

DATE IN 02/03/09	SUSPENSE	ENGINEER D. BROOKS	LOGGED IN 2/4/09	TYPE NSL	APP NO. PKAA 0903590363
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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



PM 3 29
PLU Big Sinks III Fed. 114
Chesapeake Op, Inc
147179

ADMINISTRATIVE APPLICATION CHECKLIST

5998

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] NSL NSP SD
- Location - Spacing Unit - Simultaneous Dedication
- Check One Only for [B] or [C]
- [B] DHC CTB PLC PC OLS OLM
- Commingling - Storage - Measurement
- [C] WFX PMX SWD IPI EOR PPR
- Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
- [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.

OceanMunds-Dry OceanMunds-Dry a Horney 2-3-09
 Print or Type Name Signature Title Date
 omundsdry@hollandhart.com
 e-mail Address



February 3, 2009

HAND-DELIVERED

Mark E. Fesmire, P.E.
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 PLU Big Sinks 11 Federal Well No. 1H to be drilled from a surface location and penetration point 225 feet from the South line and 1300 feet from the East line and a bottomhole location 350 feet from the North line and 1700 feet from the East line of Section 11, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico.

Dear Mr. Fesmire:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks administrative approval pursuant to the provisions of Division Rules 19.15.15.13 and 19.15.16.14 for an unorthodox well location for its PLU Big Sinks 11 Federal Well No. 1H. This well is located in Section 11, Township 24 South, Range 30 East, N.M.P.M., Eddy County, New Mexico and will be drilled in the Bone Spring formation at an unorthodox surface location and penetration point 255 feet from the South line and 1300 feet from the East line to a standard bottomhole location 350 feet from the North line and 1700 feet from the East line of Section 11, Eddy County, New Mexico. A 320-acre project area has been dedicated to this horizontal well comprised of the E/2 of Section 11.

This location is unorthodox because the Bone Spring formation under this acreage is governed by the Division's statewide rules which provide for wells on 40-acre spacing units to be located no closer than 330 feet to the outer boundary of the spacing unit. Division Rule 19.15.16.14 defines the "Penetration Point" as "the point where the wellbore penetrates the top of the pool from which it is intended to produce." The wellbore penetrates the Bone Spring formation at a point 255 feet from the South line of Section 11 and is therefore 105 feet closer than allowed by Division rules.

Although the wellbore penetrates the top of the Bone Spring formation at an unorthodox location, the well will be at a standard location at the producing interval. Chesapeake

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Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ♻



penetrates the top of the Bone Spring at approximately 7963 feet in the vertical portion of the well. Chesapeake is targeting the Lower Avalon Shale which is estimated at 8558 feet. Therefore, once Chesapeake reaches the targeted formation, it will be at a standard location.

Exhibit A is a plat showing the location of the well. This location is within the Poker Lake Unit which is operated by BEPCo., LP. Chesapeake is drilling this well pursuant to a contract with BEPCo., LP. **Exhibit B** is the C-102 for this well.

A copy of this application with all attachments was mailed to BEPCo., LP who is the offset operator in Section 14 towards which Chesapeake is encroaching. BEPCo. LP was advised that if they have an objection to this application it must be filed in writing with the Division's Santa Fe office within twenty days from the date notice was sent. It was also advised that if no objections were received by the Division within twenty days, the Division Director could approve the application.

Your attention to this application is appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Ocean Munds-Dry".

Ocean Munds-Dry
Attorney for Chesapeake Operating, Inc.

Enclosures

cc: OCD/Artesia, District 2

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

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

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name PLU BIG SINKS "11" FEDERAL	Well Number 1H
OGRD No.	Operator Name CHESAPEAKE OPERATING CO.	Elevation 3477'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	11	24 S	30 E		255	SOUTH	1300	EAST	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
B	11	24 S	30 E		350	NORTH	1700	EAST	EDDY

Dedicated Acres	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>BOTTOM HOLE LOCATION Lat - N32°14'19.23" Long - W103°50'54.43" SPC - N.: 450902.391 E.: 691254.930 (NAD-83)</p>		<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, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature _____ Date _____</p> <p>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>JANUARY 15, 2009</p> <p>Date Surveyed _____ Signature: GARY L. JONES Professional Surveyor W. O. [unclear]</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>
<p>SURFACE LOCATION Lat - N32°13'33.03" Long - W103°50'49.61" SPC - N.: 446235.453 E.: 691689.678 (NAD-83)</p>	<p>3475.3' 3478.6'</p> <p>3470.4' 3481.6'</p> <p>255' SL 1300'</p>	

EXHIBIT
B