

DATE IN 8.23.10	SUSPENSE	ENGINEER DB.	LOGGED IN 8.23.10	TYPE NSL	PTG W APP NO. 1023555413
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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
 147179
 Sken 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]

NSL-6274

[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 _____

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[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 Monnds-Dry Ocean Monnds-Dry Attorney 8-23-10
 Print or Type Name Signature Title Date
 omondsdry@hollandhart.com
 e-mail Address

August 23, 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 an amendment to Administrative Order NSL-6224 for its Skeen "34" State Com Well No. 1H in Section 27, Township 26 South, Range 28 East, NMPM, Eddy County, New Mexico.

Dear Mr. Fesmire:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks an amendment to Administrative Order NSL-6224 which authorized a non-standard location for Chesapeake's 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 currently being 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.

It recently came to Chesapeake's attention that the E/2 of Section 27 is irregular. As shown on the attached C-102, the E/2 of Section 27 is 2414.3 wide. A standard half-section is 2640 feet wide. The bottomhole location for the Skeen "34" State Com Well No. 1H will be located 330 feet from the North line and 2270 feet from the East line which would be at a standard location in a regular-sized section. However, due to the irregular size, the bottomhole location will be 144 feet from the western boundary of the project area and will therefore be outside of the producing area. 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.

HOLLAND & HART
THE LAW OUT WEST



Exhibit A is a plat showing the location of the well. The bottomhole location is encroaching on the NW/4 of Section 27. Chesapeake holds 100% of the working interest in Section 27 and therefore no notice is required.

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number		Pool Code	Pool Name
Property Code	Property Name		Well Number
	SKEEN "34" STATE COM		1H
OGRID No.	Operator Name		Elevation
	CHESAPEAKE OPERATING CO.		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	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)

SURFACE LOCATION
 Lat - N 32.00086889°
 Long - W 103.0721928°
 NMSPCE - N 364153.347
 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.

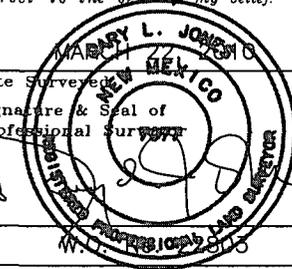
Signature _____ Date _____

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 _____
 Signature & Seal of Professional Surveyor _____



Certificate No. Gary L. Jones 7977

BASIN SURVEYS

EXHIBIT

B



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



June 30, 2010

Ms. Ocean Munds-Dry
Holland & Hart LLP
P.O. Box 2208
Santa Fe, NM 87505

Administrative Order NSL-6224

**Re: Chesapeake Operating, Inc.
Skeen 34 State Com. Well No. 1H
API No. 30-015-37805
315 feet FSL & 1670 feet FEL
Lot 3, Section 34-26S-28E
Eddy County, New Mexico**

Dear Ms. Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW10-16048212**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chesapeake Operating, Inc. [OGRID 14179] (Chesapeake), on June 8, 2010, and

(b) the Division's records pertinent to this request.

Chesapeake has requested to drill the above-referenced well as a horizontal well in the Bone Spring formation, at a location that will be unorthodox under Division Rule 16.14.B(2). The proposed surface location, point of penetration, and terminus of the well are as follows:

Surface Location: 315 feet from the South line and 1670 feet from the East line (Lot 3) of Section 34, Township 26S, Range 38E, NMPM, Eddy County, New Mexico

Point of Penetration: same as surface location

Terminus 330 feet from the North line and 2270 feet from the East line (Unit B) of Section 27 in said Township, Range and County



The W/2 E/2 of Section 27 and the W/2 E/2 of irregular Section 34 will be dedicated to the proposed well to form a 240-acre, more or less, project area comprising four standard 40-acre, more or less, wildcat spacing units in the Bone Spring formation. Spacing is governed by statewide Rule 15.9, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is unorthodox because a portion of the producing interval will be less than 330 feet from the southern boundary of the project area, and therefore outside the producing area.

Your application has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

It is our understanding that you are seeking this location for engineering reasons, in order to maximize the portion of the target interval that will be penetrated by the horizontal portion of the wellbore.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Acting Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe

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 16, 2009
Submit one copy to appropriate
District Office

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

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.
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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

Projected bottom hole location is
147' east of Project Area

PROPOSED BOTTOM HOLE LOCATION
Lot - N 32.01969007"
Long - W 104.0742623"
NMSPCE - N 370998.409
E 621629.384
(NAD-83)

SURFACE LOCATION
Lot - N 32.0086889"
Long - W 103.0721928"
NMSPCE - N 364153.347
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.

Bryan Arrant 8/23/2010
Signature Date

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.

MARRY L. JONES
Date Surveyed
Signature & Seal of Professional Surveyor

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

Brooks, David K., EMNRD

From: Ocean Munds-Dry [Omundsdry@hollandhart.com]
Sent: Monday, August 23, 2010 3:18 PM
To: Brooks, David K., EMNRD
Subject: FW: SKEEN 34 STATE COM 1H (Amended C-102 Land Plat)
Attachments: Skeen 34 State Com 1H (Amended C-102).pdf

David: We just filed the application for amended order for the Skeen 34. And I just got an even better C102 which is attached.