

**CHESAPEAKE OPERATING, INC.**

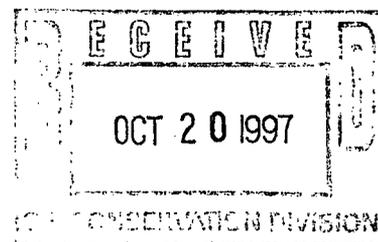
P.O. BOX 18496  
OKLAHOMA CITY, OKLAHOMA 73154-0496  
405/848-8000, EXT. 416  
405/879-9560 FAX

LAND DEPARTMENT

MIKE HAZLIP, CPL  
LANDMAN

October 17, 1997

**VIA FACSIMILE (505) 393-0720 & FEDERAL EXPRESS**



Mr. Chris Williams  
New Mexico OCD  
1000 West Broadway  
Hobbs, New Mexico 88240

Mr. Michael Stogner  
New Mexico OCD  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Re: Watson 1-6 well - Unorthodox Location  
2,857' FSL & 1,417' FWL Section 6-T16S-R36E  
Lea County, New Mexico

Dear Chris:

Pursuant to my discussion with you this morning, enclosed is Chesapeake's Application for Permit to Drill, Forms C-101 and C-102 for our Watson 1-6 well to be drilled at the captioned location. In order to drill this well at the optimum geological and surface location, we request that we be granted a permit to drill the captioned location. Because this well is located in an area consisting of some commercial and residential development, we have no viable alternatives to the current surface location without directional drilling. Our location places the well 217 feet from the southern boundary of the proration unit. Chesapeake is the Operator of the proration unit to the south (Little 1-6 well) upon which we are encroaching. Additionally, the natural drift of the bore-hole will be to the north, as was the case in our Little 1-6 well.

Enclosed are plats showing the land ownership position and the position of the anomaly in relation to the proration unit boundaries. In that Chesapeake is only encroaching upon itself, therefore not adversely affecting other Operators, we would appreciate your timely consideration of our request for an administrative approval of our permit to drill. We have a rig committed to this well at the end of next week to begin drilling. Thank you for your assistance.

Most sincerely,

Mike Hazlip

District I  
 PO Box 1980, Hobbs, NM 88241-1980  
 District II  
 PO Drawer DD, Artesia, NM 88211-0719  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
 PO Box 2088  
 Santa Fe, NM 87504-2088

Form C-101  
 Revised February 10, 1994  
 Instructions on back  
 Submit to Appropriate District Office  
 State Lease - 6 Copies  
 Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address: Chesapeake Operating, Inc. P. O. Box 18496 Oklahoma City OK 73154-0496		OGRID Number
		API Number 30 - 0
Property Code	Property Name WATSON "6"	Well No. 1

7 Surface Location

UL or lot no.	Section	Township	Range	Lot Ids	Feet from the	North/South line	Feet from the	East/West line	County
LOT 14	6	16S	36E		2857'	SOUTH	1417'	WEST	LEA

8 Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ids	Feet from the	North/South line	Feet from the	East/West line	County

Proposed Pool 1 Northeast Shoe Bar-Strawn Pool	Proposed Pool 2
---	-----------------

Work Type Code N	Well Type Code 0	Cable/Rotary R	Lease Type Code P	Ground Level Elevation 3957'
Multiple No	Proposed Depth 11,900'	Formation STRAWN	Contractor Patterson	Spud Date 10-25-97

21 Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17½"	13-3/8"	54.5#	450'	495	Surface
11"	8-5/8"	32#	4200'	1390	Surface
7-7/8"	5½"	17# & 20#	11900'	980	±3700'

Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Chesapeake Operating, Inc. proposes to drill to 11900' T.D. in the Strawn with Patterson as the drilling contractor.

Patterson's BOP stack consists of 11" 5M# x Blind & Pipe Rams with 11" 5M# Annular.

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: <i>Sonya Baker</i>	OIL CONSERVATION DIVISION	
	Approved by:	
Printed name: Sonya Baker	Title:	
Title: Engineering Technician	Approval Date:	Expiration Date:
Date: 10-2-97	Phone: 405/848-8000, X-630	Conditions of Approval: Attached <input type="checkbox"/>

DISTRICT I  
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico  
Energy, Minerals and Natural Resources Department

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Revised February 10, 1994  
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P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT IV  
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 96649	Pool Name NORTHEAST SHOE BAR STRAWN
Property Code	Property Name WATSON 6	Well Number 1
OGRID No.	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 3957

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
LOT 14	6	16 S	36 E		2857	SOUTH	1417	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 76.65	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

<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td style="width: 25%;">4</td> <td style="width: 25%;">3</td> <td style="width: 25%;">2</td> <td style="width: 25%;">1</td> </tr> <tr> <td>46.85 AC.</td> <td>50.85 AC.</td> <td>50.83 AC.</td> <td>50.81 AC.</td> </tr> <tr> <td>5</td> <td>6</td> <td>7</td> <td>8</td> </tr> <tr> <td>36.77 AC.</td> <td>40.00 AC.</td> <td>40.00 AC.</td> <td>40.00 AC.</td> </tr> <tr> <td>12</td> <td>11</td> <td>10</td> <td>9</td> </tr> <tr> <td>36.71 AC.</td> <td>40.00 AC.</td> <td>40.00 AC.</td> <td>40.00 AC.</td> </tr> <tr> <td>13</td> <td>14</td> <td>15</td> <td>16</td> </tr> <tr> <td>36.65 AC.</td> <td></td> <td></td> <td></td> </tr> <tr> <td>1417'</td> <td>40.00 AC.</td> <td>40.00 AC.</td> <td>40.00 AC.</td> </tr> <tr> <td>17</td> <td></td> <td></td> <td></td> </tr> <tr> <td>36.59 AC.</td> <td></td> <td></td> <td></td> </tr> <tr> <td>18</td> <td>X = 787093</td> <td></td> <td></td> </tr> <tr> <td></td> <td>Y = 711166</td> <td></td> <td></td> </tr> <tr> <td>36.53 AC.</td> <td></td> <td></td> <td></td> </tr> </table> <div style="margin-top: 20px; text-align: center;"> <p>40 36.65 ----- 76.65</p> </div>	4	3	2	1	46.85 AC.	50.85 AC.	50.83 AC.	50.81 AC.	5	6	7	8	36.77 AC.	40.00 AC.	40.00 AC.	40.00 AC.	12	11	10	9	36.71 AC.	40.00 AC.	40.00 AC.	40.00 AC.	13	14	15	16	36.65 AC.				1417'	40.00 AC.	40.00 AC.	40.00 AC.	17				36.59 AC.				18	X = 787093				Y = 711166			36.53 AC.				<div style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;"><b>OPERATOR CERTIFICATION</b></p> <p style="text-align: center;"><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p style="text-align: center;"><i>Sonya Baker</i> Signature</p> <p style="text-align: center;">Sonya Baker Printed Name</p> <p style="text-align: center;">Engineering Technician Title</p> <p style="text-align: center;">10-2-97 Date</p> </div> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p style="text-align: center;"><b>SURVEYOR CERTIFICATION</b></p> <p style="text-align: center;"><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 style="text-align: center;">SEPTEMBER 18, 1997</p> <p style="text-align: center;">Date Surveyed <span style="float: right;">DMCC</span></p> <p style="text-align: center;">Signature &amp; Seal of Professional Surveyor</p> <p style="text-align: center;"><i>Ronald J. Edson</i> 9-25-97 87-14-1444</p> <p style="text-align: center;">Certificate No. RONALD J. EDSON 3239 GARY EDSON 12641</p> </div>
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NORTHEAST SHOE BAR-STRAWN POOL  
Lea County, New Mexico

Order No. R-10848, Adopting Temporary Operating Rules for the Northeast Shoe Bar-Strawn Pool, Lea County, New Mexico, April 3, 1997.

Application of Chesapeake Oil Company for Pool Creation, Special Pool Rules, and the Assignment of a Discovery Allowable, Lea County, New Mexico.

NOMENCLATURE  
Case No. 11750  
Case No. R-10848

ORDER OF THE DIVISION

BY THE DIVISION: This cause came on for hearing at 8:15 a.m. on May 1, 1997 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 31st day of July, 1997, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant in this matter, Chesapeake Oil Company ("Chesapeake"), is the owner and operator of the Chambers "7" Well No. 1 (API No. 30-025-33623), located 1700 feet from the North line and 900 feet from the East line (Unit H) of Section 7, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, which was drilled to a total depth of 12,047 feet and subsequently completed in November, 1996 as a Strawn producing oil well through perforations from 11458 feet to 11468 feet.

(3) By Division Order No. R-10776, issued in Case 11737, dated February 28, 1997 and made effective March 1, 1997, the Division created and defined the Northeast Shoe Bar-Strawn Pool for the production of oil from the Strawn formation, with its horizontal limits comprising the NE/4 of said Section 7. The discovery well for this pool was the aforementioned Chambers "7" Well No. 1. The poolwide depth bracket allowable was therefore established pursuant to General Rule 505.A as 365 barrels of oil per day.

(4) By letter of application dated March 11, 1997, Chesapeake requested the Division, after notice and hearing, issue an order:

(a) creating a new pool for the production of oil from the Strawn formation comprising the S/2 NE/4 of said Section 7; and,

(b) providing for the promulgation of special poolwide rules and regulations therefor including provisions:

(i) for 80-acre oil spacing and proration units;

(ii) for designated well location requirements whereby wells would be permitted to be located no closer than 330 feet to any quarter-quarter section line with no more than one producing well for each 80-acre unit;

(iii) for a special limiting gas/oil ratio of 2,000 cubic feet of gas per barrel of oil;

(iv) for a special depth bracket oil allowable of 445 barrels of oil per day per standard 80-acre unit; and,

(v) that each well completed or recompleted in this pool or in the Strawn formation within one mile thereof, shall be spaced, drilled, operated, and produced in accordance with these proposed special rules and regulations.

(5) At the time of the hearing the applicant remained silent as to the assignment of a discovery allowable, per Division General Rule 509, for the above-described Chambers "7" Well No. 1, as indicated by the heading of this order or as advertised; therefore, that portion of this application can be dismissed.

(6) Also, since many of the requests by Chesapeake in this matter are somewhat redundant with respect to established Division rules, procedures, and policies, as well as standard industry practices, it will be necessary to revise the application in order to address those issues that require a formal Division directive issued subsequent to a hearing.

(7) That portion of Chesapeake's application seeking a pool creation can be dismissed at this time since Division Order No. R-10776 has already addressed the formation of a new pool for Strawn production attributable to its Chambers "7" Well No. 1.

FINDING: Any order issued in this matter should therefore apply to the Northeast Shoe Bar-Strawn Pool as created and defined by said Division Order No. R-10776.

(8) The technical evidence presented by the applicant at the time of the hearing indicates that production from the Chambers "7" Well No. 1 is characteristic of other Strawn oil production in the general area such as the West Lovington-Strawn Pool, South Big Dog-Strawn Pool, Northeast Lovington-Pennsylvanian Pool, and Humble City-Strawn Pool, which are primarily Strawn oil producing pools, all of which produce from localized highly porous algal reef mounds within the Strawn formation. Chesapeake's evidence further indicates that the Strawn formation encountered in the above-described well is of high permeability and is capable of draining an area in excess of 40 acres.

(9) The proposed 330-foot set back requirement is a departure from the established set-back requirements for 80-acre pools which restricts well locations to an area of 150 feet radius of the center of either quarter-quarter section or lot that comprise a single 80-acre unit.

(10) Numerous location exceptions have been granted over time, not only in the above-mentioned pools but in most of the pools in southeastern New Mexico where these patch reefs/algal mounds are the trapping source of production within the Strawn formation, based on geology so as to increase the likelihood of a well intercepting these small localized geologic features thereby increasing the chances of a well becoming commercially productive.

FINDING: The 330-foot set-back request with a limitation of one well per proration unit would serve to provide the operators in the subject pool maximum flexibility in locating wells at more favorable positions on the reef mound or mounds in the immediate area.

(11) In order to: (i) assure orderly development of the proposed pool, (ii) prevent the economic loss caused by the drilling of unnecessary wells, (iii) avoid the augmentation of risk arising from the drilling of an excessive number of wells, (iv) prevent reduced recovery which might result from the drilling of too few wells, and (v) to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units along with the proposed well location restrictions should be promulgated for the proposed pool.

(12) Division General Rule 506.A provides that all pools be limited to a gas/oil ratio of 2,000 cubic feet of gas per barrel of oil unless otherwise provided for by special pool rules; therefore, Chesapeake's request for a special 2,000 to one GOR limitation is currently in effect and can therefore be dismissed.

## (NORTHEAST SHOE BAR-STRAWN POOL - cont'd.)

(13) Pursuant to Division General Rule 505.A the depth bracket oil allowable for production at depths from 11,000 feet to 11,999 feet is 445 barrels of oil per day. Chesapeake's request for a special depth bracket oil allowable of 445 barrels of oil per day per spacing unit can also be dismissed.

(14) Division General Rule 104.A defines a development well in southeast New Mexico as a well within one mile of a pool and subject to said rules governing that pool; therefore, this rule satisfies the applicant's request that all wells within one mile of a particular pool be spaced, drilled, operated, and produced in accordance with any special pool rules herein adopted.

(15) The evidence presented in this matter, along with the records on file with the Division indicates a need for the special rules to be adopted for this pool be made retroactive as of April 3, 1997.

(16) No other operator and/or interest owner appeared at the hearing in opposition to the subject application.

(17) As suggested by the applicant this case should be reopened at an examiner hearing in February, 1999, at which time the operators in the Pool should be prepared to appear and present evidence and testimony as to the nature of the reservoir with regards to making these rules permanent and to show cause why said pool should not be developed either on standard statewide 40-acre spacing or with an optional second well on each 80-acre tract.

## IT IS THEREFORE ORDERED THAT:

(1) The effective date for this order and all provisions included therein shall be made retroactive back to April 3, 1997.

(2) The Temporary Special Rules and Regulations for the Northeast Shoe Bar-Strawn Pool, currently comprising the NE/4 of Section 7, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, are hereby promulgated as follows:

**TEMPORARY SPECIAL RULES AND REGULATIONS  
FOR THE  
NORTHEAST SHOE BAR-STRAWN POOL**

**RULE 1.** Each well completed or recompleted in the Northeast Shoe Bar-Strawn Pool or in the Strawn formation within one mile thereof, and not nearer to or within the limits of another Strawn oil pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

**RULE 2.** Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2 or W/2 of a governmental quarter section.

**RULE 3.** The Director of the Oil Conservation Division, hereinafter referred to as the "Division", may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been duly filed under the provisions of Rule 104.d(2) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11351 on January 18, 1996.

**RULE 4.** Only one well per 80-acre unit shall be permitted and the location of such well shall be located no closer than 330 feet to any quarter-quarter section line.

**RULE 5.** The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been duly filed under the provisions of Rule 104.F of said General Rules and Regulations of the Division.

(3) The locations of all wells presently drilling to or completed in the Northeast Shoe Bar-Strawn Pool or in the Strawn formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well within thirty days from the date of this order.

(4) Pursuant to Paragraph A of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the Northeast Shoe Bar-Strawn Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within sixty days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said sixty-day limitation, each well presently drilling to or completed in the Northeast Shoe Bar-Strawn Pool or in the Strawn formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(5) Unless called earlier upon the motion of the Division, this case shall be reopened at an examiner hearing in February, 1999, at which time the operators in the subject pool should be prepared to appear and show cause why the temporary special pool rules for the Northeast Shoe Bar-Strawn Pool should not be rescinded and said pool not be developed either on statewide 40-acre spacing or with an optional second well on each 80-acre unit.

## IT IS FURTHER ORDERED THAT:

(6) The portion of the application of Chesapeake Oil Company for the:

(a) creation of a new pool for the production of oil from the Strawn formation comprising the S/2 NE/4 of said Section 7;

(b) the promulgation of special poolwide rules and regulations therefor including provisions:

(i) for a special limiting gas/oil ratio of 2,000 cubic feet of gas per barrel of oil;

(ii) for a special depth bracket oil allowable of 445 barrels of oil per day per standard 80-acre unit; and,

(iii) that each well completed or recompleted in this pool or in the Strawn formation within one mile thereof, shall be spaced, drilled, operated, and produced in accordance with these proposed special rules and regulations; and,

(c) the assignment of a discovery allowable, per Division General Rule 509, for its Chambers "7" Well No. 1 (API No. 30-025-33623), located 1700 feet from the North line and 900 feet from the East line (Unit H) of said Section 7;

is hereby dismissed.

(7) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

**FAX****Date** October 17, 1997**Number of pages including cover sheet** 4

**TO:** Michael Stogner  
 New Mexico OCD  
 2040 South Pacheco  
 Santa Fe, NM 87505

**Phone****Fax Phone** 505-827-1389

**FROM:** Mike Hazlip  
**CHESAPEAKE  
 OPERATING, INC.**  
 P.O. BOX 18496  
 OKLAHOMA CITY, OK  
 73154-0496

**OUR FILE REF.****Phone** (405) 848-8000**Fax Phone** (405) 879-9562**CC:**

**REMARKS:**  Urgent  For your review  Reply ASAP  Please Comment

**SEE ATTACHED****CONFIDENTIALITY NOTICE**

**THIS FACSIMILE TRANSMISSION (AND THE ACCOMPANYING DOCUMENTS) MAY CONTAIN CONFIDENTIAL INFORMATION BELONGING TO THE SENDER. THE INFORMATION IS INTENDED FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHOM THIS TRANSMISSION IS ADDRESSED. IF YOU ARE NOT THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY DISCLOSURE, COPYING, DISTRIBUTION, OR THE TAKING OF ANY ACTION IN RELIANCE ON THE CONTENTS OF THIS INFORMATION IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS TRANSMISSION IN ERROR, PLEASE IMMEDIATELY NOTIFY THE SENDER BY TELEPHONE TO ARRANGE FOR THE RETURN OF THE DOCUMENTS. THANK YOU.**

encroaching upon them, therefore not adversely affecting other operators, we would appreciate your timely consideration of our request for an administrative approval of our permit to drill. We have a rig committed to this well at the end of next week to begin drilling. Thank you for your assistance.

Most sincerely,



Mike Hazlip

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I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Sonya Baker*  
Printed name: Sonya Baker  
Title: Engineering Technician  
Date: 10-2-97

OIL CONSERVATION DIVISION

Approved by:  
Title:  
Approval Date: Expiration Date:  
Conditions of Approval:  
Attached

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State of New Mexico

Energy, Minerals and Natural Resources Department

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WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
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Property Code	Property Name	Well Number
	WATSON 6	1
OGRID No.	Operator Name	Elevation
	CHESAPEAKE OPERATING, INC.	3957

Surface Location

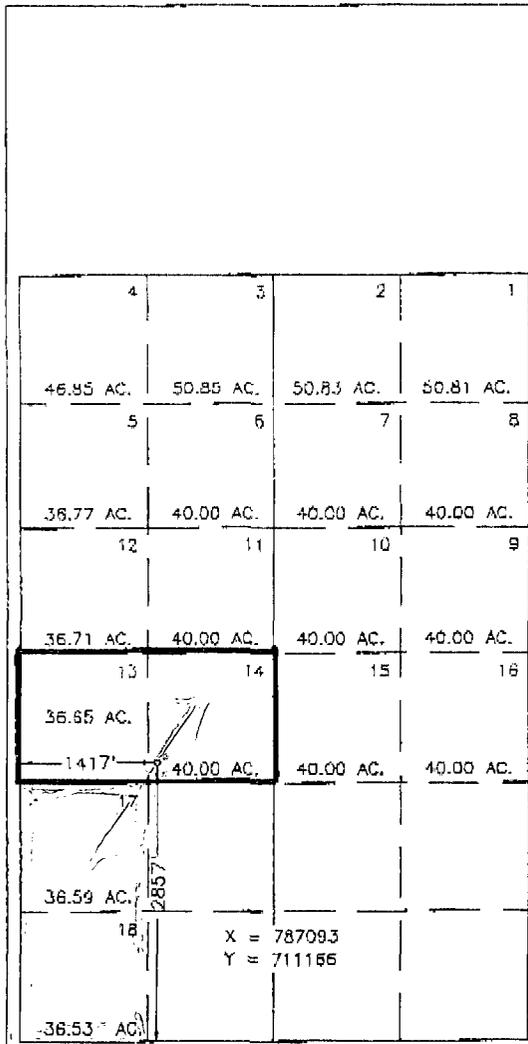
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Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
76.65			

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.

*Sonya Baker*  
Signature

Sonya Baker  
Printed Name

Engineering Technician  
Title

10-2-97  
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.

SEPTEMBER 18, 1997

Date Surveyed \_\_\_\_\_ DMCC

Signature & Seal of Professional Surveyor

*Ronald E. Eison* 9-25-97  
Professional Surveyor

Certificate No. RONALD E. EISON 3239  
GARY EISON 12641

**FAX****Date** October 17, 1997**Number of pages including cover sheet** 4**TO:** Michael Stogner  
New Mexico OCD  
2040 South Pacheco  
Santa Fe, NM 87505**Phone****Fax Phone** 505-827-1389**FROM:** Mike Hazlip  
**CHESAPEAKE  
OPERATING, INC.**  
P.O. BOX 18496  
OKLAHOMA CITY, OK  
73154-0496**OUR FILE REF.****Phone** (405) 848-8000**Fax Phone** (405) 879-9562**CC:****REMARKS:**  Urgent  For your review  Reply ASAP  Please Comment**SEE ATTACHED****CONFIDENTIALITY NOTICE**

**THIS FACSIMILE TRANSMISSION (AND THE ACCOMPANYING DOCUMENTS) MAY CONTAIN CONFIDENTIAL INFORMATION BELONGING TO THE SENDER. THE INFORMATION IS INTENDED FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHOM THIS TRANSMISSION IS ADDRESSED. IF YOU ARE NOT THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY DISCLOSURE, COPYING, DISTRIBUTION, OR THE TAKING OF ANY ACTION IN RELIANCE ON THE CONTENTS OF THIS INFORMATION IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS TRANSMISSION IN ERROR, PLEASE IMMEDIATELY NOTIFY THE SENDER BY TELEPHONE TO ARRANGE FOR THE RETURN OF THE DOCUMENTS. THANK YOU.**

**CHESAPEAKE OPERATING, INC.**

P.O. BOX 18496  
OKLAHOMA CITY, OKLAHOMA 73154-0496  
405/848-8000, EXT. 416  
405/879-9560 FAX

**LAND DEPARTMENT**

MIKE HAZLIP, CPL  
LANDMAN

October 17, 1997

**VIA FACSIMILE (505) 393-0720 & FEDERAL EXPRESS**

Mr. Chris Williams  
New Mexico OCD  
1000 West Broadway  
Hobbs, New Mexico 88240

Mr. Michael Stogner  
New Mexico OCD  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Re: Watson 1-6 well - Unorthodox Location  
2,857' FSL & 1,417' FWL Section 6-T16S-R36E  
Lea County, New Mexico

Dear Chris:

Pursuant to my discussion with you this morning, enclosed is Chesapeake's Application for Permit to Drill, Forms C-101 and C-102 for our Watson 1-6 well to be drilled at the captioned location. In order to drill this well at the optimum geological and surface location, we request that we be granted a permit to drill the captioned location. Because this well is located in an area consisting of some commercial and residential development, we have no viable alternatives to the current surface location without directional drilling. Our location places the well 217 feet from the southern boundary of the proration unit. Chesapeake is the Operator of the proration unit to the south (Little 1-6 well) upon which we are encroaching. Additionally, the natural drift of the borehole will be to the north, as was the case in our Little 1-6 well.

Enclosed are plats showing the land ownership position and the position of the anomaly in relation to the proration unit boundaries. In that Chesapeake is only encroaching upon itself, therefore not adversely affecting other Operators, we would appreciate your timely consideration of our request for an administrative approval of our permit to drill. We have a rig committed to this well at the end of next week to begin drilling. Thank you for your assistance.

Most sincerely,



Mike Hazlip

District I  
PO Box 1980, Hobbs, NM 88241-1980  
District II  
PO Drawer DD, Artesia, NM 88211-0719  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department

**OIL CONSERVATION DIVISION**  
PO Box 2088  
Santa Fe, NM 87504-2088

Form C-101  
Revised February 10, 1994  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 6 Copies  
Fee Lease - 5 Copies

AMENDED REPORT

**APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE**

<sup>1</sup> Operator Name and Address. Chesapeake Operating, Inc. P. O. Box 18496 Oklahoma City OK 73154-0496		<sup>1</sup> OGRID Number
		<sup>1</sup> APT Number 30 - 0
<sup>1</sup> Property Code	<sup>1</sup> Property Name WATSON "6"	<sup>1</sup> Well No. 1

<sup>7</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
LOT 14	6	16S	36E		2857'	SOUTH	1417'	WEST	LEA

<sup>8</sup> Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

<sup>9</sup> Proposed Pool 1 Northeast Shoe Bar-Strawn Pool	<sup>10</sup> Proposed Pool 2
--	-------------------------------

<sup>11</sup> Work Type Code N	<sup>12</sup> Well Type Code O	<sup>13</sup> Cable/Rotary R	<sup>14</sup> Lease Type Code P	<sup>15</sup> Ground Level Elevation 3957'
<sup>16</sup> Multiple No	<sup>17</sup> Proposed Depth 11,900'	<sup>18</sup> Formation STRAWN	<sup>19</sup> Contractor Patterson	<sup>20</sup> Spud Date 10-25-97

<sup>21</sup> Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13-3/8"	54.5#	450'	495	Surface
11"	8-5/8"	32#	4200'	1390	Surface
7-7/8"	5 1/2"	17# & 20#	11900'	980	±3700'

<sup>22</sup> Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Chesapeake Operating, Inc. proposes to drill to 11900' T.D. in the Strawn with Patterson as the drilling contractor.

Patterson's BOP stack consists of 11" 5M# x Blind & Pipe Rams with 11" 5M# Annular.

<sup>23</sup> I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Sonya Baker*  
Printed name: Sonya Baker  
Title: Engineering Technician  
Date: 10-2-97  
Phone: 405/848-8000, X-630

**OIL CONSERVATION DIVISION**  
Approved by:  
Title:  
Approval Date:      Expiration Date:  
Conditions of Approval:  
Attached

DISTRICT I  
P.O. Box 1990, Hobbs, NM 88241-1990

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised February 10, 1994  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

DISTRICT II  
P.O. Drawer 10, Artesia, NM 88211-0719

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

OIL CONSERVATION DIVISION  
P.O. Box 2088

Santa Fe, New Mexico 87504-2088

AMENDED REPORT

DISTRICT IV  
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 96649	Pool Name NORTHEAST SHOE BAR STRAWN
Property Code	Property Name WATSON 6	Well Number 1
OGRID No.	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 3957

Surface Location

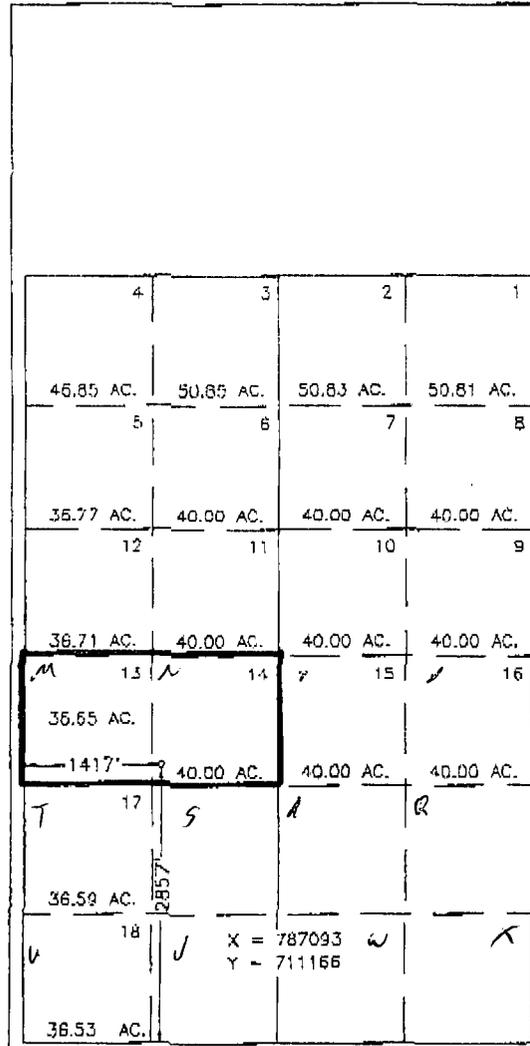
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
LOT 14	6	16 S	36 E		2857	SOUTH	1417	WEST	LEA

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 76.65	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 the the information contained herein is true and complete to the best of my knowledge and belief.

*Sonya Baker*  
Signature

Sonya Baker  
Printed Name

Engineering Technician  
Title

10-2-97  
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.

SEPTEMBER 18, 1997

Date Surveyed \_\_\_\_\_ DMCC

Signature & Seal of Professional Surveyor  
*Ronald S. Edson*  
9-25-97  
07-17-1488

Certificate No. RONALD S. EDSON 3239  
NEW MEXICO PROFESSIONAL SURVEYOR 12641

CHESAPEAKE OPERATING, INC.  
P.O. BOX 18496  
OKLAHOMA CITY, OKLAHOMA 73154  
(405) 848-8000

Telecopier Number (405) 879-9562

DATE: 10/26/97

TIME: 4:20 pm.

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME: Michael Stogner

TELECOPIER NUMBER: (505) 827-1389

FROM: Mike Hazlip

OUR FILE REFERENCE: \_\_\_\_\_

We are transmitting a total of 2 pages including this coversheet. If you do not receive all the pages, please call back as soon as possible. Please ask for:

\_\_\_\_\_, Extn. \_\_\_\_\_

ADDITIONAL NOTE OR INSTRUCTIONS:

Mike - Please let me know whether this letter will suffice as notice to Gillespie regarding our request for administrative approval of an unorthodox location for our proposed Watson 1-6 well. Thanks,

Mike

CONFIDENTIALITY NOTICE

This facsimile transmission (and the documents accompanying it) may contain confidential information belonging to the sender. The information is intended for the use of the individual or entity to whom this transmission is addressed. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution, or the taking of any action in reliance on the contents of this information is strictly prohibited. If you have received this transmission in error, please immediately notify us by telephone to arrange for the return of the documents. Thank you.

**CHESAPEAKE OPERATING, INC.**

P.O. BOX 18496  
OKLAHOMA CITY, OKLAHOMA 73154-0496  
405/848-8000, EXT. 415  
405/879-9560 FAX

**LAND DEPARTMENT**

MIKE HAZLIP, CPL  
LANDMAN

October 19, 1997

**VIA FACSIMILE (915) 683-1491 AND CERTIFIED MAIL**

Charles B. Gillespie, Jr.  
P.O. Box 8  
Midland, Texas 79702

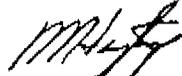
Re: Request for Waiver  
Chesapeake's Watson 1-6  
2,857' FSL & 1,417' FWL  
Section 6-T16S-R36E  
Lea County, New Mexico

Dear Mr. Gillespie:

Pursuant to our recent conversation, please accept this letter as our formal request for your company's waiver of protest to Chesapeake's application for the unorthodox location captioned above. The location encroaches more upon Chesapeake's Little 1-6 proration unit than it does your drilling unit for the proposed Snyder "A" Com No. 1, to which we have agreed to contribute our Lot 18 interest. Chesapeake views its Watson 1-6 location as having absolutely no effect on the unit being formed for the drilling of your proposed well, located 990' FSL and 874' FWL of said Section.

Please indicate Gillespie's waiver to protest Chesapeake's application by signing in the space provided below and returning to us via facsimile to (405) 879-9562 by Wednesday, October 19, 1997. If not received by that time, we will proceed as though Gillespie intends to protest. We appreciate your cooperation and look forward to working with you in the area.

Most sincerely,

  
Mike Hazlip

AGREE TO WAIVER OF PROTEST this \_\_\_ day of October, 1997

CHARLES B. GILLESPIE, JR.

---

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

SUITE B  
612 OLD SANTA FE TRAIL  
SANTA FE, NEW MEXICO 87501

(505) 982-2043  
(505) 982-2151 (FAX)

November 10, 1997

Hand Delivered

Michael E. Stogner  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: Administrative application of Chesapeake Operating, Inc.  
for an unorthodox oil well location in the Strawn  
formation, Lot 14, Township 16 South, Range 36 East, Lea  
County, New Mexico

Dear Mr. Stogner:

Charles B. Gillespie, Jr., an offset operator, hereby objects to  
the above location.

Very truly yours,



James Bruce

Attorney for Charles B.  
Gillespie, Jr.

11-13-97  
Call from Jim Bruce  
to ignore/  
withdraw objection  
M.S.

Section 6,