

DATE IN 1-25-11	SUSPENSE	ENGINEER DRB	LOGGED IN 1-25-11	TYPE NSL	APP NO. 1102557134
--------------------	----------	-----------------	----------------------	-------------	-----------------------

PTGW

ABOVE THIS LINE FOR DIVISION USE ONLY

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



Chesapeake
Livestock 9 Fed #2
334

ADMINISTRATIVE APPLICATION CHECKLIST

30-025-36583

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]

lea
Fed

[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 _____

2011 JAN 25 P 3: 23
 RECEIVED OOD

[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 Munds-Dry Ocean Munds Dry Attorney 1-25-11
 Print or Type Name Signature Title Date
 omundsdry@hollandhart.com
 e-mail Address



RECEIVED OOD

2011 JAN 25 P 3: 25

January 25, 2011

HAND-DELIVERED

Daniel Sanchez, Acting 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 Livestock 9 Federal Well No. 2 drilled from a location 1450 feet from the North line and 1950 feet from the East line of Section 9, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico.

Dear Mr. Sanchez:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks administrative approval pursuant to the provisions of Division Rule 19.15.15.13 for an unorthodox well location for its Livestock 9 Federal Well No. 2. This well is located in Section 9, Township 22 South, Range 33 East, N.M.P.M., Lea County, New Mexico to be re-entered and re-completed in the 2nd Bone Spring (sand) formation at a location 1450 feet from the North line and 1950 feet from the East line of Section 9, Lea County, New Mexico. A 40-acre spacing unit will be dedicated to this well comprised of the SW/4 NE/4 of Section 9.

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. This location is 130 feet from the North boundary of the spacing unit and is therefore closer than allowed by Division rules.

This well was drilled and completed at a standard gas well location in the Morrow formation. Chesapeake now plans to re-enter and re-complete in the Bone Spring formation. When this well was drilling, mudlogs revealed a potential productive sand in the Bone Spring. The proposed location is the most efficient and reasonable way to develop these reserves. It would not be economic to drill a new well to test this zone.



Exhibit A is a plat showing the location of the well. Chesapeake is the operator of the 40-acre spacing unit (Unit B) towards which the well is encroaching and working interest ownership is common. Therefore, no notice is required pursuant to Division rules.

Exhibit B is a C-102 for this well.

Your attention to this application is appreciated.

Sincerely,

A handwritten signature in black ink that reads "Ocean Munds-Dry".

Ocean Munds-Dry
Attorney for Chesapeake Operating, Inc.

Enclosures

cc: OCD District Office

