

DATE IN <u>12/29/09</u>	SUSPENSE	ENGINEER <u>Brooks</u>	LOGGED IN <u>12/29/09</u>	TYPE <u>NSL</u>	PTGW APP NO. <u>0936354190</u>
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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



Chesapeake  
 6/36

**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

PLU Pierce Canyon "12" Fed-1H

Eddy

**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]

2009 DEC 29 P 1:35  
 RECEIVED OGD

- [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

[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 Monds-Dry Ocean Monds-Dry attorney 12-29-09  
 Print or Type Name Signature Title Date  
omundsdry@hollandhart.com  
 e-mail Address



December 29, 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 Pierce Canyon "12" Federal Well No. 1H drilled from a surface location and penetration point 250 feet from the South line and 217 feet from the East line and a bottomhole location 330 feet from the North line and 2310 feet from the East line of Section 12, Township 24 South, Range 29 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 Pierce Canyon "12" Federal Well No. 1H. This well is located in Section 12, Township 24 South, Range 29 East, N.M.P.M., Eddy County, New Mexico and is to be drilled in the Bone Spring formation at a surface location and penetration point 250 feet from the South line and 217 feet from the East line and a bottomhole location 330 feet from the North line and 2310 feet from the East line of Section 12, Eddy County, New Mexico. A 200-acre project area has been dedicated to this horizontal well comprised of the NW/4 NE4, S/2 NE4 and the E/2 SE/4 of Section 12.

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 250 feet from the South line and 217 feet from the East line of Section 12 and is therefore closer than allowed by Division rules. Also, part of the directional well bore's producing interval is projected to be outside of the producing area.

HOLLAND & HART<sup>LLP</sup>



Chesapeake has proposed to orient the well northwest of the surface location to be almost perpendicular to a maximum northeast oriented stress measured in the Chesapeake PLU pierce Canyon 28 Federal Well No. 1H. Chesapeake believes that this orientation will maximize production by intersecting more fractures in the formation.

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 operator of the Unit. BEPCo. 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.

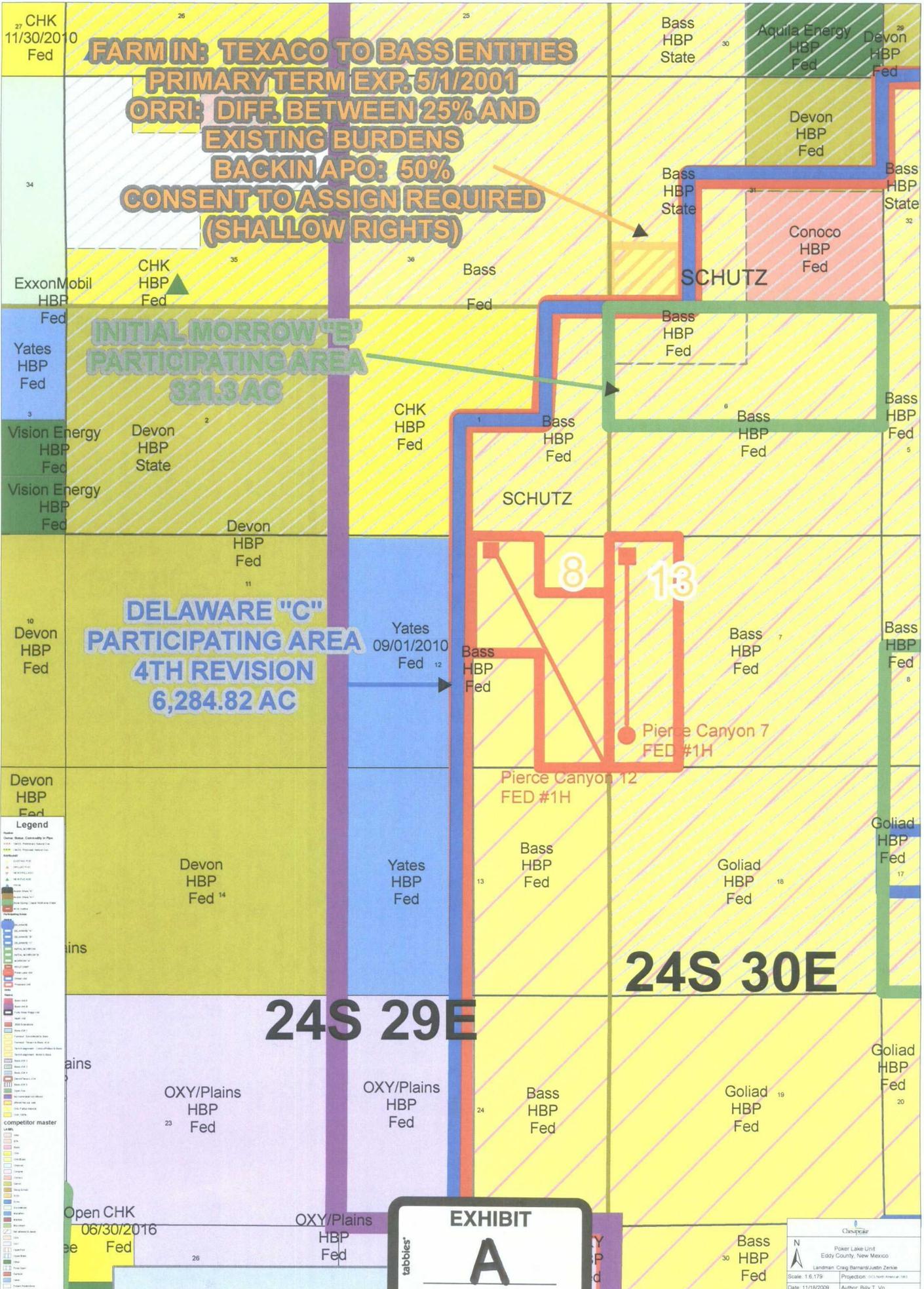
Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry  
Attorney for Chesapeake Operating, Inc.

Enclosures

cc: OCD/Artesia, District 2



<p>Scale: 1:6,179</p> <p>Date: 11/18/2009</p>	
<p>Projection: UTM North America 18N</p>	<p>Author: Billy T. Vo</p>

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 87605

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 October 16, 2009

Submit one copy to appropriate  
District Office

*Nash Draw Deliv/BS  
27148 (avalon sand)  
on E Pierce Crossing to  
BS  
96473*

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code	Pool Name Wildcat; Bone Spring
Property Code	Property Name PLU PIERCE CANYON "12" FEDERAL	Well Number 1H
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING CO.	Elevation 3116'

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	12	24 S	29 E		250	SOUTH	217	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	12	24 S	29 E		330	NORTH	2310	EAST	EDDY

Dedicated Acres 200	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

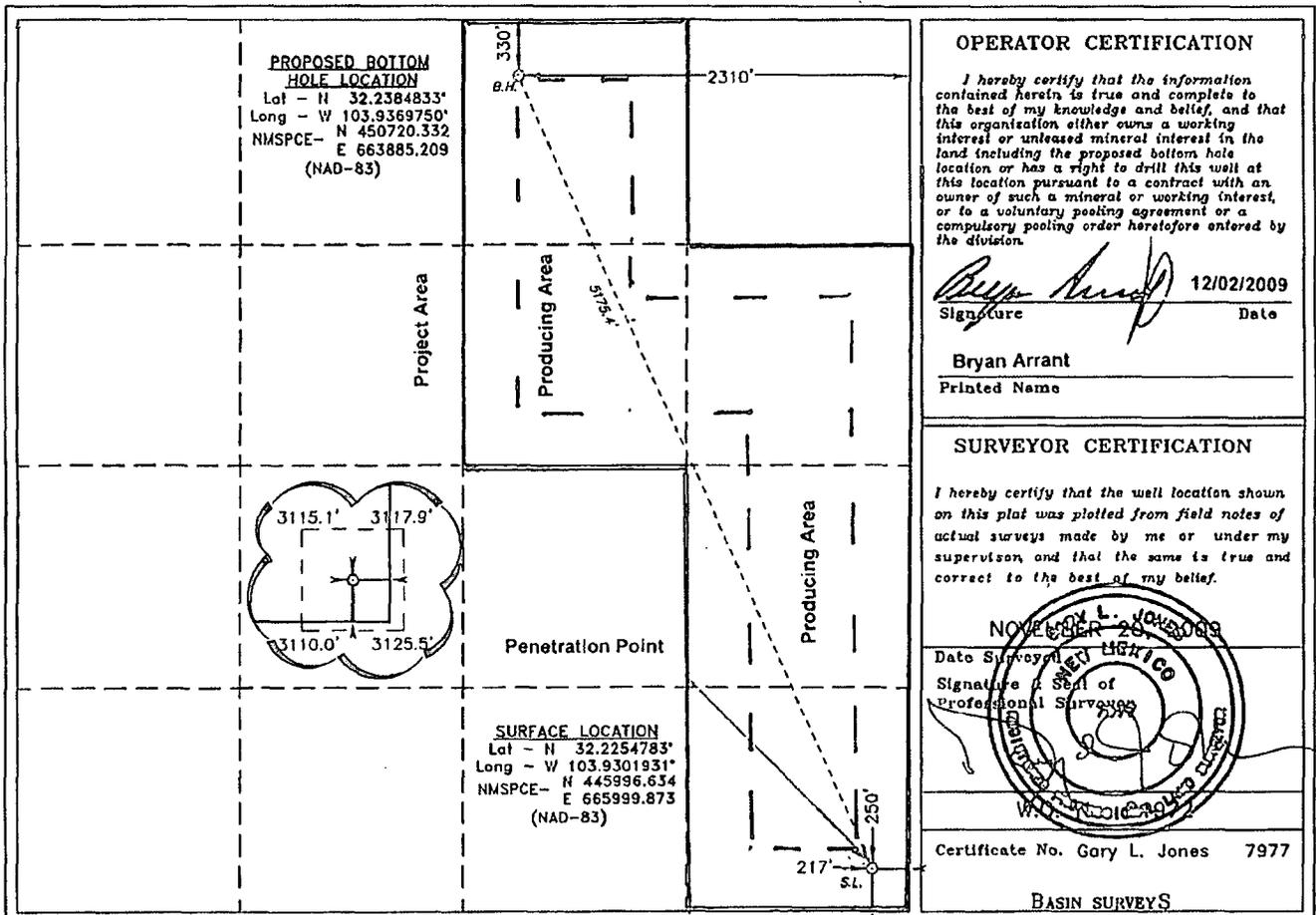


EXHIBIT  
**B**