

DATE IN 1/3/07	SUSPENSE 1/23/07	ENGINEER W. Jones	LOGGED IN 1/5/07	TYPE NSL 5559	APP NO. PTD 50700533732
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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



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

2007 JUN 3 PM 2 52

[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 1-3-07
 Print or Type Name Signature Title Date
 omundsdry@hollandhart.com
 e-mail Address



NSL-5559

January 29, 2007

HAND DELIVERY

Mr. William V. Jones
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

*and completed only in the
GRAYBURG,*

2007 JAN 29 PM 3 03

APIN: 30-025-38236

Re: Application of Chesapeake Operating, Inc., for administrative approval of an unorthodox well location for its Lou Wortham 11 Well No. 3, to be drilled to the San Andres and Grayburg formations at a location 815 feet from the North line and 1547 feet from the East line of Section 11, Township 22 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Jones:

In accordance with your requests transmitted in your e-mail communication on January 22, 2007, Chesapeake Operating, Inc. ("Chesapeake") provides the following supplemental information for your review.

The Special Rules and Regulations for the South Eunice-San Andres Pool require 80-acre spacing units consisting of the N/2 or the S/2 of a governmental quarter section. Rule 2. The Special Rules also require wells to be located no closer than 330 feet to a quarter-quarter section line. Chesapeake has proposed lay-down spacing unit in the N/2 of the NE/4 of Section 11 but its proposed well location is closer than 330 feet to the quarter-quarter section line. Therefore, Chesapeake seeks approval of the unorthodox well location for both the San Andres and Grayburg formations.

*PENROSE Skelly - GRAYBURG
(Statewide Rules)*

Attached as **Exhibit F** is a hand-drawn plat showing the topographic obstacles which must be avoided by the proposed wells. Please let me know if this provides sufficient justification for the well location.

Attached as **Exhibit G** are copies of the certified return receipts pursuant to your request. We have also received two waivers of objections which I have also included.



Please let me know if you have any additional questions. Thank you for your attention to this application.

Sincerely,

Ocean Munds-Dry
ATTORNEY FOR CHESAPEAKE
OPERATING, INC.

Enclosures

Submit 3 Copies To Appropriate District Office
 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

Form C-103
 May 27, 2004

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO.	30-025-38236
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>	
6. State Oil & Gas Lease No.	
7. Lease Name or Unit Agreement Name Lou Wortham 11	
8. Well Number	003
9. OGRID Number	147179
10. Pool name or Wildcat Eunice, San Andres, South	

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well Gas Well Other

2. Name of Operator
Chesapeake Operating Inc.

3. Address of Operator 2010 Rankin Hwy
Midland, TX 79701 *Peruse Steddy - G B G*

4. Well Location
 Unit Letter B : 990 feet from the North line and 1650 feet from the East line
 Section 11 Township 22S Range 37E NMPM County Lea

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3346 GR

Pit or Below-grade Tank Application or Closure

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input checked="" type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: Amend Footage <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

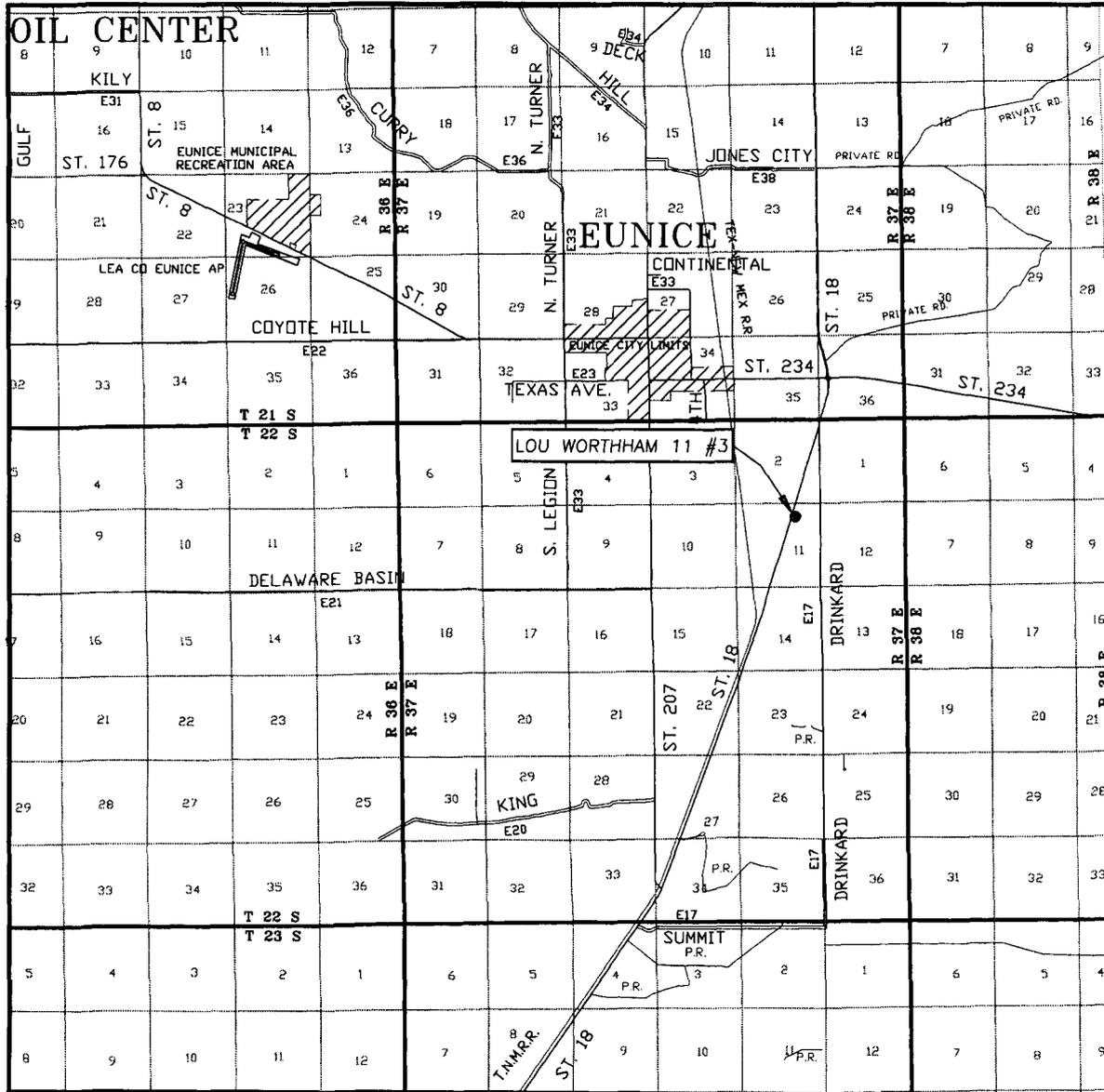
Chesapeake, respectfully, request the footage on this well be changed from 990 FNL, 1650 FEL to 815 FNL & 1547 FEL of Sec 11, T22S, R37E.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit or an (attached) alternative OCD-approved plan .

SIGNATURE *Shay Stricklin* TITLE Regulatory Tech. DATE 02/07/2007
 Type or print name Shay Stricklin E-mail address: sstricklin@chkenegy.com Telephone No. (432)687-2992
For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____
 Conditions of Approval (if any): _____

VICINITY MAP



SCALE: 1" = 2 MILES

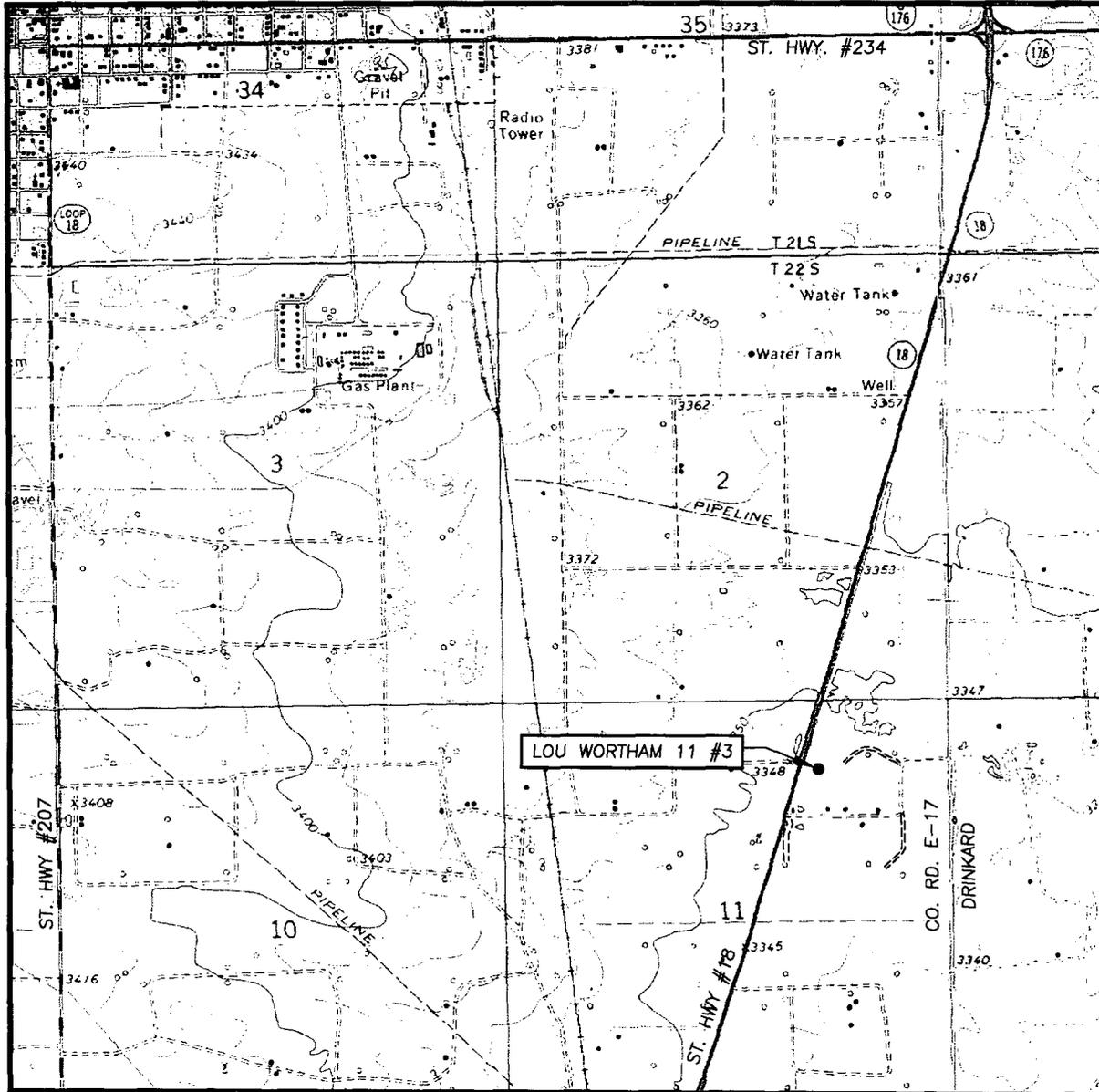
SEC. 11 TWP. 22-S RGE. 37-E
 SURVEY N.M.P.M.
 COUNTY LEA STATE NEW MEXICO
 DESCRIPTION 815' FNL & 1547' FEL
 ELEVATION 3350'
 OPERATOR CHESAPEAKE OPERATING, INC.
 LEASE LOU WORTHAM 11

EXHIBIT A



PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
 EUNICE, N.M. - 10'
 EUNICE NE, N.M. - 5'

SEC. 11 TWP. 22-S RGE. 37-E

SURVEY _____ N.M.P.M. _____

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 815' FNL & 1547' FEL

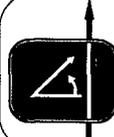
ELEVATION 3350'

OPERATOR CHESAPEAKE OPERATING, INC.

LEASE LOU WORTHAM 11

U.S.G.S. TOPOGRAPHIC MAP
 EUNICE, N.M.

EXHIBIT B



PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 383-3117

SECTION 11, TOWNSHIP 22 SOUTH, RANGE 37 EAST, N.M.P.M.,
 LEA COUNTY, NEW MEXICO

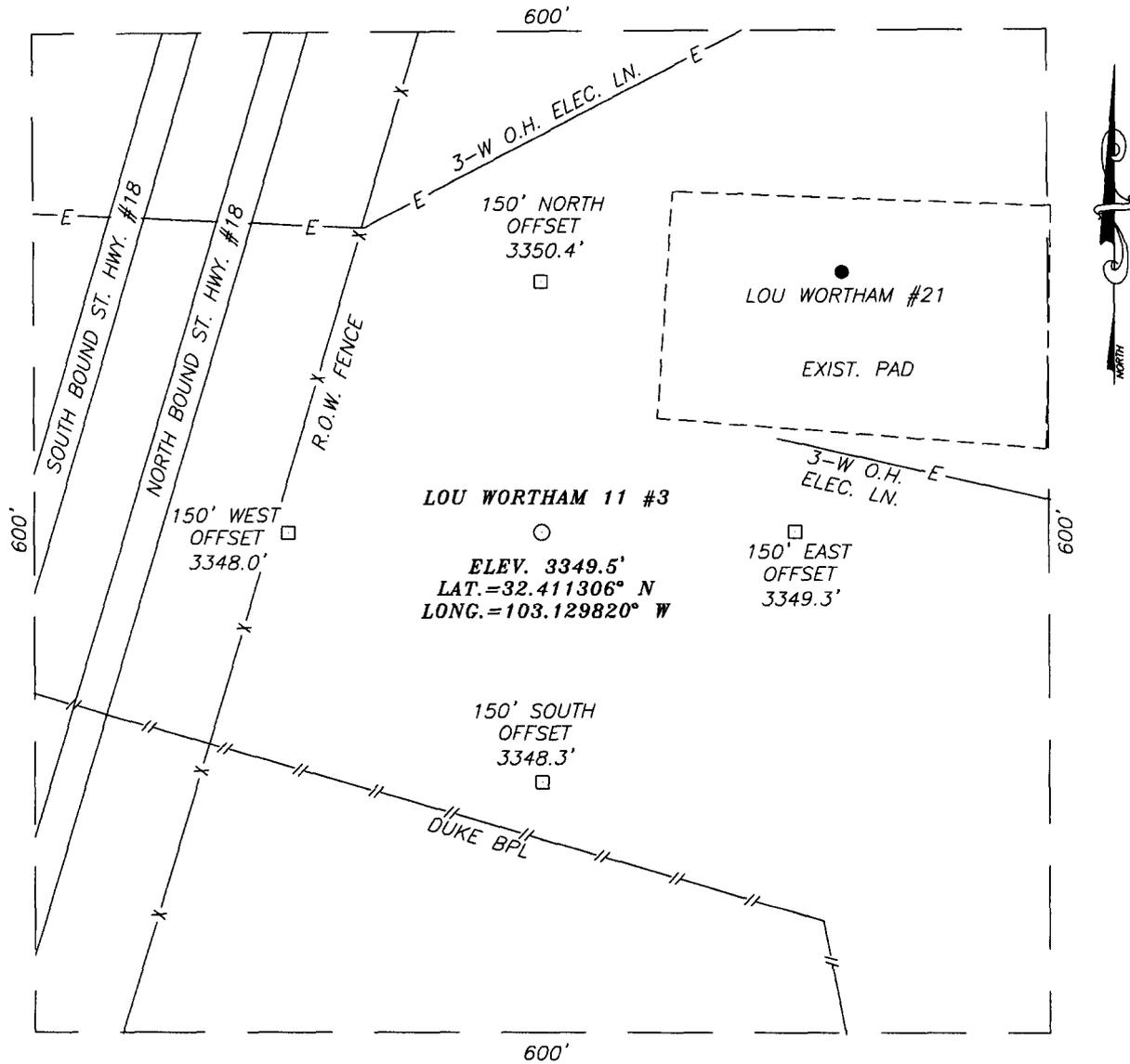
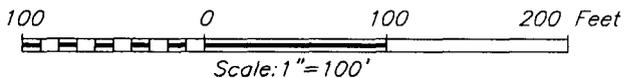


EXHIBIT C

DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF ST. HWY #18 AND ST. HWY. #234, GO SOUTH ON ST. HWY. #18 APPROX. 1.8 MILES. TURN LEFT AND GO EAST APPROX. 0.25 MILES. TURN LEFT AND GO NORTH APPROX. 0.1 MILE. VEER LEFT AND GO WEST APPROX. 750 FEET TO THE LOU WORTHAM #21 WELL PAD. THIS LOCATION IS APPROX. 236 FEET SOUTHWEST.



CHESAPEAKE OPERATING, INC.

LOU WORTHAM 11 #3 WELL
 LOCATED 815 FEET FROM THE NORTH LINE
 AND 1547 FEET FROM THE EAST LINE OF SECTION 11,
 TOWNSHIP 22 SOUTH, RANGE 37 EAST, N.M.P.M.,
 LEA COUNTY, NEW MEXICO.

Survey Date: 11/30/06	Sheet 1 of 1 Sheets
W.O. Number: 06.11.1911	Dr By: LA Rev 1:N/A
Date: 12/9/06	Disk: CD#5 06111911 Scale: 1"=100'

PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117

State of New Mexico

Energy, Minerals and Natural Resources Department

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

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

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

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

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

Form C-102
Revised October 12, 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	Pool Name
Property Code	Property Name LOU WORTHAM 11	Well Number 3
OGRID No.	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 3350'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	11	22-S	37-E		815	NORTH	1547	EAST	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

<p>GEODETTIC COORDINATES NAD 27 NME Y=515438.5 N X=871419.3 E LAT.=32.411306° N LONG.=103.129820° W</p> <p>EXHIBIT D</p>	<p>OPERATOR CERTIFICATION</p> <p><i>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 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p>
	<p>SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>NOVEMBER 30, 2006</p> <p>Date Surveyed _____ LA</p> <p>Signature & Seal of Professional Surveyor _____</p>
	<p>06.11.1911</p>
	<p>Certificate No. GARY EIDSON 12841 CHAD HARCROW 17777</p>

Exhibit E
Chesapeake Operating, Inc.
Section 11, Township 22 South, Range 37 East
Lea County, New Mexico

Roy G. Barton Jr.
1919 N. Turner
Hobbs, New Mexico 88240-2712

Bobbie Oleta Skelton
P.O. Box 176
Hobbs, New Mexico 88240

Marathon Oil Company
P.O. Box 552
Midland, Texas 79702

Chevron Midcontinent, L.P.
15 Smith Road
Midland, Texas 79705-5412

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only. No Insurance Coverage Provided)

OFFICIAL

Postmark Here
 FEB 3 2007
 7501

Postage	\$ 1.11
Certified Fee	2.40
Return Receipt Fee (Endorsement Required)	1.85
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 5.36

Sent To
 Roy G. Barton, Jr.
 1919 N. Turner
 Hobbs, NM 88240-2712

Street, Apt. No., or PO Box No.
 City, State, ZIP+ 4

PS Form 3800, 1A

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only. No Insurance Coverage Provided)

OFFICIAL

Postmark Here
 FEB 3 2007
 7501

Postage	\$ 1.11
Certified Fee	2.40
Return Receipt Fee (Endorsement Required)	1.85
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 5.36

Sent To
 Chevron Midcontinent, L.P.
 15 Smith Road
 Midland, TX 79705-5412

Street, Apt. No., or PO Box No.
 City, State, ZIP+ 4

PS Form 3800, 1A

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
 Print your name and address on the reverse so that we can return the card to you.
 Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Roy G. Barton, Jr.
 1919 N. Turner
 Hobbs, NM 88240-2712

2. Article Number: 7001 1140 0002 9558 9275
(Transfer from 857)
 Domestic Return Receipt
 PS Form 3811, February 2004

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
 Print your name and address on the reverse so that we can return the card to you.
 Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Chevron Midcontinent, L.P.
 15 Smith Road
 Midland, TX 79705-5412

2. Article Number: 1140 0002 9558 8186
(Transfer from 857)
 Domestic Return Receipt
 PS Form 3811, February 2004

COMPLETE THIS SECTION ON DELIVERY

A. Signature: Brandia Stewart Agent
 Addressee

B. Received by (Printed Name): Brandia Stewart C. Date of Delivery: 1-5-07

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type: Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Article Number: 7001 1140 0002 9558 9275
 Domestic Return Receipt
 PS Form 3800, 1A

COMPLETE THIS SECTION ON DELIVERY

A. Signature: Deals Johnson Agent
 Addressee

B. Received by (Printed Name): Deals Johnson C. Date of Delivery: 1-5-07

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type: Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

Article Number: 1140 0002 9558 8186
 Domestic Return Receipt
 PS Form 3800, 1A

EXHIBIT G

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only - No Insurance Coverage Provided)

OFFICIAL MAIL

Postmark Here
FEB 3 2007
USPS 5824

Sent To
 OMD
 Oles
 LW 1143
 Certified Fee \$ 1.11
 Return Receipt Fee (Endorsement Required) 2.40
 Restricted Delivery Fee (Endorsement Required) 1.85
 Total Postage & Fees \$ 5.36

Sent To
 Marathon Oil Company
 P. O. Box 552
 Midland, TX 79702

PS Form 3800-3E

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
 Print your name and address on the reverse so that we can return the card to you.
 Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Marathon Oil Company
 P. O. Box 552
 Midland, TX 79702

2. Article Number (Transfer from 65) 7001 1140 0002 9558 9299
 Domestic Return Receipt
 PS Form 3811, February 2004

COMPLETE THIS SECTION ON DELIVERY

A. Signature *[Signature]* Agent Addressee
 B. Received by (Printed Name) *[Signature]* C. Date of Delivery *1/18*
 D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only - No Insurance Coverage Provided)

OFFICIAL MAIL

Postmark Here
FEB 3 2007
USPS 5824

Sent To
 OMD
 Oles
 LW 1143
 Certified Fee \$ 1.11
 Return Receipt Fee (Endorsement Required) 2.40
 Restricted Delivery Fee (Endorsement Required) 1.85
 Total Postage & Fees \$ 5.36

Sent To
 Bobbie Oleta Skelton
 P. O. Box 176
 Hobbs, NM 88240

PS Form 3800-3E

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
 Print your name and address on the reverse so that we can return the card to you.
 Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Bobbie Oleta Skelton
 P. O. Box 176
 Hobbs, NM 88240
 88240

2. Article Number (Transfer from services) 7001 1140 0002 9558 9282
 Domestic Return Receipt
 PS Form 3811, February 2004

COMPLETE THIS SECTION ON DELIVERY

A. Signature *[Signature]* Agent Addressee
 B. Received by (Printed Name) *[Signature]* C. Date of Delivery *1/18*
 D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:
 P.O. Box 1203
 Roswellville, AR 72811

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes



January 3, 2007

CERTIFIED MAIL
RETURN RECEIPT REQUESTED**AFFECTED INTEREST OWNERS**

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its proposed Lou Wortham 11 Well No. 3 to be drilled at a location 815 feet from the North line and 1547 feet from the East line of Section 11, Township 22 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date by Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its Lou Wortham 11 Well No. 3, to be drilled to the San Andres formation with a ~~secondary~~ target in the Grayburg formation from a location 815 feet from the North line and 1547 feet from the East line of Section 11, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico. A standard ~~30~~-acre spacing unit will be dedicated to the well. If Chesapeake ~~decides to abandon the San Andres formation and instead~~ completes in the Grayburg formation, a standard 40-acre spacing unit will be dedicated to the well.

As an owner of an interest that may be affected by the proposed well, you may object to this application. Chesapeake respectfully requests that you waive objection to this application by signing a copy of this letter in the space below. Objections must be filed in writing within twenty days from this date at the Division's Santa Fe office that is located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. If no objection is received within this twenty-day period, this application for an unorthodox well location may be approved.

HOLLAND & HART 

Sincerely,

Ocean Munds-Dry

Ocean Munds-Dry
ATTORNEY FOR CHESAPEAKE
OPERATING, INC.

Enclosures

Bobbie O SKELTON agrees to waive objection to Chesapeake Operating, Inc.'s application for an unorthodox well location for its Lou Wortham 11 Well No. 3.

By: *Bobbie Skelton*

Date: *JAN 22, 2007*

HOLLAND & HART



Sincerely,

Ocean Munds-Dry

Ocean Munds-Dry
ATTORNEY FOR CHESAPEAKE
OPERATING, INC.

Enclosures

BARTON REV. TRUST agrees to waive objection to Chesapeake Operating, Inc.'s application for an unorthodox well location for its Lou Wortham 11 Well No. 3.

By: *Randy Barton Jr., Trust*

Date: 1/5/07