

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-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 _____

2005 DEC 12 PM 1 55

- [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 *J. Kellahin* Title KELLAHIN & KELLAHIN Date 12/12/05
 Attorneys At Law
 P.O. Box 2265
 Santa Fe, NM 87504-2265

KELLAHIN & KELLAHIN
Attorney at Law

W. Thomas Kellahin
Recognized Specialist in the Area of
Natural Resources-oil and gas law-
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Santa Fe, New Mexico 87501

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kellahin@earthlink.net

December 12, 2005

HAND DELIVERED

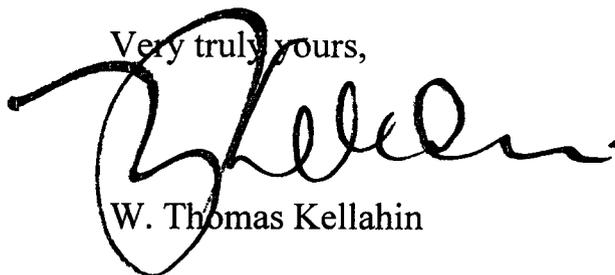
Mr. Mark Fesmire Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Administrative Application of Chesapeake Operating, Inc.
for approval of a unorthodox well location for its
Clark "7" Federal Well No. 1, Unit E,
SW/4NW/4 (40-acre) dedication, Section 7,
T22S, R28E, Eddy County, New Mexico
Undesignated Indian Draw Delaware Pool

Dear Mr. Fesmire:

On behalf of Chesapeake Operating, Inc., please find enclosed our referenced application that is being filed in accordance with the Rule 104. This location is 10 feet outside a standard well location window and encroaching 10 feet towards Unit F operated by Bass Brothers & Perry R. Bass, Trustee.

Very truly yours,



W. Thomas Kellahin

CC: Chesapeake Operating, Inc.
Attn: Lynda Townsend

2005 DEC 12 PM 1 46

**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
EDDY 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 Clark “7” Federal Well No. 1 to be drilled at a unorthodox location 2310 feet from the North line and 1000 feet from the West line (Unit E) of Section 7, T22S, R28E, Eddy County, New Mexico to be dedicated to a standard 40-acre oil spacing unit consisting of the SW/4NE/4 of this section for production from the Undesignated Indian Draw-Delaware Pool.

In support, Chesapeake states:

1. Chesapeake is the proposed operator for this well to be dedicated to a standard 40-acre oil spacing and proration unit consisting of the SW/4NE/4 of this section.
2. The well is to be located 2310 feet FNL and 1000 feet FWL (Unit E) Section 7, T22S, R2E, at an unorthodox oil well location. See APD and Form C-102, attached as Exhibit “A” and “B”
3. This well location is subject to Division Rule 104 for the Undesignated Indian Draw-Delaware Pool that requires standard oil well locations to be not less than 660 feet from the outer boundaries of the 40-acre spacing unit.

4. Chesapeake originally staked this well at a standard oil well location, however, when witnessed by Barry Hunt of the Bureau of Land Management, he deemed that the standard location fell on the side of a hill and that an undue amount of surface disturbance would be required to drill at that location and requested that Chesapeake move the stoked location to the unorthodox location set forth in this application. See topographical map attached as Exhibit "C"
5. This unorthodox well location, as illustrated on Chesapeake combined structure and ispoach map is substantially the same at the closest standard well location. See map attached as Exhibit "D"

OFFSETTING OWNERSHIP

4. This well encroaches towards the adjoining spacing units:
Unit F of Section 7 controlled by Bass Brothers and
Perry R. Bass, Trustee

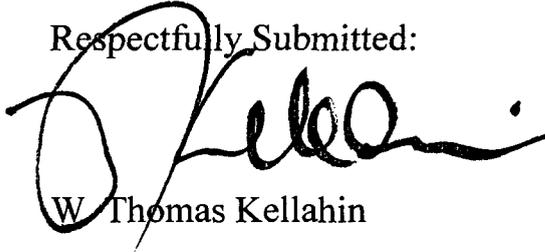
NOTIFICATION TO OFFSETTING OWNERS

5. On the same day as this application was filed with the Division, notice including a copy of this application were sent certified mail-return receipt requested to Bass Brothers and Perry R. Bass, Trustee, 2700 First City Bank Tower, 201 Main Street, Fort Worth, TX 76102
6. A copy of the notice letter is attached as Exhibit "E"

7. 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 Delaware 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 over a horizontal line.

W. Thomas Kellahin

Form 3160-3 (December 1990)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT OPERATOR'S COPY SUBMIT IN TRIPPLICATE (See other instructions on reverse side)

Form approved.

CONFIDENTIAL - TIGHT HOLE

1. LEASE DESIGNATION AND SERIAL NO.

NMNM0428825

2. AP INDIAN, ALLOTTEE OR FEDERAL

RECEIVED

3. COUNTY AGREEMENT NAME

NOV 08 2005

4. AGRAM OR LEASE NAME, WELL NO.

CLARK 7 FEDERAL 1

5. AGR WILL NO.

6. IS FIELD AND POOL, OR WILDCAT

UND. INDIAN DRAW: DELAWARE

IT. SEC. T. R. M. OR BLOCK AND SURVEY OR AREA

7-22S-28E

15'

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK: DRILL [X] DEEPEN []

b. TYPE OF WELL: OIL WELL [] GAS WELL [X] Other [] SINGLE ZONE [] MULTIPLE ZONES []

2. NAME OF OPERATOR: CHESAPEAKE OPERATING, INC. Linda Good 405-767-4275

3. ADDRESS AND TELEPHONE NO.: P.O. BOX 18496 OKLAHOMA CITY, OK 73154-0496

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements): At surface: 2310 FNL 1000 FWL, SWNW

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: APPROX. 10 MILES SE OF CARLSBAD, NM. SUBJECT TO LIKE APPROVAL BY STATE

12. COUNTY OR PARISH: EDDY COUNTY

13. STATE: NM

15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drg. unit line if any)

16. NO. OF ACRES IN LEASE: 140.76

17. NO. OF ACRES ASSIGNED TO THIS WELL: 40

18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

19. PROPOSED DEPTH: 4500

20. ROTARY OR CABLE TOOLS: ROTARY

31. ELEVATIONS (Show whether DF, RT, GR, etc.): 3117 GR CARLSBAD CONTROLLED WATER BASIN

22. APPROX. DATE WORK WILL START:

Table with 5 columns: SIZE OF HOLE, GRADE, SIZE OF CASING, WEIGHT PER FOOT, SETTING DEPTH, QUANTITY OF CEMENT. All rows show '-' in quantity of cement.

Chesapeake Operating, Inc. proposes to drill a well to 4500' to test the Delaware formation. If productive, casing will be run and the well completed. If dry, the well will be plugged and abandoned as per BLM and New Mexico Oil Conservation Division requirements.

Please find the Surface Use Plan and Drilling Plan as required by Onshore Order No. 1. Chesapeake Operating, Inc. has an agreement with the grazing lessee.

Please be advised that Chesapeake Operating, Inc. is considered to be the Operator of the above mentioned well. Chesapeake Operating, Inc. agrees to be responsible under the terms and conditions of the lease for the operations conducted upon the lease lands.

The location on the NOS has changed from 2220 FNL 850 FWL per BLM request. Please see new location above.

Arch Survey to follow. BLM Nationwide Bond #NM2634.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNED: [Signature] Henry Hood, Sr. Vice President - Land & Legal, DATE: 9/30/05

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

PERMIT NO. [] APPLICATION APPROVAL DOES NOT WARRANT OR CERTIFY THAT THE APPLICANT HAS TITLE OR EQUITABLE TITLE TO THESE RIGHTS IN THE SUBJECT LEASE WHICH WOULD ENTITLE THE APPLICANT TO CONDUCT OPERATIONS THEREON.

CONDITIONS OF APPROVAL, IF ANY: APPROVED BY: [Signature] TITLE: FIELD MANAGER DATE: 11/2/05

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

EXHIBIT A

DISTRICT I

1825 N. FRANKLIN DR., ROSWELL, NM 88240

DISTRICT II

1301 W. GRAND AVENUE, ARIZONA, NM 88210

DISTRICT III

1000 Rio Bravo Rd., Aztec, NM 87410

DISTRICT IV

1825 N. 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, 2005
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 33720	Pool Name Undesignated Indian Draw; Delaware
Property Code	Property Name CLARK 7 FEDERAL	Well Number 1
ORDER No. 147179	Operator Name CHESAPEAKE OPERATING INC.	Elevation 3110'

Surface Location

UL or lot No.	Section	Township	Range	Lot 12n	Feet from the	North/South line	Feet from the	East/West line	County
6	7	22-S	28-E		2310	NORTH	1000	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot 12n	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 40	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

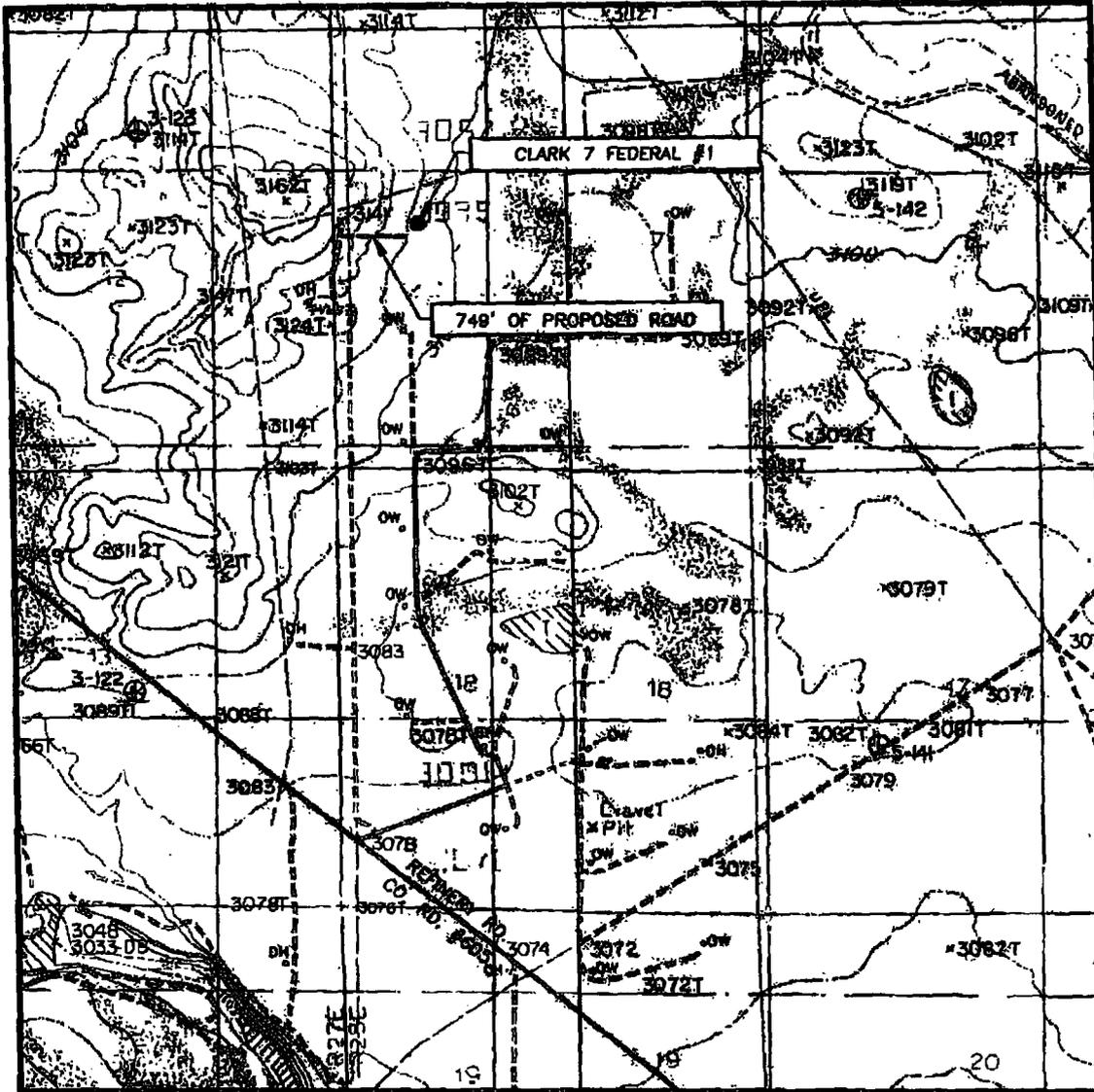
	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Lynnda F. Townsend</i> Signature Lynnda F. Townsend Printed Name Senior Landman Title 9-20-05 Date</p>
	<p>SURVEYOR CERTIFICATION</p> <p>I hereby 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.</p> <p>AUGUST 31, 2005</p> <p>Date Surveyed: 8/19/05 Signature: <i>[Signature]</i> Professional Surveyor NEW MEXICO 05.17.13570 Com. No. GART 12841</p>

EXHIBIT

B

Exhibit A-1

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
CARLSBAD EAST, N.M. - 10'
INDIAN FLATS, N.M. - 10'

SEC. 7 TWP. 22-S RGE. 28-E

SURVEY _____ N.M.P.M.

COUNTY EDDY

DESCRIPTION 2310' FNL & 1000' FWL

ELEVATION 3110'

OPERATOR CHESAPEAKE OPERATING INC.

LEASE CLARK 7 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
CARLSBAD EAST & INDIAN FLATS, N.M.

PROVIDING SURVEYING SERVICES
SINCE 1948
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 288-3117

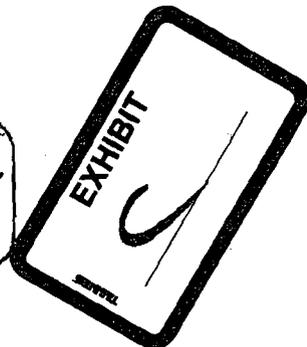
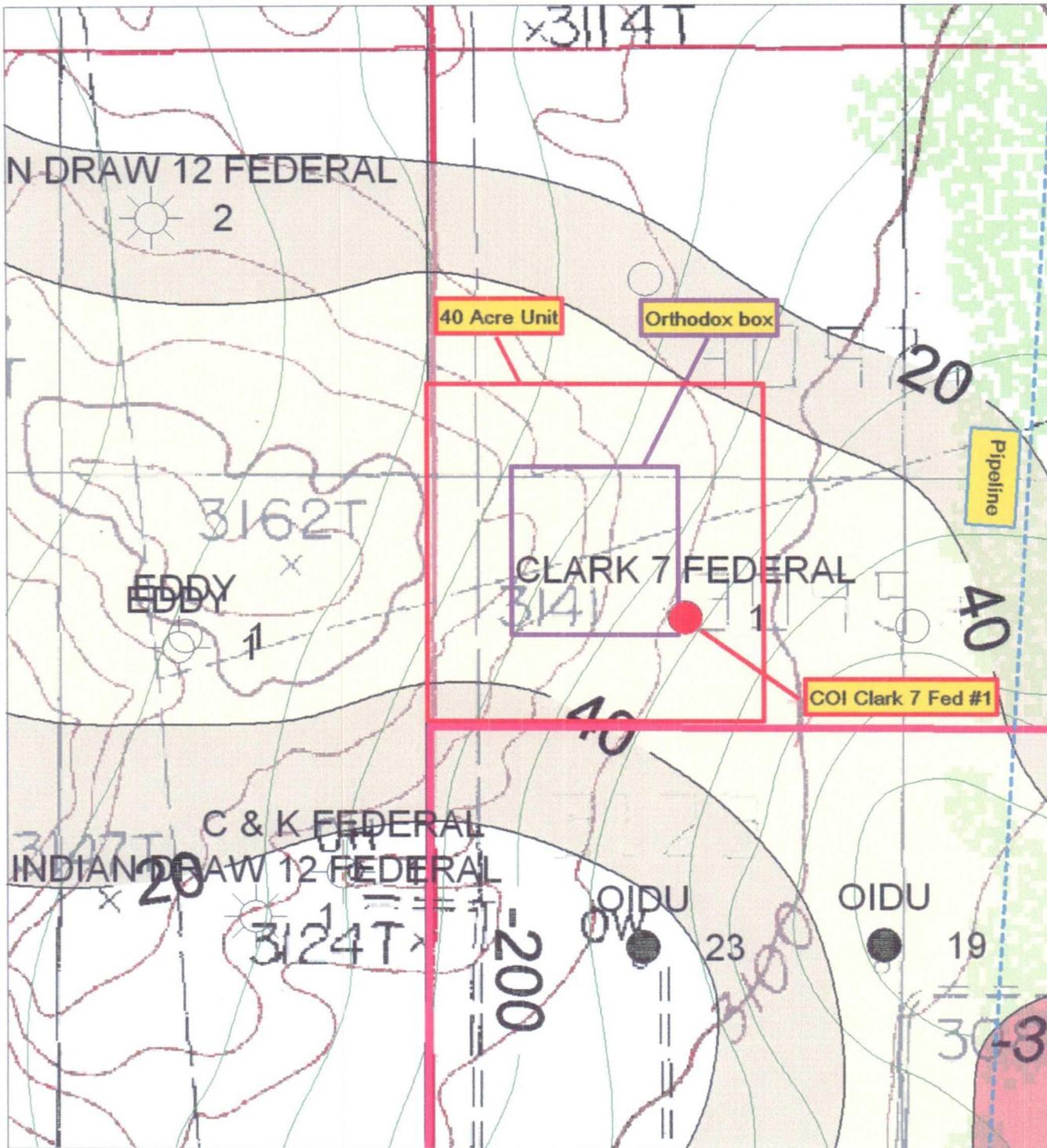


Exhibit A-4
Revised



	CHESAPEAKE OPERATING, INC.
<p align="center">NON-STANDARD LOCATION CLARK 7 FEDERAL #1 EDDY COUNTY, NEW MEXICO</p>	
<p align="center">2310' FNL & 1000' FWL SEC 7 T22S-R28E ISOPACH: MANZANITA "X" NET POROSITY CI: 20' STRUCTURE: MANZANITA MARKER CI: 20'</p>	
<p align="right">LGW OIDU Clark 7 Fed 1 unorthodox plat.gmp</p>	

KELLAHIN & KELLAHIN
Attorney at Law

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

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117 North Guadalupe
Santa Fe, New Mexico 87501

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

December 12, 2005

CERTIFIED MAIL-RETURN RECEIPT REQUESTED
NOTICE OF THE FOLLOWING NEW MEXICO OIL
CONSERVATION DIVISION ADMINISTRATIVE CASE:

*Re: Administrative Application of
Chesapeake Operating, Inc. for approval of
unorthodox well location for its Clark "7"
Federal Well No. 1, Unit E Section 7, T22S,
R28E, Eddy County, New Mexico.*

Dear offsetting interest owner:

On behalf of Chesapeake Operating, Inc, please find enclosed a copy of its referenced administrative application. If you have no objection, then there is nothing for you to do. If you are willing to waiver objection, please sign this letter as indicated and return it to me. However, should you have any objection to the Division approving this application, then it will be necessary for you to file a written objection with the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505 within twenty (20) days of the date of this letter. Failure to file a timely objection will preclude you from objecting at a later date.

Very truly yours,

W. Thomas Kellahin

WAIVER OF OBJECTION:

By: _____ with authority for
and on behalf of _____
Date: _____



.CMD :
OG5SECT

ONGARD:
INQUIRE LAND BY SECTION

12/21/05 15:10:00
OGOMES -TQ8S
PAGE NO: 1

Sec : 07 Twp : 22S Rng : 28E Section Type : NORMAL

5 35.94 Federal owned A	C 40.00 Fee owned	B 40.00 Fee owned	A 40.00 Fee owned
6 35.46 Federal owned	F 40.00 Fee owned	G 40.00 Fee owned	H 40.00 Fee owned
7 34.92 Federal owned A	K 40.00 Fee owned A	J 40.00 Fee owned A	I 40.00 Fee owned A
8 34.44 Federal owned A	N 40.00 Fee owned A	O 40.00 Fee owned A	P 40.00 Fee owned A

COUNTY Eddy

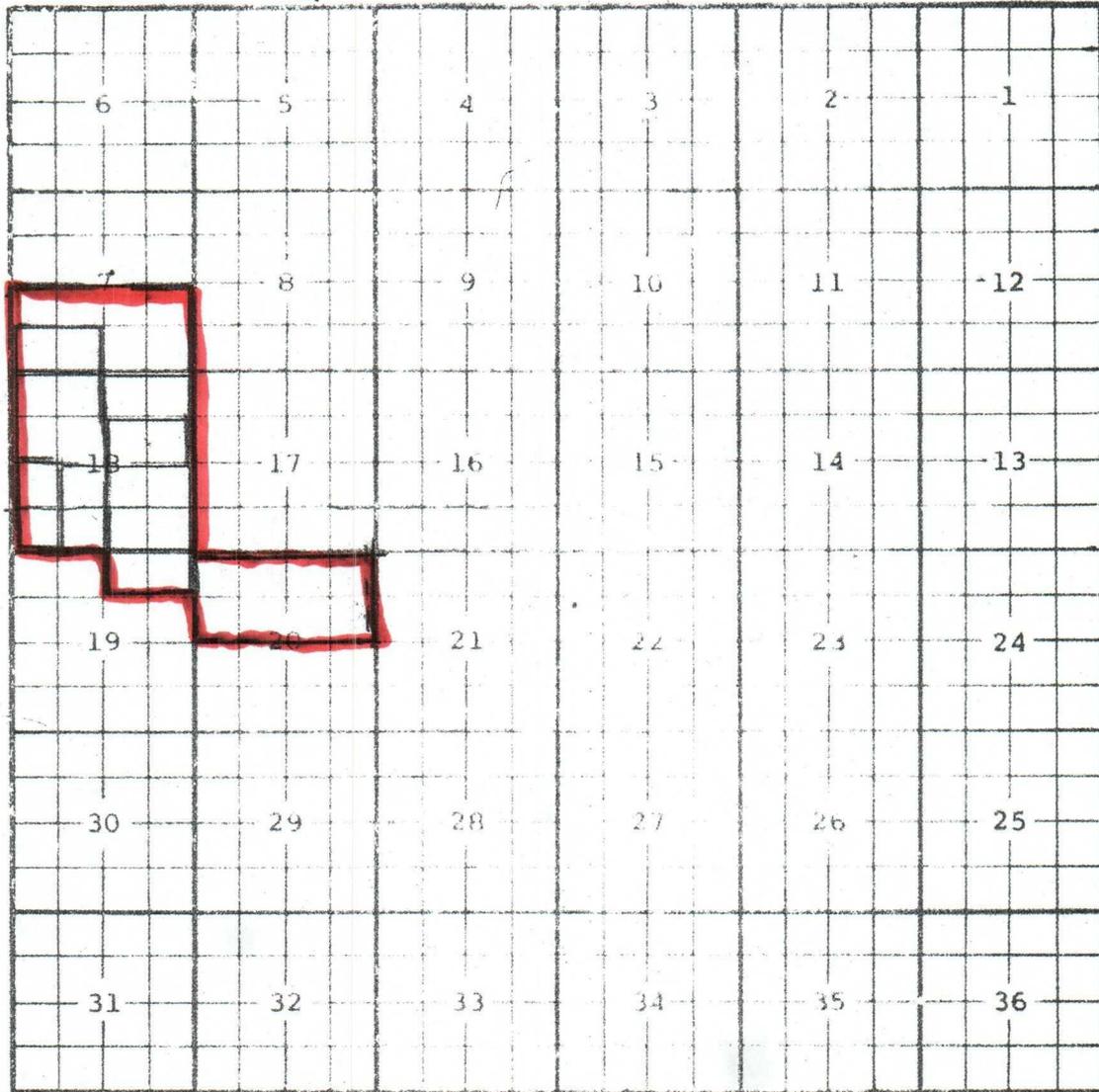
RANGE Indian Draw - Delaware

(33720)

TOWNSHIP 22 South

RANGE 28 East

NMFM



Description: SE/4 Sec. 18 (R-4734, 3-1-74)

Ext: N/2 NE/4 Sec 19 (R-5056, 8-1-75)

Ext: 1/2 NE/4 & 1/2 SW/4 Sec 18 (R-5124, 12-1-75)

Ext: NW/4 Sec 18 (R-5252, 9-1-76) Ext: 1/2 SW/4 Sec 7, -

- N/2 NE/4 Sec 18 (R-5417, 4-1-77) Ext: SE/4 & N/2 SW/4 Sec 7 -

1/2 SW/4 Sec 18 (R-5534, 10-1-77) Ext: 1/2 Sec. 20 (R-10951, 2-7-98)