

ABOVE THIS LINE FOR DIVISION USE ONLY

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



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

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-Quantified 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.

Print or Type Name _____ Signature *[Signature]* KELLAHIN & KELLAHIN
 Attorneys At Law
 P.O. Box 2265
 Santa Fe, NM 87504-2265
 Date 3/1/04

RECEIVED
 MAR 11 2004
 Oil Conservation Division
 1220 S. St. Francis Drive
 Santa Fe, NM 87505

KELLAHIN & KELLAHIN
Attorney at Law

W. Thomas Kellahin
Recognized Specialist in the Area of
Natural Resources-oil and gas law-
New Mexico Board of Legal Specialization

P.O. Box 2265
Santa Fe, New Mexico 87504
117 North Guadalupe
Santa Fe, New Mexico 87501

Telephone 505-982-4285
Facsimile 505-982-2047
kellahin@earthlink.net

March 2, 2004

HAND DELIVERED

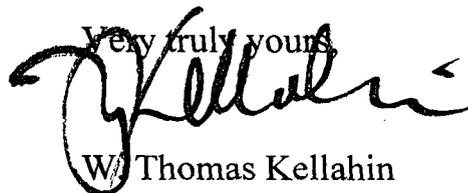
Ms. Lori Wrotenbery, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Administrative Application of Chesapeake Operating, Inc.
for approval of a unorthodox well location for its
Roueche "5" Well No. 1, Unit P,
E/2SE/4 (80-acre) dedication, Section 5,
T17S, R37E, Lea County, New Mexico
Shipp-Strawn Pool

Dear Ms. Wrotenbery:

On behalf of Chesapeake Operating, Inc., please find enclosed our referenced application that is being filed in accordance with the Rule 104. This location crowds the western exterior boundary of this 80-acre spacing unit (220 feet instead of within 150 feet of the center of unit P)

Concurrent with this application, Chesapeake has filed its APD with the OCD-Hobbs.

Very truly yours,

W. Thomas Kellahin

CC: Chesapeake Operating, Inc.
Attn: Lynda Townsend

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE ADMINISTRATIVE
APPLICATION OF CHESAPEAKE OPERATING, INC.
FOR APPROVAL OF AN UNORTHODOX WELL LOCATION
LEA COUNTY, NEW MEXICO**

ADMINISTRATIVE APPLICATION

Comes now CHESAPEAKE OPERATING, LTD. ("Chesapeake") and by and through its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division ("Division") for approval of an unorthodox oil well location for its proposed Roueche "5" Well No. 1 to be drilled at a unorthodox location 1120 feet from the East line and 660 feet from the South line (Unit P) of Section 15, T17S, R37E, Lea County, New Mexico to be dedicated to a standard 80-acre oil spacing unit consisting of the W/2SE/4 of this section for production from the Shipp-Strawn Pool.

In support, Chesapeake states:

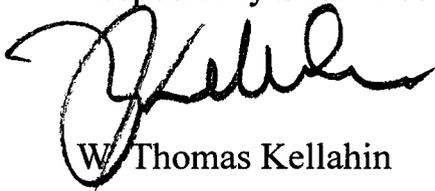
1. Chesapeake is the proposed operator for this well to be dedicated to a standard 80-acre oil spacing and proration unit consisting of the W/2SE/4 of this section.
2. The well is to be located 1120 feet FEL and 600 feet FSL (Unit P) Section 5, T17S, R37E, at an unorthodox oil well location for the Strawn formation (Shipp-Strawn Pool). See APD and Form C-102, attached as Exhibit "A" and "B"
3. This well location is subject to the Special Rules and Regulations for the Shipp-Strawn Pool that require standard well locations within 150 feet of the center of either 40-acre tract within an standard 80-acre spacing unit.

4. This location, as illustrated on Exhibit "B" attached, is based upon geologic reasoning:
 - a. Chesapeake, based upon 3-D seismic analysis, believes that the Shipp-Strawn Pool is composed of multiple steep sided algal mounds; (Exhibit "C")
 - b. There are two mounds located in the S/2SE/4 of Section 5, each separate from the other; (Exhibit "C")
 - c. Conventional cross-section log correlation and analysis (Exhibit "D") demonstrates that the Strawn limestone, colored in blue, appears to be continuous from the Northport's Midway 5-1 well located within Unit 0 through the Chesapeake location on to the Read & Stevens Blackmar Well No. 1 located in Unit P. While the Midway 5-1 well is productive in the Strawn, porosity colored in red, the Blackmar well it is not productive in the Strawn (a DST confirmed that there was no Strawn porosity in this well);
 - d. the 3-D seismic profile shows that these two pods are separated such that Chesapeake's located with be in a pod that is distinct from the Northport's well; (Exhibit "E")
 - e. the Strawn porosity intervals within Chesapeake spacing unit is best tested at a location outside of the standard location drilling window; (Exhibit "C")
 - f. a standard well location will be outside or on the eastern edge of Chesapeake's Strawn porosity pod and it will reduce the risk if Chesapeake locate this well towards the thicker portions of this pod at the requested unorthodox well location. (Exhibit "C")
5. Chesapeake has obtained a waiver from Northport Production Company the operator of the Midway "5" Well No. 1 located in and dedicated to the E/4SE/4 of this section towards whom Chesapeake's well location encroaches. (Exhibit "F")

6. Approval of this application will afford the owners and the applicant the opportunity to produce their just and equitable share of the hydrocarbons in the Strawn formation, will promote the orderly development in this area, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

WHEREFORE, Applicant requests that this application be approve by the Division.

Respectfully Submitted:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name. The signature is fluid and cursive, with a large initial 'W'.

W. Thomas Kellahin

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Chesapeake Operating, Inc. P. O. Box 18496 Oklahoma City, OK 73154-0496		² OGRID Number 147179
³ Property Code		³ API Number 30 -
⁵ Property Name Roueche 5		⁶ Well No. 001

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot ldn	Feet from the	North/South line	Feet from the	East/West line	County
P	5	17S	37E		600	South	1120	East	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot ldn	Feet from the	North/South line	Feet from the	East/West line	County

⁹ Proposed Pool 1 Shipp Strawn (Code: 55695)	¹⁰ Proposed Pool 2
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¹¹ Work Type Code N	¹² Well Type Code O	¹³ Cable/Rotary R	¹⁴ Lease Type Code Fee	¹⁵ Ground Level Elevation 3790'
¹⁶ Multiple N	¹⁷ Proposed Depth 11,050'	¹⁸ Formation Strawn	¹⁹ Contractor Patterson #504	²⁰ Spud Date 03/09/04

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17-1/2	13-3/8	48#	0-400'	± 450	Surface
11"	8-5/8	32#	0-4,600'	± 1300	Surface
7-7/8	5-1/2	17#	0-11,050'	± 1100	4600'

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone.

Describe the blowout prevention program, if any. Use additional sheets if necessary.

Chesapeake Operating, Inc. proposes to drill to a T.D. of 11,050' in the Strawn formation w/Patterson #504 as the drilling contractor.

BOP consists of 11" 5M# blind & pipe rams & 11" 5M# Annular (See Schematics)

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Barbara J. Bale*

Printed name: Barbara J. Bale

Title: Regulatory Analyst

E-mail Address: bbale@chkenergy.com

Date: 02/23/04

Phone: (405) 848-8000

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

Expiration Date:

Conditions of Approval:

Attached



DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code 55695	Pool Name Shipp Strawn
Property Code	Property Name ROUECHE 5	Well Number 1
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 3790'

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	5	17-S	37-E		600	SOUTH	1120	EAST	LEA

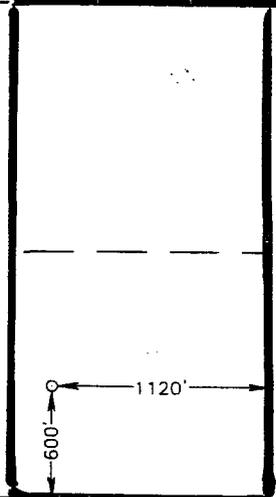
Bottom Hole Location If Different From Surface

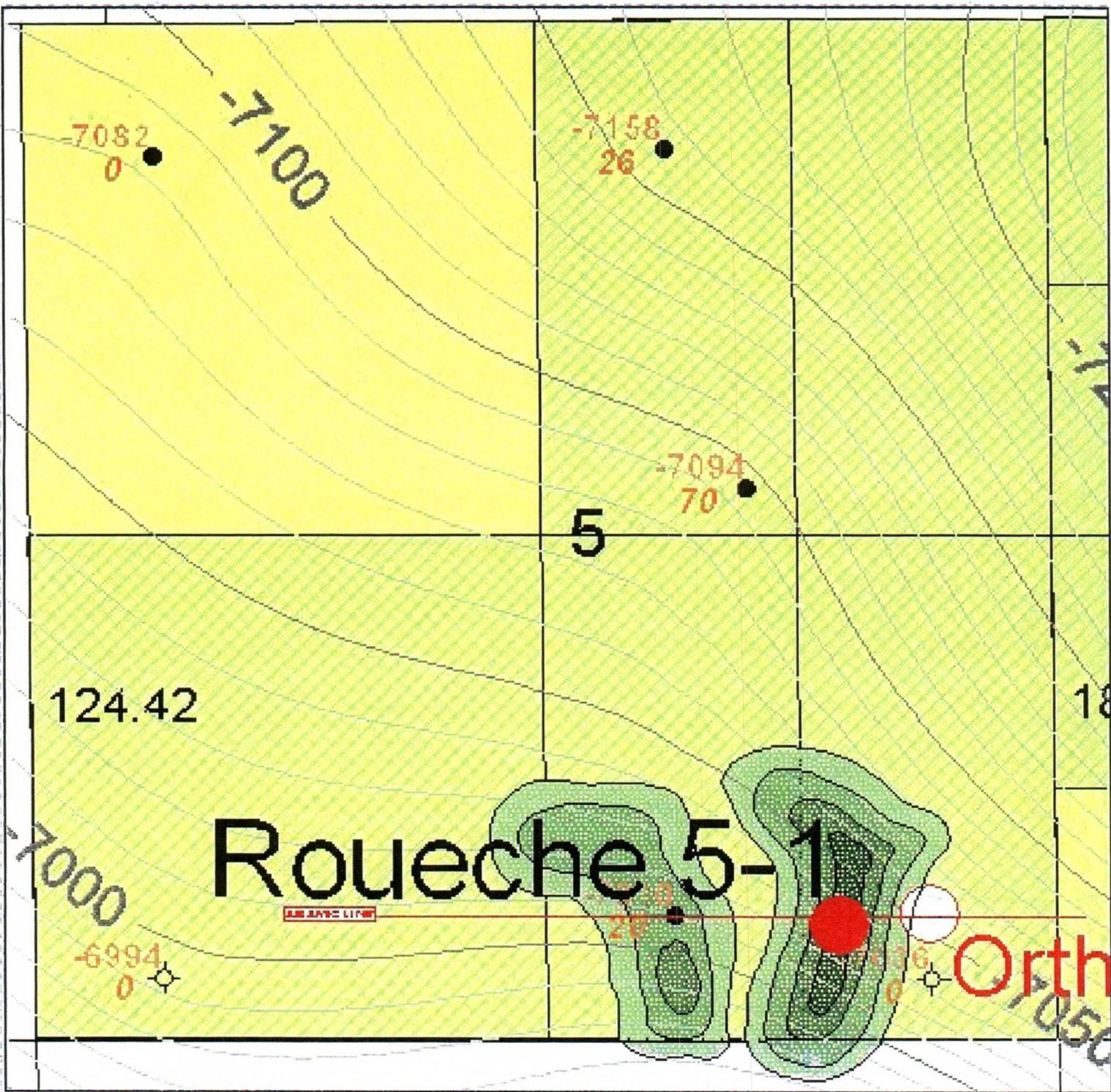
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 80 E/2 SE	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

LOT 4 40.35 AC.	LOT 3 40.43 AC.	LOT 2 40.49 AC.	LOT 1 40.57 AC.
GEODETIC COORDINATES NAD 27 NME Y = 677587.2 N X = 827043.5 E LAT. 32.858237° N LONG. 103.268322° W			OPERATOR CERTIFICATION <p><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p><i>Barbara J. Bale</i> Signature</p> <p>Barbara J. Bale Printed Name</p> <p>Regulatory Analyst Title</p> <p>02/23/04 Date</p>
EXHIBIT 			SURVEYOR CERTIFICATION <p><i>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.</i></p> <p>DECEMBER 16, 2003 Date Surveyed</p> <p>Signature & Seal of Professional Surveyor <i>Gary J. Eidson</i> 03-11-1372</p> <p>Certificate No. GARY EIDSON 12641</p>





124.42

Roueche 5-1

ALBANY LIP

Orth



T/ Strawn
net 0

Chesapeake	CHESAPEAKE OPERATING, INC.
	ROUACHE 5-1 UNOBTAINED LOCATION PERMITS
3000 ft. by 3000 ft. 3000 ft. by 3000 ft.	
Date: 10/1/00 Scale: 1" = 100'	File: 10/1/00 No. 10/1/00

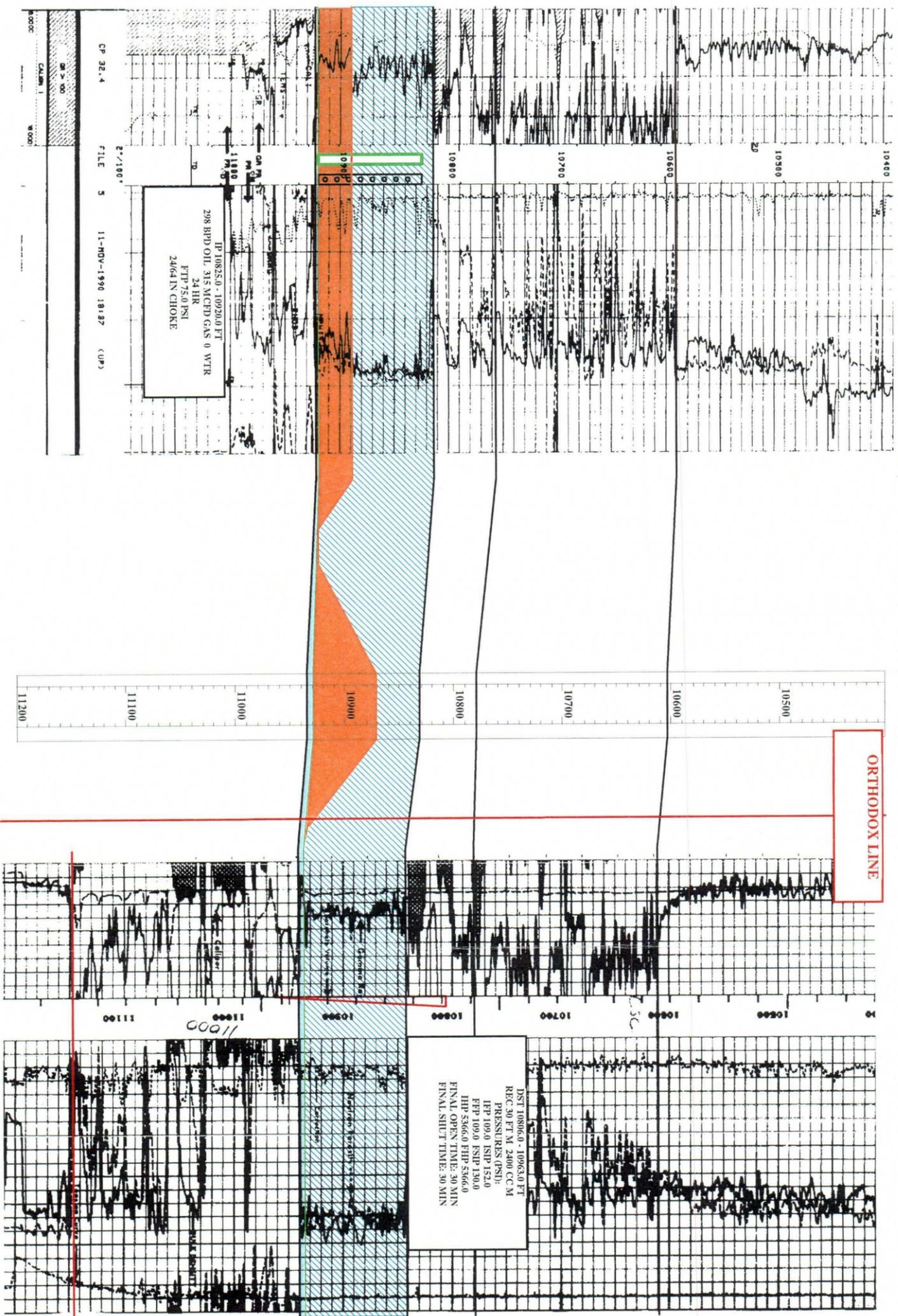


W CHESAPEAKE ROUCHE 1-5 E

1
 GRAND PRODUCTION COMPANY
 MIDWAY 5-1
 017.0S 037.0E 005
 31033
 3807 KB

2
 CHESAPEA
 ROUCHE 1-
 017.0S 037.0
 COIRO
 3810 KB

3
 READ & STEVENS
 BLACKMARI 1
 017.0S 037.0E 005
 28453
 3807 KB



DAG

Structural X-Section





Lynda F. Townsend, CPL/ESA
Landman

February 20, 2004

VIA FACSIMILE (405) 840-2528

Mr. John Vaughan
Northport Production Company
2601 Northwest Expressway, Suite 902E
Oklahoma City, OK 73112

Re: Notice and Request for Waiver
Application for Unorthodox Location
Roueché 5-1 Well
E/2 SE/4 Section 5-17S-37E
Lea County, New Mexico

Dear Mr. Vaughan:

Chesapeake Operating, Inc. has made application to the New Mexico Oil Conservation Division for an unorthodox location for the captioned well. The well location, is 600' FSL and 1120' FEL making it unorthodox to the unit's east lease line. The Roueché 5-1 well is a Strawn test and as such is governed by the Shipp Strawn Pool rules which state that a well must be no closer than 150' of the center of a governmental quarter quarter section or lot. As the operator of the Midway 5-1 in the W/2 SE/4 of Section 5-17S-37E, you are hereby given notice of said application.

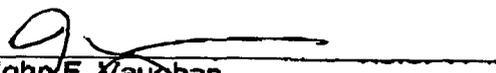
Please consider this letter as a formal request for a waiver of protest to Chesapeake's application. Please sign in the space so provided indicating Northport's waiver of protest and return to me by facsimile to (405) 767-4251 at your earliest convenience.

Very truly yours,


Lynda F. Townsend

Northport Production Company hereby agrees to a Waiver of Protest this 20th day of February 2004..

NORTHPORT PRODUCTION COMPANY

By: 
John F. Vaughan,
Land Manager

Chesapeake Energy Corporation
6100 N. Western Ave. • Oklahoma City, OK 73118 • P.O. Box 18496 • Oklahoma City, OK 73154-0496
405.879.9414 • fax 405.879.9535 - ltownsend@cheenergy.com



Stogner, Michael

From: Thomas Kellahin [kellahin@earthlink.net]
Sent: Monday, March 08, 2004 1:14 PM
To: Michael E. Stogner
Cc: Lynda F. Townsend
Subject: NSL-Chesapeake's Roueche 5-1well

Re: Chesapeake Operating
Administrative Application for NSL
Roueche "5" Well No. 1
Unit P of Section 5, T17S, R37E
80-acre dedication-E/2SE/4
Shipp-Strawn Pool

Dear Mr. Stogner:

Chesapeake has requested that I ask you for the status of this application. This well will encroach towards Northport Production who granted a waiver.

This email has been scanned by the MessageLabs Email Security System.
For more information please visit <http://www.messagelabs.com/email>

Stogner, Michael

From: Stogner, Michael
Sent: Monday, March 08, 2004 1:48 PM
To: 'Thomas Kellahin'; Stogner, Michael
Cc: Lynda F. Townsend; Ezeanyim, Richard
Subject: RE: NSL-Chesapeake's Roueche 5-1well

I am currently in the process of working to clear out a couple of older outstanding issues (hearing orders) prior to Ms. Wrotnebery's departure this week. Should Chesapeake wish this application be considered a "high priority" issue, please provide me with a detailed explanation as to its urgency.

-----Original Message-----

From: Thomas Kellahin [mailto:kellahin@earthlink.net]
Sent: Monday, March 08, 2004 1:14 PM
To: Michael E. Stogner
Cc: Lynda F. Townsend
Subject: NSL-Chesapeake's Roueche 5-1well

Re: Chesapeake Operating
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For more information please visit <http://www.messagelabs.com/email>
