

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-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 _____

[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.

Print or Type Name	Signature	Title	Date
e-mail Address			

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

P.O. Box 2265
Santa Fe, New Mexico 87504
117 North Guadalupe
Santa Fe, New Mexico 87501

Telephone 505-982-4285
Facsimile 505-982-2047
kellahin@earthlink.net

August 8, 2005

HAND DELIVERED

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

Re: Administrative Application of Chesapeake Operating, Inc.
for approval of a unorthodox well location for its
Budda "4" State Com Well No. 1, Unit M,
731 feet FSL & 1043 feet FWL
S/2SW/4 (80-acre) dedication, Section 4,
T17S, R37E, Lea County, New Mexico
Shipp-Strawn Pool

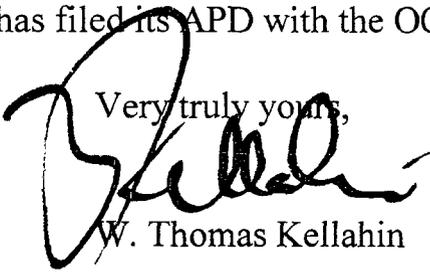
2005 AUG 8 PM 3 30

Dear Mr. Fesmire:

On behalf of Chesapeake Operating, Inc., please find enclosed our referenced application that is being filed in accordance with Division Rule 104. This location crowds the interior center-line of this 80-acre spacing unit (277 feet instead of 510 feet from the eastern boundary of Unit M (standard is within 150 feet of the center of Unit M).

Chesapeake has filed its APD with the OCD-Hobbs.

Very truly yours,


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 ADMINISTRATIVE
APPLICATION OF CHESAPEAKE OPERATING, INC.
FOR APPROVAL OF AN UNORTHODOX WELL LOCATION
LEA COUNTY, NEW MEXICO**

ADMINISTRATIVE APPLICATION

Comes now CHESAPEAKE OPERATING, LTD. ("Chesapeake") and by and through its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division ("Division") for approval of an unorthodox oil well location for its proposed Budda "4" State Com Well No. 1 to be drilled at a unorthodox location 731 feet from the South line and 1043 feet from the West line (Unit M) of Section 4, T17S, R37E, Lea County, New Mexico to be dedicated to a standard 80-acre oil spacing unit consisting of the S/2SW/4 of this section for production from the Shipp-Strawn Pool.

In support, Chesapeake states:

1. Chesapeake is the proposed operator for this well to be dedicated to a standard 80-acre oil spacing and proration unit consisting of the S/2SW/4 of this section.
2. The well is to be located 731 feet FSL and 1043 feet FWL (Unit M) Section 4, T17S, R37E, at an unorthodox oil well location for the Strawn formation (Shipp-Strawn Pool). See APD and Form C-102, attached as Exhibit "A" and "B"
3. This well location is subject to the Special Rules and Regulations for the Shipp-Strawn Pool that require standard well locations within 150 feet of the center of either 40-acre tract within an standard 80-acre spacing unit.

4. This location, as illustrated on Exhibit "C" and explained in Exhibit "D" attached, is based upon geologic reasoning:
 - a. Based upon 3-D Seismic interpretation and subsurface well control this unorthodox well location is necessary because the standard would encounter little, if any, Strawn porosity and is likely to result in a dry-hole or sub-economic well.
 - b. The Strawn porosity intervals within Chesapeake proposed spacing unit is best tested at a location outside of the standard location drilling window because a standard location increases significantly the risk of missing the reservoir

OFFSETTING OWNERSHIP

5. The S/2SW/4 of this Section is composed of a parts of two State of New Mexico Oil & Gas Leases:
 - a. SW/4SW/4, #VB9665 dated May 1, 2005, issued to Chalfant Properties, Inc. now held by Chesapeake.
 - b. SE/4SW/4, #B-2517, dated February 10, 1934, issued to Phillips Petroleum Co. now held by Conoco/Phillips
6. Chesapeake is the proposed operator and has obtained the voluntary agreement of Conoco/Phillips to form this spacing unit and to participate in this well. See approval letter dated July 26, 2005, attached as Exhibit "E"
7. This well encroaches towards the centerline of this spacing unit and towards the lease held by Conoco/Phillips.

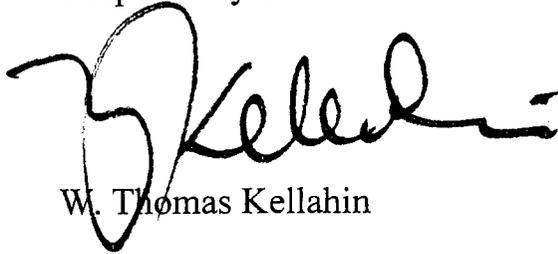
NOTIFICATION TO OFFSETTING OWNERS IS NOT REQUIRED

8. Because all working interest owners have approved and will participate in this well are also the same parties towards whom this well encroaches then the Division rules do not require notice of this application. See Rule 1207.A(2)(a)(iii)

9. Approval of this application will afford the owners and the applicant the opportunity to produce their just and equitable share of the hydrocarbons in the Strawn formation, will promote the orderly development in this area, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

WHEREFORE, Applicant requests that this application be approve by the Division.

Respectfully Submitted:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style. The signature is positioned above the printed name.

W. Thomas Kellahin

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-101
Permit 10305

*Review
NSH*

APPLICATION FOR PERMIT TO DRILL

Operator Name and Address CHESAPEAKE OPERATING, INC. PO Box 11050 Midland, TX 79702-8050		OGRID Number 147179
		API Number
Property Code	Property Name BUBBA 4 STATE COM	Well No. 001

Surface Location

UL or Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
M	4	17S	37E	M	731	S	1043	W	Lea

Proposed Pools

SHIPP;STRAWN 55695

Work Type New Well	Well Type OIL	Cable/Rotary	Lease Type State	Ground Level Elevation 3783
Multiple N	Proposed Depth 11250	Formation Strawn	Contractor	Spud Date 05/05/2005

Proposed Casing and Cement Program

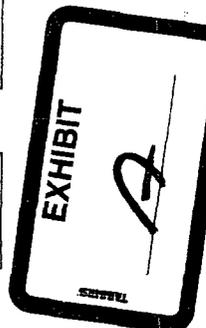
Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.5	13.375	48	450	410	0
Int1	11	8.625	32	4200	1025	0
Prod	7.875	5.5	17	11250	895	3700

Casing/Cement Program: Additional Comments

13 3/8 csg. cmtd w/200 sx of 35:65 Poz:Cl C + additives Tail w/210 sx of Cl. C + additives; 8 5/8 csg. cmtd w/825 sx 50:50 Poz Cl C + additives, Tail w/200 sx of Cl. C + additives; 5 1/2 csg. cmtd w/1st Stage Lead 80 sx of 50:50 Poz Cl. H + additives; 1st Stage Tail 375 sx of 50:50 Poz Cl H + additives, 2nd stage lead 270 sx of 50:50 Poz: Cl. H + additives, 2nd stage tail 170 sx of 50:50 Poz Cl H + additives.

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Annular	5000	5000	
Double Ram	5000	5000	



DISTRICT I
1625 N. FRENCH DR., HOBBBS, NM 86240

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 86210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name BUBBA 4 STATE COM	Well Number 1
OGRID No.	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 3783'

Surface Location

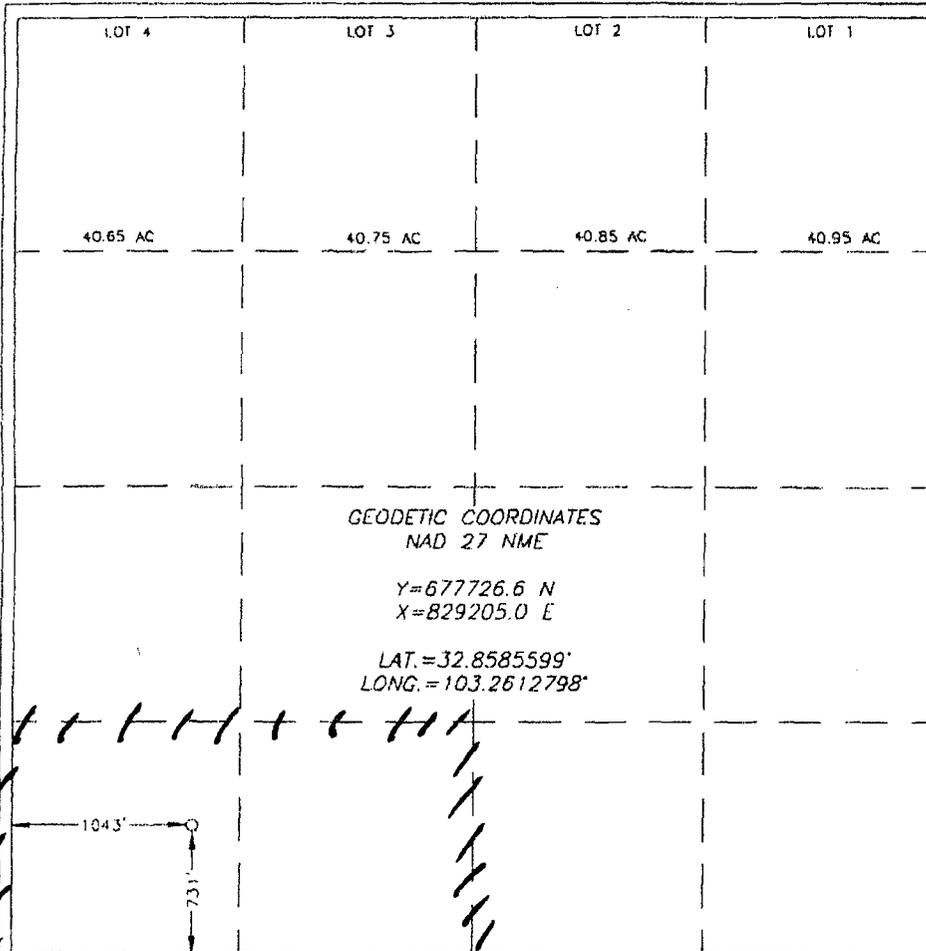
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	4	17-S	37-E		731	SOUTH	1043	WEST	LEA

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

Dedicated Acres	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



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

Signature _____

Printed Name _____

Title _____

Date _____

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.

APRIL 21, 2005

Date Surveyed _____ DEL.

Signature: *Gary Edson*
Professional Surveyor
NEW MEXICO
4/22/05
05.11.0642

Certificate No. GARY EDSON 12841

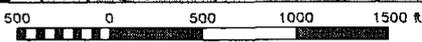
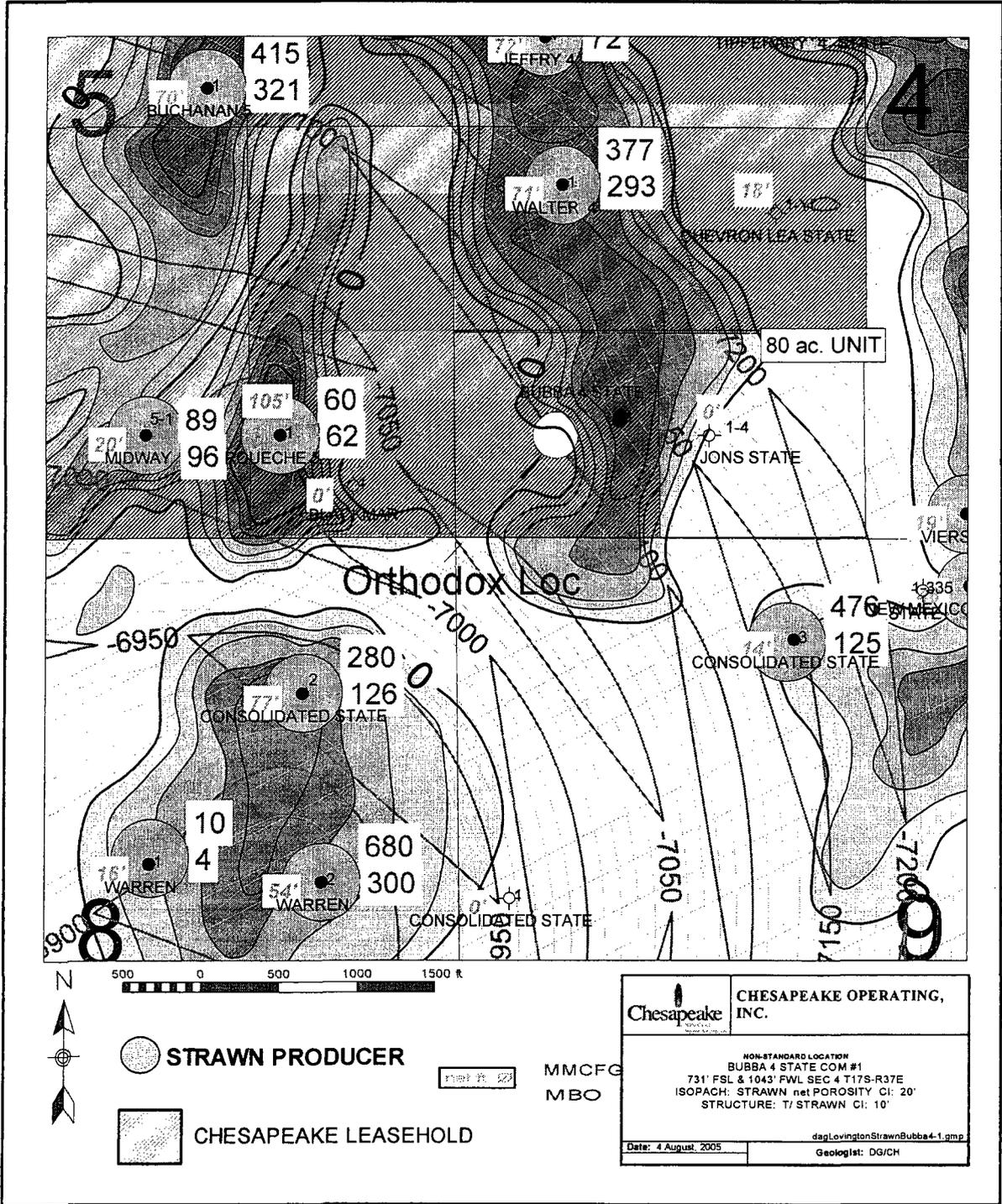
EXHIBIT
B

NON-STANDARD LOCATION REQUEST

Chesapeake Operating Bubba 4 State Com #1

Chesapeake Operating requests a non-standard location for the drilling of the Bubba 4 State Com #1. The wellbore will be filed in the Shipp (Strawn) Pool which calls for 80 ac. units with standard locations no further than 150' from center of the quarter/quarter. Requested location for the Bubba 4 State Com #1 falls in 4M-T17S-R37E, 731' FSL & 1043' FWL. Based upon 3D seismic interpretation and subsurface well control integration this location is necessary to drill a commercial wellbore into the Strawn reservoir. The nearest offset Tipperary Oil & Gas Jons State 1-4 (4N, 660' FSL & 1650' FWL) found 0' of Strawn porosity and was P&A'd in 1984. A standard location would encounter little if any Strawn porosity and would result in a dry hole or sub-economic completion. Chesapeake would not drill the test if required to drill within the standard location designation. Immediately to the west in 5P Chesapeake Operating recently drilled the Roueche 5 #1 at an approved non-standard location in a very similar geologic situation. The Roueche encountered 105 net ft. of Strawn porosity and made a top allowable well.





-  STRAWN PRODUCER
-  CHESAPEAKE LEASEHOLD

	CHESAPEAKE OPERATING, INC.
	<small>NON-STANDARD LOCATION BUBBA 4 STATE COM #1 731' FSL & 1043' FWL SEC 4 T17S-R37E ISOPACH: STRAWN net POROSITY CI: 20' STRUCTURE: T7/STRAWN CI: 10'</small>
<small>Date: 4 August, 2005</small>	<small>Geologist: DG/CH</small>

EXHIBIT
D



P.O. Box 2197
Houston, TX 77252-2197
Lower 48
Mid America - Permian

RECEIVED
JUL 29 2005
MAILROOM

July 25, 2005

Chesapeake Energy Corporation
Attn: Lynda F Townsend
6100 N. Western Ave.
Oklahoma City, OK 73118

FAXED 7/25/2005

RE: Bubba 4 State Com No. 1
Lea, NM
Formation: ~~strawn~~

Partner Lease No: N/A
Partner AFE No: 140774

ConocoPhillips Lease No. Unknown
ConocoPhillips WBS Element: N/A

Gentlemen:

This letter represents ConocoPhillips (COPC) written approval for the above mentioned AFE with the associated AFE Costs.

Transmitted herewith you will find a copy of ConocoPhillips' information requirements letter which provides a list of contacts and telephone numbers.

Please forward copies of all forms filed with regulatory agencies (including completion report, notification of gas connection, plug and abandon report, etc.) to the following addresses:

Mid America - Permian - Land Dept.,
ConocoPhillips Company
P.O. Box 2197
Houston, TX 77252-2197

If questions of a clerical nature arise, please contact the undersigned at (832) 486-2573. Please be advised that your engineering contact on this property is Cesario Torres who can be reached by calling .

Very truly yours,

CONOCOPHILLIPS COMPANY

Ann F Becker
Mid America - Permian

Attachment

cc: Central Files

EXHIBIT
E