

ABOVE THIS LINE FOR DIVISION USE ONLY 3548

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

2006 DEC 12 PM 3 42

[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.

Ocean Munds-Dry Ocean Munds-Dry Attorney 12-12-06
 Print or Type Name Signature Title Date
 omundsdry@hollandhart.com
 e-mail Address



December 12, 2006

HAND DELIVERY

Mr. Mark Fesmire, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Chesapeake Operating, Inc., for administrative approval of an unorthodox well location for its Queen Lake 19 Federal Well No. 2, to be drilled to the Bone Springs formation at a location 2550 feet from the North line and 1649 feet from the West line of Section 19, Township 24 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

Dear Mr. Fesmire:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4) of an unorthodox well location for its Queen Lake 19 Federal Well No. 2, in the ~~Melaga~~ Bone Springs Pool, to be drilled at a location 2550 feet from the North line and 1649 feet from the West line of Section 19 (Unit F), Township 24 South, Range 29 East, N.M.P.M., Eddy County, New Mexico.

This proposed location in the Bone Springs formation is unorthodox because it is governed by the Division's Statewide Rules which provides for wells on 40-acre spacing units to be located no closer than 330 feet to any boundary of the unit. The proposed location is only 90 feet from the southern boundary of the spacing unit and 329 feet from the western boundary of the spacing unit. A standard 40-acre spacing unit and proration unit comprised of the SE/4 NW/4 of Section 19 will be dedicated to the well.

The non-standard location is required by topographical conditions. The Bureau of Land Management (BLM) is requiring Chesapeake to drill the proposed well from this surface location due to several surface issues. Chesapeake had originally proposed the well 1980 feet from the North and the West lines. However, this location was too close to a river and a cutting field. Additionally, there is an archeological stake north of the

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original location. Therefore, Chesapeake and the BLM agreed to the proposed location. **Exhibit A** is the C-102 showing the proposed well location and dedicated spacing unit.

This location encroaches on the spacing units to the south and to the west. The adjoining spacing unit to the east is dedicated to the Chesapeake Queen Lake 19 Federal Well No. 1 which is temporarily abandoned. There are no other wells in Section 19. Chesapeake is the only operator and owns all the minerals in Section 19. Therefore there are no affected parties as defined by Division rules and no notice is required.

Also enclosed is a proposed administrative order prepared by Chesapeake on behalf of the Division.

Your attention to this application is appreciated.

(what about Federal?)

Sincerely,

Ocean Munds-Dry

Ocean Munds-Dry
ATTORNEY FOR CHESAPEAKE
OPERATING, INC.

Enclosures

cc: Jerris Johnson

State of New Mexico

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

Energy, Minerals and Natural Resources Department

Form C-102

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

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

Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code 42780	Pool Name DIERCE O'CONNOR Mataga; Bone Spring
Property Code	Property Name QUEEN LAKE 19 FEDERAL	Well Number 2
OGRED No. 147179	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 2964'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	19	24-S	29-E		2550	NORTH	1649	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

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 herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unless 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Kathy F. Blick 8-4-06 Signature Date</p> <p>Kathy F. Blick Printed Name</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>JULY 21, 2006</p> <p>Date Surveyed JR</p> <p>Signature & Seal of Professional Surveyor Ronald J. Edson 7/25/06 06.11.1063</p>
	<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=437794.4 N X=594946.5 E</p> <p>LAT.=32.203241° N LONG.=104.026371° W</p>
	<p>Certificate No. GARY EDSON 12841 RONALD J. EDSON 3239</p>

EXHIBIT A