

ABOVE THIS LINE FOR DIVISION USE ONLY

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



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-Quantified 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 _____

[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.

[Signature]
Print or Type Name _____
Signature _____

KELLAMIN & KELLAMIN
Attorneys At Law
P.O. Box 2265
Santa Fe, NM 87504-2265

5/9/05
Date

2005 MAY 9 PM 1 19

KELLAHIN & KELLAHIN
Attorney at Law

W. Thomas Kellahin
Recognized Specialist in the Area of
Natural Resources-oil and gas law-
New Mexico Board of Legal Specialization

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Facsimile 505-982-2047
kellahin@earthlink.net

May 9, 2005

HAND DELIVERED

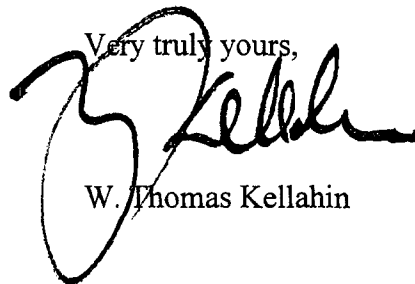
Mr. Mark E. Fesmire, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: CSW "17" Well No. 1
Unit N of Section 13, T16S, R35E
Administrative Application of Chesapeake Operating Company
for an unorthodox gas well location,
(Need name) Pool
Lea County, New Mexico

Dear Mr. Fesmire:

On behalf of Chesapeake Operating Company, please find enclosed our
referenced administrative application.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name.

W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Lynda Townsend

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE OPERATING COMPANY
FOR AN UNORTHODOX GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO.**

2005 MAY 9 PM 1 19

ADMINISTRATIVE APPLICATION

CHESAPEAKE OPERATING COMPANY ("Chesapeake") by its attorneys, Kellahin & Kellahin, and seeks an order authorizing the drilling and production of its CSW "17" Well No. 1 at an unorthodox gas well location 475 feet from the South line and 2185 feet from the West line (Unit N) of Section 17, Township 16 South Range 36 East, NMPM to be dedicate to a standard 320-acre gas spacing unit dedicated to production from the Atoka and/or Morrow formations

In support of its application Chesapeake states:

1. Chesapeake proposes to drill its CSW "17" Well No. 1 in such a way as to test both the Strawn formation and the Atoka-Morrow formations. but in doing so, the Strawn will be a standard oil well location but the Atoka-Morrow will be at an unorthodox gas well location.

2. An Atoka-Morrow test will be too risky unless placing the wellbore at a location that is the optimal for the Strawn formation reduces that risk.

3. Chesapeake desires permission to combine this attempt such that an unorthodox gas well location 475 feet FSL and 2185 feet FWL (Unit N) of Section 17, T16S, R36E, Lea County, New Mexico is dedicated to a 320-acre gas spacing unit consisting of the W/2 of this section and to a standard oil well location for any Strawn production consisting of the SE/4SW/4 (Unit N) of this section. **See C-102 attached as Exhibit "A"**

3. This spacing unit is subject Division Rule 104.

TECHNICAL EVIDENCE

1. Chesapeake, based upon geologic data, believes that:
 - a. its proposed unorthodox gas well location will provide a better opportunity to access potential production in the Atoka and/or Morrow formations
 - b. that is also a good Strawn location thereby reducing the total risk involved. See isopach map attached as **Exhibit "B"** and written geological summary attached as **Exhibit "C"**

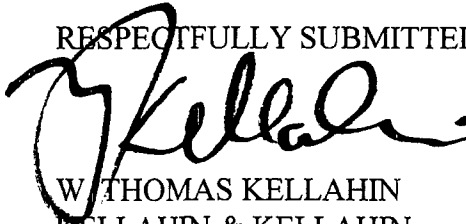
NOTIFICATION

2. Chesapeake's proposed location encroaches towards:
 - a. The E/2 of Section 17 operated by Chesapeake who working interest owners are: David Petroleum Corp., Southeast Royalties, Inc., Fasken Land and Minerals, LTD, Stanolind Oil and Gas Corp.
 - b. The N/2NW/4 and SW/4NW/4 of Section 20 is control by Chesapeake who owns 100% of the working interest;
 - c. The E/2NE/4 and the E/2SE/4 of Section 20 is control by Yates Petroleum Corporation;
 - d. The SE/4NW/4 of Section 17 and W/2NE/4 of Section 20 is control by ChevronTexaco;
 - e. The SW/4 of Section 20 is control by El Ran
 - f. The EW2SE/4 of Section 20 is control by Amerada Hess Corporation.
3. In accordance with the Division's notice requirements, a copy of this application has been sent to those appropriate offsetting owners. See **Exhibit "D"**

NMOCD Application
Chesapeake Oil Company
-Page 2-

WHEREFORE, Chesapeake, as applicant, requests that the Division enter its order approving this requested unorthodox well location

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read "W. Kellahin", is written over the printed name.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN

P. O. Box 2265

Santa Fe, New Mexico 87504

Telephone: (505) 982-4285

Fax: (505) 982-2047



not H. O.



EXHIBIT

B

CHINA PLANT OPERATING

1970/1/10

[illegible]

COI
CSW 17 #1, Lea, NM
Non-standard Location

475' FSL & 2185' FWL, Sec. 17, T16S-R36E, Lea, NM

Chesapeake Operating Inc. requests a non-standard approval for the drilling of the subject 12,400' test.

The primary objective is the Strawn limestone in the Lovington West (Strawn) Field; 40 acre oil spacing with standard 330' offset to unit boundary. The requested location is orthodox for this objective. The wildcat secondary objective is the Atoka / Morrow sandstone in the Wildcat (Atoka, Morrow) Field; 320 acre standard spacing with 660' offset to unit boundary. The location is non-standard for this deepest objective. The requested location is non-standard by 276'.

The requested location is necessary for commercial productivity in the Strawn horizon. Strawn mapping is generated by subsurface integration into 3D seismic interpretation of reservoir porosity development. For productivity in this unit, it is necessary to maximize porosity development while maintaining the highest possible structural position. The COI Ruth 20 #1 (20C) to the south is an updip, Strawn producer with an oil / water contact in the wellbore. The recently drilled Stanolind Berry Hobbs Unit 17 #1 (17J) is downdip and encountered porous but wet Strawn limestone. The CSW 17 #1 is projected to be structurally between the Ruth and Berry Hobbs wellbores. The location is selected to maximize structural position within the Strawn porosity. A location within the overlapping area of the 2 standard orthodox boxes would be in a downdip position and would significantly increase the risk of finding commercial production.

Drilling directionally, by deviating the wellbore below the Strawn to an orthodox spot for the Atoka / Morrow is not feasible. The wellbore would have to be kicked off at an approximate depth of 11,700' (below Strawn) to be orthodox by a depth of 12,000'; a lateral kick of 276' within a vertical distance of 300'. This would be cost prohibitive and could create significant production problems during the life of the well.

Stanolind Operating recently completed the Berry Hobbs Unit 17 #1 (17J) at a non-standard location in the Wildcat (Morrow) Field for an IP of 190 MCFPD, test dated 10/17/04. This is a marginal producer & a recompletion into the Wolfcamp is planned. There is no other Atoka or Morrow production in the contiguous units of sections 17, 18, 19 or 20.

David A. Godsey
Senior Geologist, Chesapeake Energy Corporation



EXHIBIT "D"

David Petroleum Corp.
116 W. 1st Street
Roswell, NM 88201

Southeast Royalties, Inc.
P. O. Box 1658
Carlsbad, NM 88221

Fasken Land and Minerals, LTD
303 West Wall Avenue
Ste. 1800
Midland, Texas 79701

Stanolind Oil & Gas Corp.
P. O. Box 1311
Midland, Texas 79702

Yates Petroleum Corporation
105 S. Fourth Street
Artesia, NM 88210

Amerada Hess Corporation
Box 2040
Houston, Texas 77252

El Ran, Inc.
Box 911
Lubbock, TX 79408

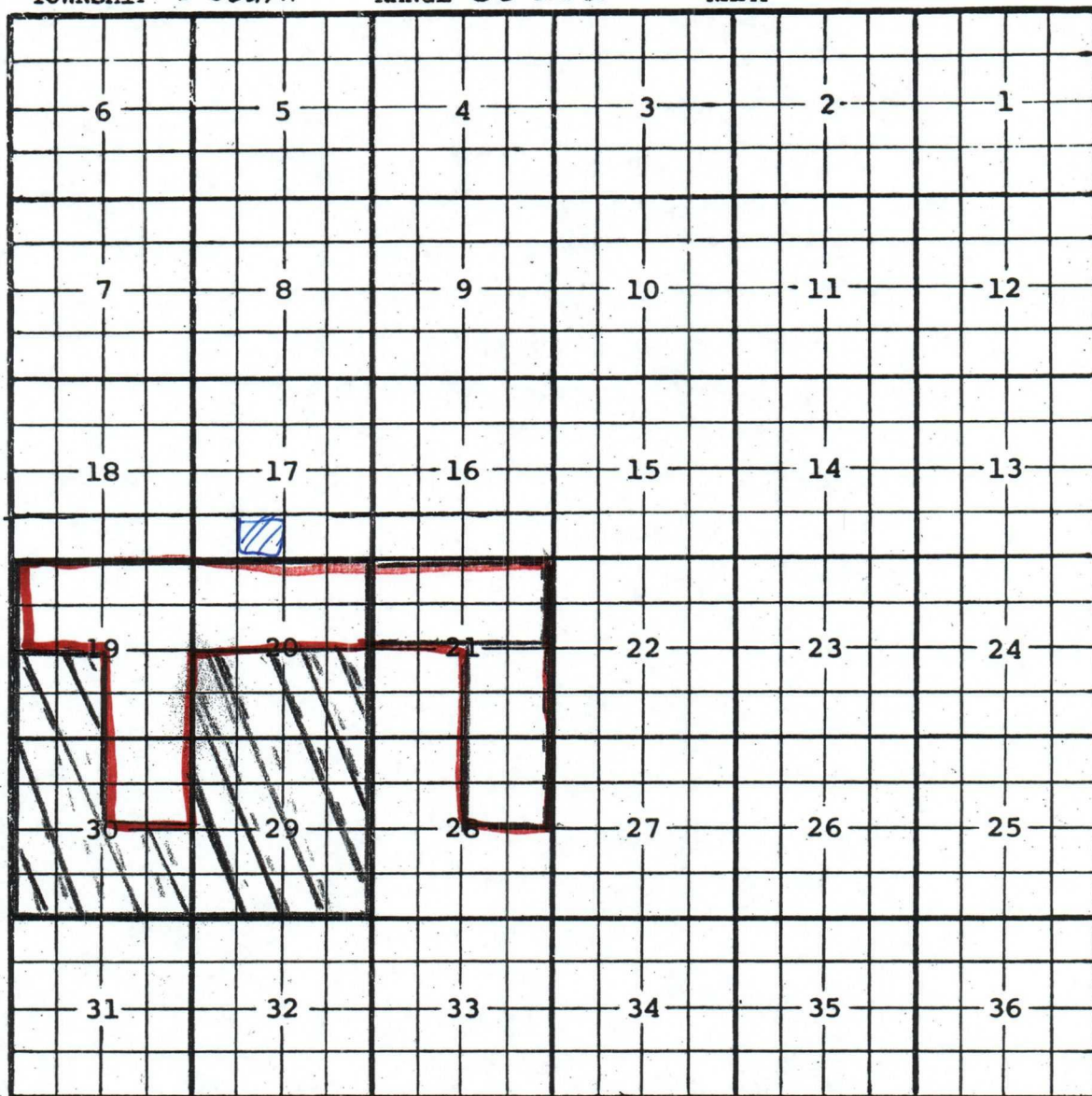
ChevronTexaco
11111 South Wilcrest
Houston, Texas 77099

COUNTY LeaPOOL West Lovington - PennsylvanianUpper Abandoned

40750

TOWNSHIP 16 SouthRANGE 36 East

NMPM



Description: All Secs. 19, 20, 29 & 30 (R-137, 4-30-53)

Ext: $\frac{N}{2}$ Sec. 21 (R-10972, 4-13-98)

Delete: $\frac{SE}{4}$ Sec. 19, $\frac{S}{2}$ Sec. 20, All Sec. 29, $\frac{NW}{4}$ and $\frac{S}{2}$ Sec. 30 (R-10972, 4-13-98)

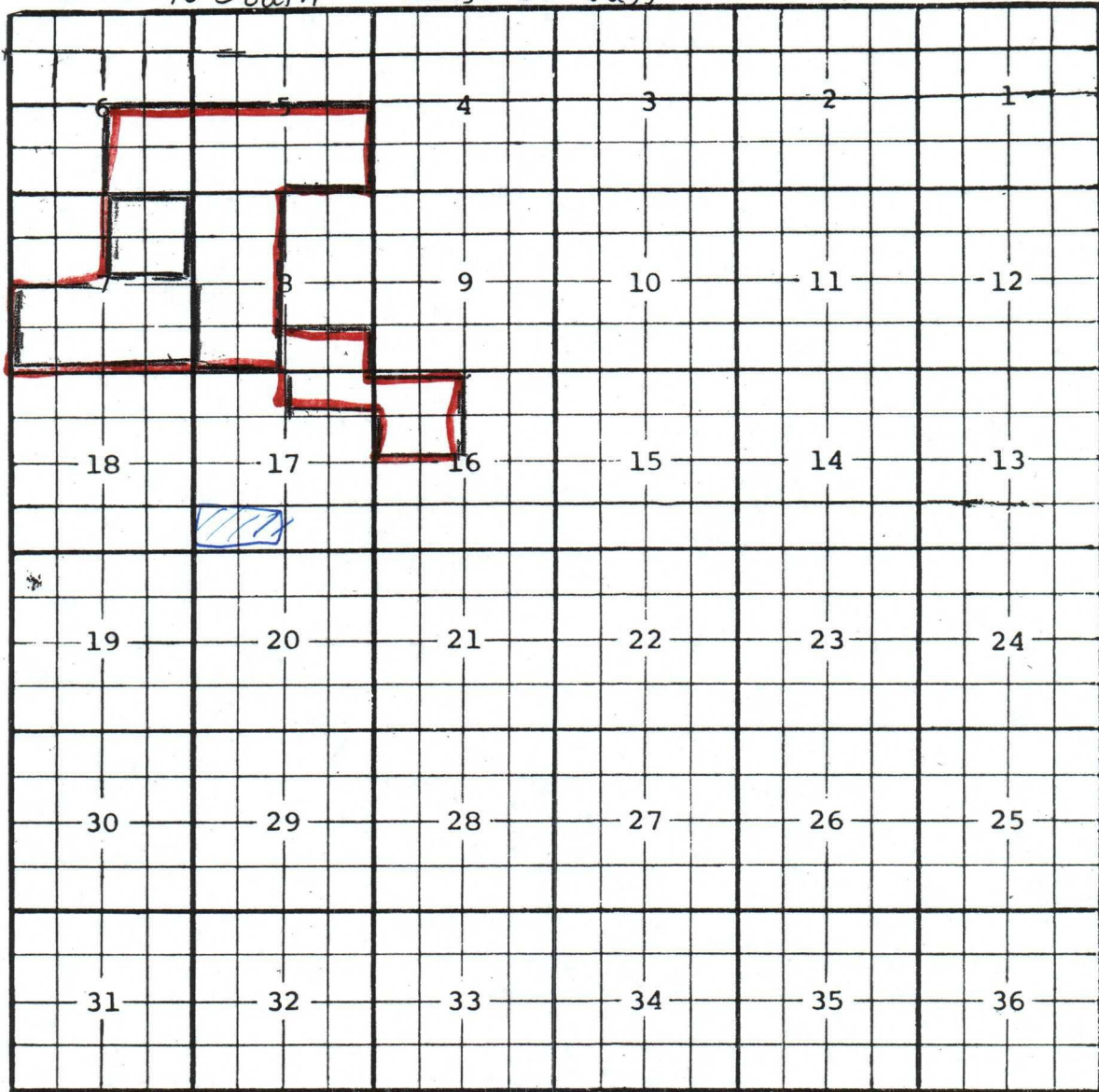
Contract vertical limits to include only Cisco, Canyon and Strawn formations and redesignate as West Lovington - Upper Pennsylvanian Pool (R-11533, 2-8-01)

Ext: $\frac{SE}{4}$ Sec. 21, $\frac{NE}{4}$ Sec. 28 (R-11533, 2-8-01)

80 av.

County Lea Pool Northeast Shoe Bar-Strawn

TOWNSHIP 16 South Range 36 East NMPPM



Description: $\text{NE}\frac{1}{4}$ Sec. 7 (R-10776, 2-28-97)

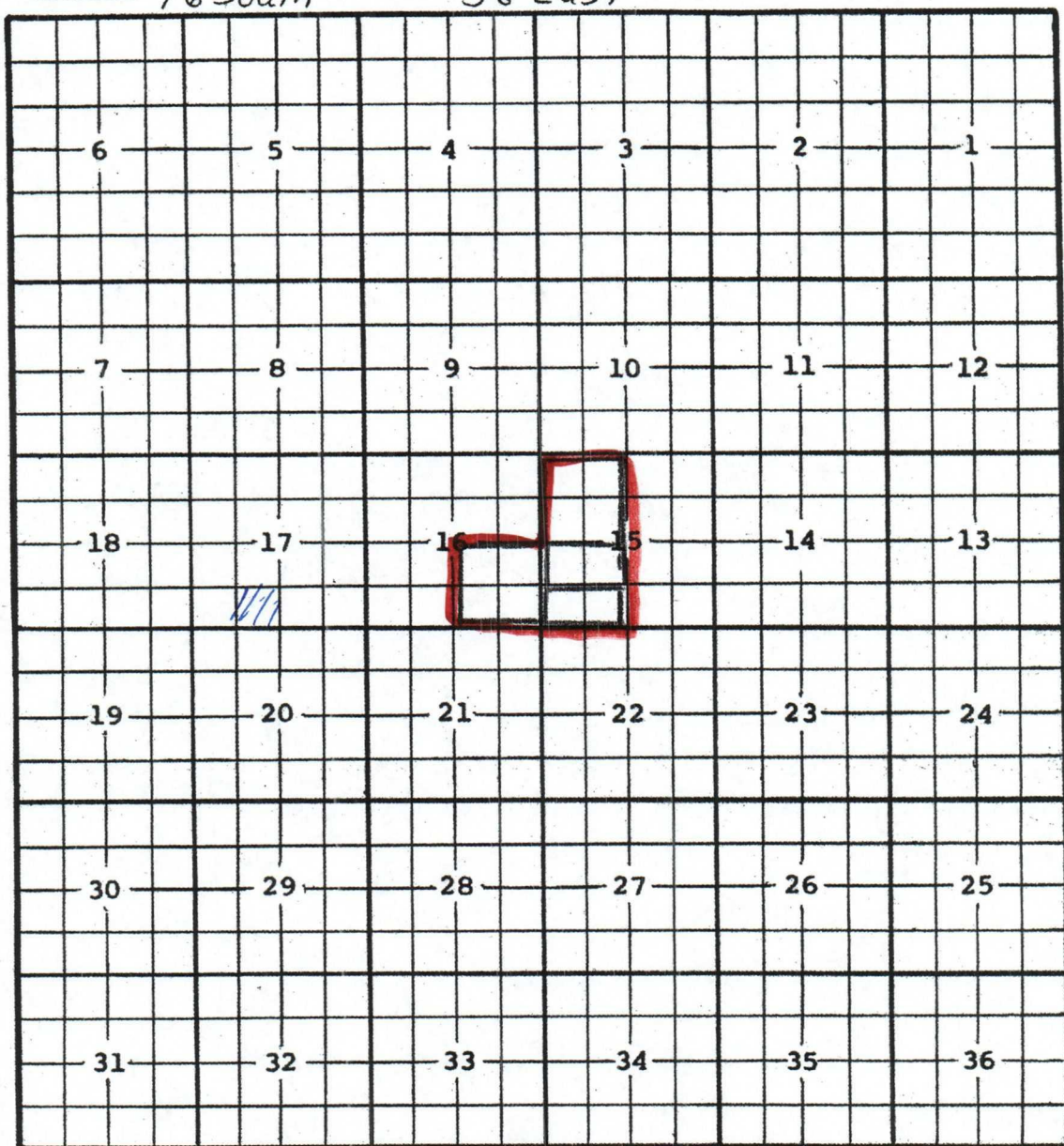
Ext: $\frac{5}{2}$ Sec. 5, $\text{SE}\frac{1}{4}$ Sec. 6, $\frac{1}{2}$ Sec. 8 (R-10910, 10-31-97)

Special Pool Rules Adopted by R-10848, 7-31-97 Ext: $\frac{5}{2}$ Sec. 7 (R-11183, 5-19-99)

Ext: $\frac{5}{2}$ $\text{SE}\frac{1}{4}$ Sec. 8, $\text{NW}\frac{1}{4}$ Sec. 16, $\frac{1}{2}$ $\text{NE}\frac{1}{4}$ Sec. 17 (R-11475, 10-24-00)

COUNTY LeaPOOL Diamond-StrawnTOWNSHIP 16 SouthRANGE 36 East

NMPM

Description: $\frac{S}{2} \frac{SW}{4}$ Sec. 15 (R-10183, 8-26-94)Ext: $\frac{N}{2} \frac{SW}{4}$ Sec. 15 (R-11243, 9-15-99) Ext: $\frac{SE}{4}$ Sec. 16 (R-11475, 10-24-00)Ext: $\frac{NW}{4}$ Sec. 15 (R-12063, 11-25-03)

