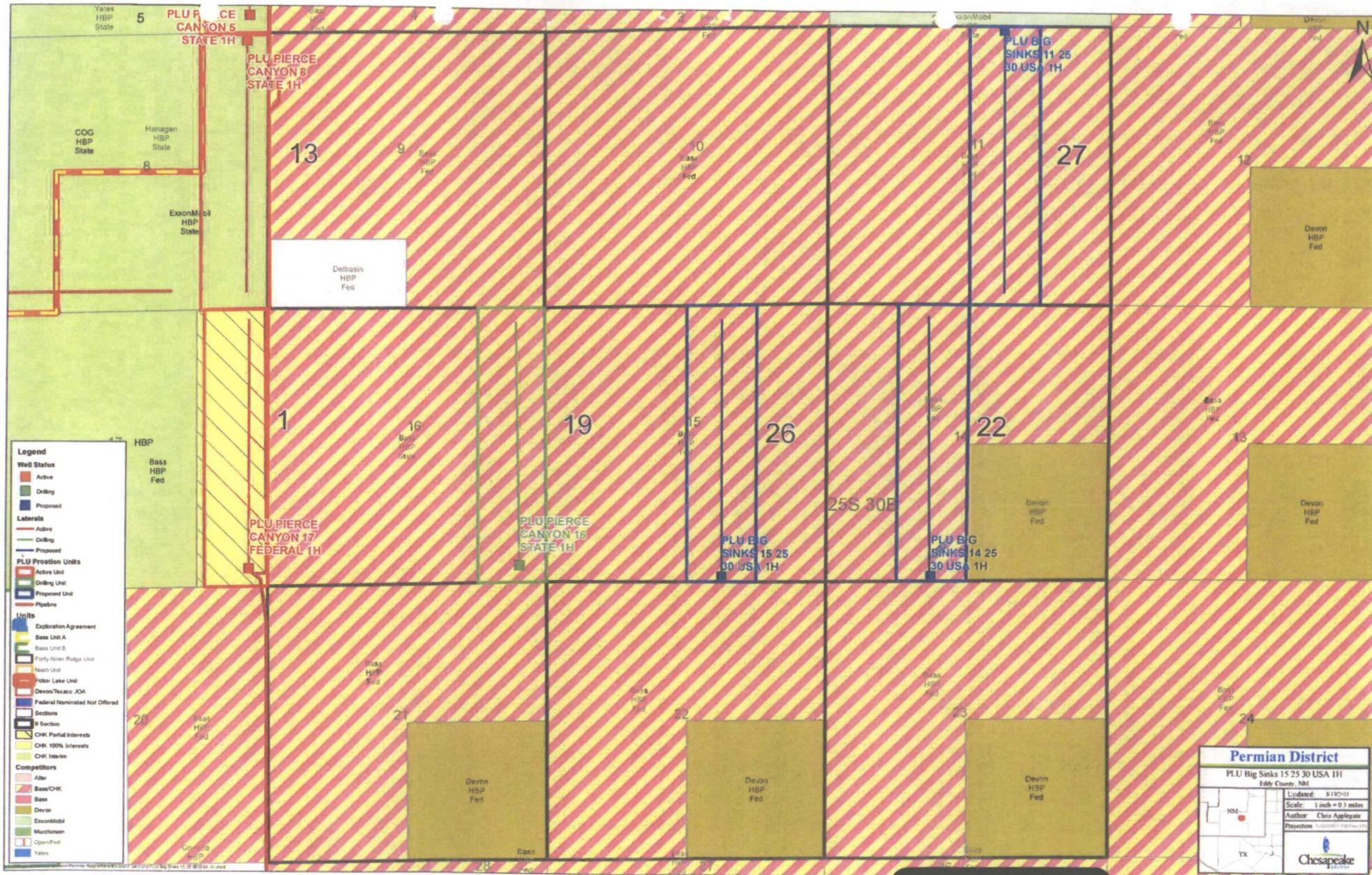
Signature: *Bryan Arrant* Date: 5/31/2012  
 Printed Name: Bryan Arrant  
 Email Address: bryan.arrant@chk.com

**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: 5/31/2011  
 Signature & Seal of Professional Surveyor: *Gary L. Jones*  
 Certificate No. Gary L. Jones 7977  
 BASIN SURVEYS 24821

AS DRILLED LAND PLAT





**EXHIBIT**  
**B**

**EXHIBIT C**

**Chesapeake's Application to Amend NSL-6579  
PLU Big Sinks 14 24 30 USA No. 1H**

BOPCO  
201 Main Street, Suite 3100  
Ft. Worth, Texas 76102



Regulatory Department

June 4, 2012

BOPCO, L. P.  
6 Destra Drive, Ste. 3700  
Midland, TX 79702

Attention: Andy Morrison  
email: AMorrison@basspet.com

Re: Chesapeake Operating, Inc.'s PLU BIG SINKS 15 25 30 USA 1H.  
Surface located is in Section 22, T-25-S, R- 30-E, 10' FNL & 1980' FWL, NMPM, Eddy, New Mexico.

Dear Mr. Morrison,

Chesapeake Operating, Inc., ("Chesapeake") will be submitting a request to amend Administrative Order NSL-6495-A with the New Mexico Oil Conservation Division. This is on order to reflect where the Bone Spring was first perforated, which is 62' FSL & 1936' FWL of Section 15, T- 25-S R 30-E.

A copy of Chesapeake's "as drilled" C-102 land plat and the NSL order is enclosed for your reference.

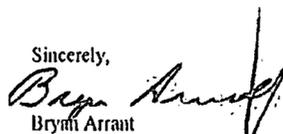
Notice was previously provided regarding the amended administrative application and no objection was received by the Division prior to the issuance.

The above-referenced well has been drilled and completed; therefore, Chesapeake is requesting your waiver of any objection to amend Order NSL-6495-A.

We respectfully request you that you sign this letter and either return by e-mail or overnight delivery as soon as possible.

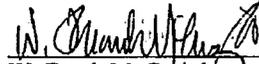
Thank you for your consideration of this matter. Should you wish to discuss please feel free to call me at (405) 935-3782.

Sincerely,

  
Brynn Arrant  
Regulatory Specialist II  
Chesapeake Energy Corporation

BOPCO, L. P. agrees to waive objection to Chesapeake Operating, Inc.'s request to amend Order NSL-6495-A for a non-standard location for the PLU Big Sinks 15 25 30 USA Well 1-H. The surface located in Section 22, T-25-S, R-30-E, 10' FNL & 1980' FWL, NMPM, Eddy, New Mexico.

By:

  
W. Frank McCreight  
Sr. Vice President

Date:

6.6.12