

DATE IN <u>6-9-10</u>	SUSPENSE	ENGINEER <u>DB.</u>	LOGGED IN <u>6-9-10</u>	TYPE <u>N/SL</u>	APP NO. <u>1016048212</u>
-----------------------	----------	---------------------	-------------------------	------------------	---------------------------

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



chesapeake

Skun 34 State 1H

ADMINISTRATIVE APPLICATION CHECKLIST

30-015-37805

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

[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
 Print or Type Name

Ocean Monds Dry
 Signature

Attorney
 Title

6-8-10
 Date

omondsdry@hollandhart.com
 e-mail Address

RECEIVED OGD
 JUN - 8 - 2010
 4:31

6224

June 8, 2010

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 Skeen "34" State Com Well No. 1H to be drilled from a surface location and penetration point 315 feet from the South line and 1670 feet from the East line of Section 34 and a bottomhole location 330 feet from the North line and 2270 feet from the East line of Section 27, Township 26 South, Range 28 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 Skeen "34" State Com Well No. 1H. This well is located in Sections 27 and (irregular) 34, Township 26 South, Range 28 East, N.M.P.M., Eddy County, New Mexico and is to be drilled in the Bone Spring formation at a surface location and a penetration point 315 feet from the South line and 1670 feet from the East line of Section 34 and a bottomhole location 330 feet from the North line and 2270 feet from the East line of Section 27, Eddy County, New Mexico. A 226.61-acre project area has been dedicated to this horizontal well comprised of the W/2 E/2 of Section 27 and the W/2 E/2 of Irregular Section 34.

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 315 feet from the South line of Section 34 and is therefore closer than allowed by Division rules.



Although the wellbore penetrates the top of the Bone Spring at an unorthodox location, the well will be at a standard location at the producing interval. Chesapeake is targeting the Upper Avalon Shale at 6607 (TVD) 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 encroaching to the south of Section 34. Section 34 borders the New Mexico-Texas state line. The proposed project area encroaches on the N/2 of Section 4 and the N/2 of Section 5, Blk 58, T-1, T&P. OGX Resources holds the lease in the N/2 of Section 4 and Chevron USA owns the mineral interest in the N/2 of Section 5. A copy of this application with all attachments was mailed to OGX and Chevron. Said parties were 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. They were also advised that if no objections were received by the Division within twenty days, the Division Director could approve the application.

Exhibit B is the C-102 for this well.

Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry
ATTORNEY FOR
CHESAPEAKE OPERATING, INC.

Enclosures

cc: OCD District Office

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 15, 2009

Submit one copy to appropriate
District Office

OIL CONSERVATION DIVISION

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

✓ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-37805	Pool Code 96403	Pool Name Wildcat; Bone Spring
Property Code 38142	Property Name SKEEN "34" STATE COM	Well Number 1H
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING CO.	Elevation 3052'

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 3	34	26 S	28 E		315	SOUTH	1670	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	27	26 S	28 E		330	NORTH	2270	EAST	EDDY

Dedicated Acres 226.61	Joint or Infill	Consolidation Code	Order No.
---------------------------	-----------------	--------------------	-----------

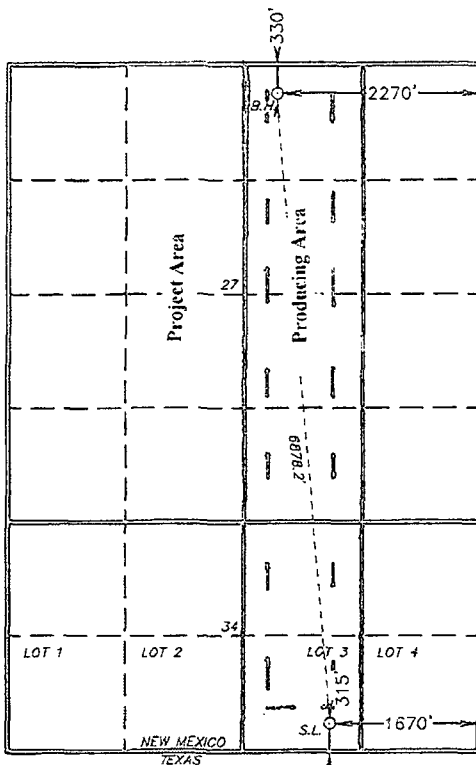
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

PROPOSED BOTTOM
HOLE LOCATION

Lat - N 32.01969007"
Long - W 104.0742623"
NMSPCE- N 370998.409
E 621629.384
(NAD-83)

Penetration Point
&
SURFACE LOCATION

Lat - N 32.00086889"
Long - W 103.0721928"
NMSPCE- N 354153.347
E 622287.311
(NAD-83)



OPERATOR CERTIFICATION

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 or has a right to drill this well at this 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.

Signature: *Bryan Arrant* Date: 5/17/2010

Bryan Arrant

Printed Name

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.

Date Surveyed: *5/17/2010*
Signature & Seal of Professional Surveyor: *GARY L. JONES*
Professional Surveyor No. *7977*

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

EXHIBIT

B