

DATE IN 9/1/04	SUSPENSE 9/21/04	ENGINEER MS	LOGGED IN	TYPE NSL	PSEMO- APP NO. 424626014
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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



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-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 Owner
 [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

RECEIVED
 SEP 1 2004
 Oil Conservation Division
 1220 S. St. Francis Drive
 Santa Fe, NM 87505

[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

KELLAHIN & KELLAHIN
 Attorneys At Law
 P.O. Box 2265
 Santa Fe, NM 87504-2265

9/1/04
 Date

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

September 1, 2004

HAND DELIVERED

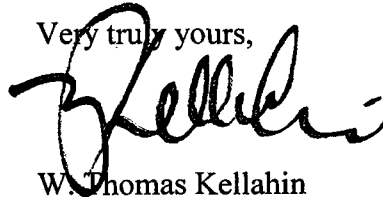
Mr. Mark E. Fesmire, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Hillburn "13" Well No. 4
Unit C of Section 13, T16S, R35E
Administrative Application of Chesapeake Operating Company
for an unorthodox gas well location,
North Shoe Bar-Strawn Pool
Lea County, New Mexico

Dear Mr. Fesmire:

On behalf of Chesapeake Operating Company, please find enclosed our
referenced administrative application.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Lynda Townsend

2004 AUG 32 PM 1 30

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

**IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE OPERATING COMPANY
FOR AN UNORTHODOX OIL WELL LOCATION,
LEA COUNTY, NEW MEXICO.**

ADMINISTRATIVE APPLICATION

CHESAPEAKE OPERATING COMPANY ("Chesapeake") by its attorneys, Kellahin & Kellahin, and seeks an order authorizing the drilling and production of its Hillburn "13" Well No. 4 at an unorthodox oil well location 335 feet from the North line and 1738 feet from the West line (Unit C) of Section 13, Township 16 South Range 35 East, NMPM to be dedicate to a standard 160-acre oil spacing unit dedicated to production from the North Shoe Bar-Strawn Pool.

In support of its application Chesapeake states:

1. Chesapeake proposes to drill its Hillburn "13" Well No. 4 at an unorthodox oil well location 335 feet FNL and 1738 feet FWL (Unit C) of Section 13, T16S, R35E, Lea County, New Mexico and dedicated to a 160-acre oil spacing unit consisting of the NW/4 of this section. **See C-102 attached as Exhibit "A"**
2. This spacing unit is subject, among other things, to the Special Rules and Regulations for the North Shoe Bar-Strawn Pool (Order R-4658, dated November 10, 1973) requiring 160-acre standard spacing units and well to be located with 150-feet of the center of a quarter-quarter section.
3. This spacing unit contains the following wells:
 - a. Hillburn Well No. 1
 - i. API 30-025-24473—See C-102 attached as **Exhibit "B"**
 - ii. Location: 660 feet FWL and 1980 feet FNL (Unit E)
 - iii. Status: downhole commingled Wolfcamp and Strawn
 - iv. Current Rate: 3-5 BPOD
 - v. Results: CUM'd 456MBO and 1.1BCF
 - vi. Porosity thickness about 40 feet
 - a. Well has depleted the Strawn reservoir in the W/2NW/4 of Section 13-See **Exhibit "E"**

- b. Hillburn Well No. 2
 - i. API 30-025-29349—See C-102 attached as **Exhibit “C”**
 - ii. Location: 1190 feet FNL and 1980 feet FWL (Unit C)
 - iii. Results: drilled to Strawn-missed Strawn reservoir
 - iv. Status: completed and produce from Wolfcamp
- c. Hillburn Well No. 3
 - i. API 30-025-35596—See C-102 attached as **Exhibit “D”**
 - ii. Location:
 - 1. Surface: 660 feet FNL and 510 feet FWL
 - 2. #1 lateral: 1563 feet southeast of surface
 - 3. #2 lateral: 1330 feet south of surface
 - iii. Results: currently makes about 3 BPOD from Strawn
 - iv. Status: drilled to Strawn, vertical and two horizontals with the wellbore path not completely horizontal. It was deviated down through the Strawn at an angle such that by the time it got to where the Strawn porosity would have been, it was below the Strawn porosity. It's bottom hole location (TD”) is in the Atoka.

TECHNICAL EVIDENCE

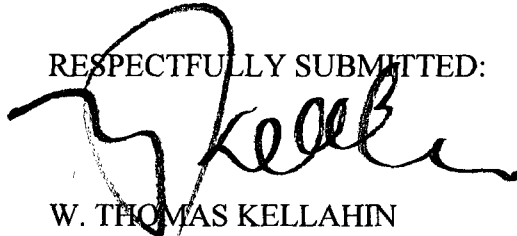
- 4. Chesapeake, based upon geologic data, believes that its proposed unorthodox well location will provide a better opportunity to access potential production in the Strawn formation that cannot be produced the other wells within this spacing unit:
 - a. Isopach of Strawn mound. **See Exhibit “E”**
 - i. This strawn mound is not present at the closest standard location
 - ii. This unorthodox location is estimated to be within 40 foot thickness counter as shown on Exhibit “E”
 - iii. The Hillburn Well No. 3 results increase the need for the requested unorthodox well location
 - b. Arbitrary seismic line. **See Exhibit “F”**

NOTIFICATION

5. Chesapeake's proposed location encroaches towards the S/2 of Section 12 operated by Yates Petroleum Corporation.
6. In accordance with the Division's notice requirements, a copy of this application has been sent to Yates Petroleum Corporation. **See Exhibit "G" and "G-1" attached**

WHEREFORE, Chesapeake, as applicant, requests that the Division enter its order approving this requested unorthodox well location

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name and company information.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504
Telephone: (505) 982-4285
Fax: (505) 982-2047

DISTRICT I

1685 N. French Dr., Hobbs, NM 88240

DISTRICT II

611 South First, Artesia, NM 88210

DISTRICT III

1000 E. Brazos Rd., Aztec, NM 87410

DISTRICT IV

2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised March 17, 1990

Submit to Appropriate District Office

State Lease - 4 Copies

Free Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name HILLBURN "13"	Well Number 4
OGRID No.	Operator Name CHESAPEAKE OPERATING INC.	Elevation 3969

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	13	16 S	35 E		335	NORTH	1738	WEST	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	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

	OPERATOR CERTIFICATION I hereby certify the information contained herein is true and complete to the best of my knowledge and belief. Signature _____ Printed Name _____ Title _____ Date _____
EXHIBIT A	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. JULY 07, 2004 Date Surveyed _____ Signature of Gary L. Jones Professional Surveyor State of New Mexico No. 4436 Certified by Gary L. Jones 7977 JLP

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-4-65

All distances must be from the outer boundaries of the Section.

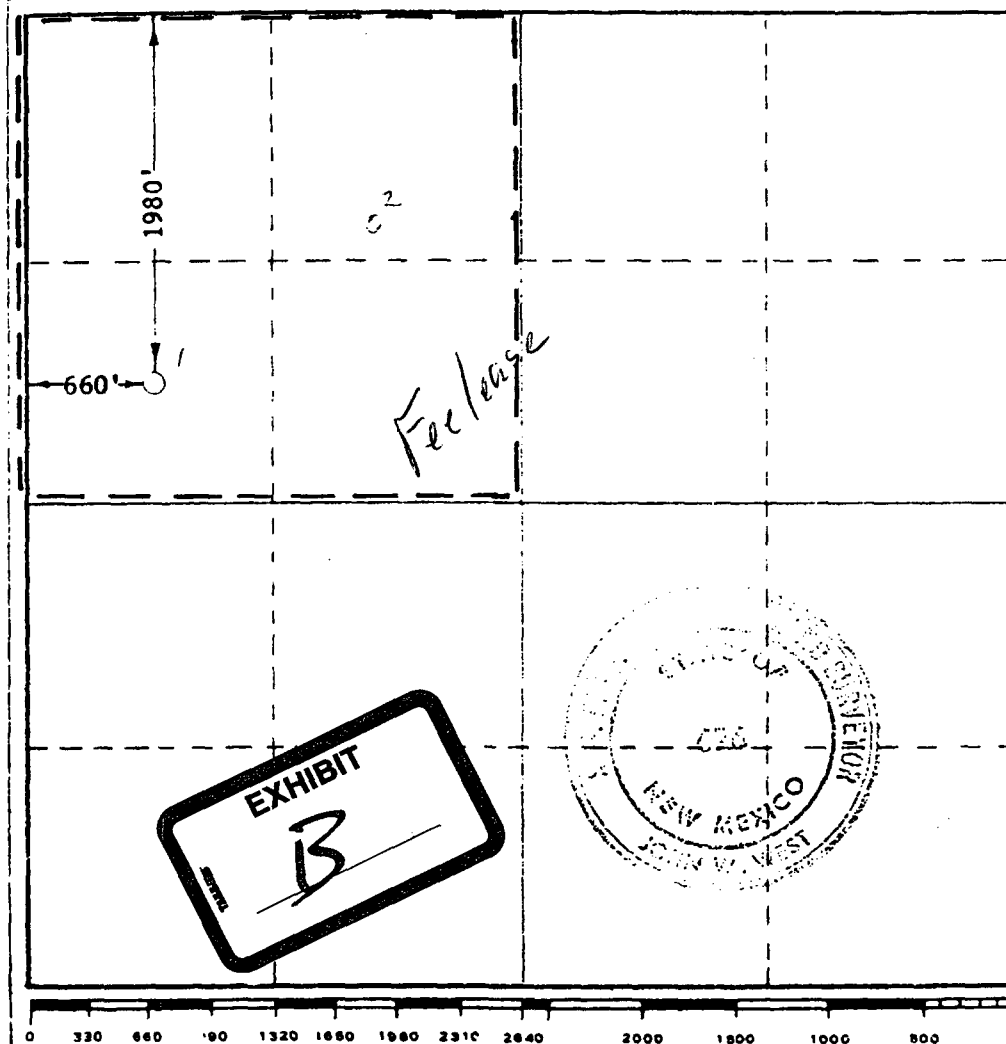
Operator Conoco Inc.		Lease HILBURN		Well No. 1
Unit Letter E	Section 13	Township 16 SOUTH	Range 35 EAST	County LEA
Actual Footage Location of Well: 660 feet from the EAST line and 1980 feet from the NORTH line				
Ground Level Elev. 3967'	Producing Formation Wolfcamp	Pool North Shoe Bar Wolfcamp	Dedicated Acreage: 160 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes:" type of consolidation _____

If answer is "no:" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

James W. Hoover
Regulatory Coordinator

Company
Conoco Inc.

Date
10/15/90

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 knowledge and belief.

Date Surveyed
JUNE 5, 1973

Registered Professional Engineer and/or Land Surveyor

John W. West
Certificate No. **676**

All distances must be from the outer boundaries of the Section.

Operator Mesa Petroleum Co.		Lease Hilburn		Well No. 2
Unit Letter C	Section 13	Township 16S	Range 35E	County Lea

Actual Footage Location of Well:

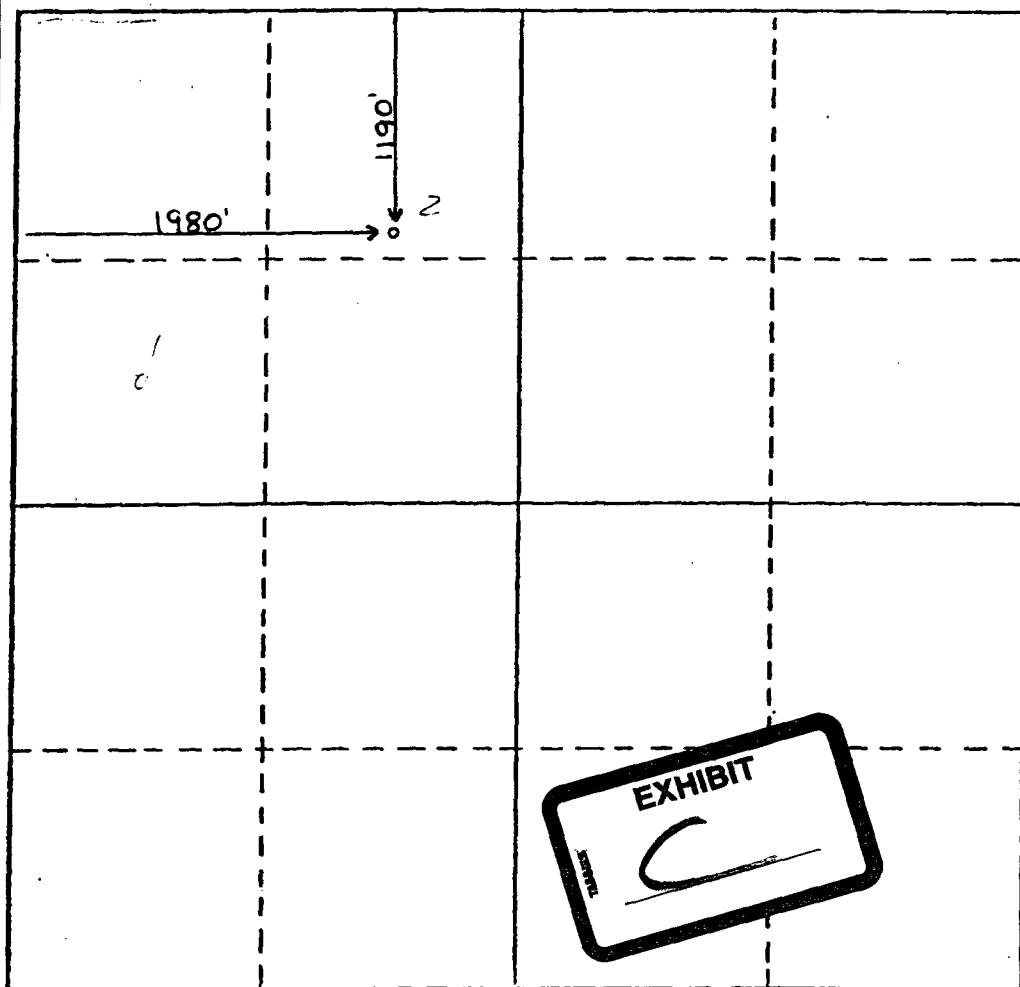
1190 feet from the north line and 1980 feet from the west line	
Ground Level Elev. 3967'	Producing Formation Wolfcamp 3 Brothers Bank
Pool Shoebar Wolfcamp North	Dedicated Acreage: 160 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Carolyn Cummings
Name
Carolyn Cummings

Position
Regulatory Clerk

Company
Mesa Petroleum Co.

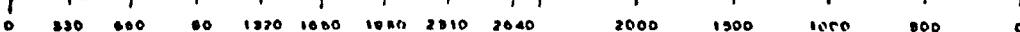
Date
October 8, 1985

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 knowledge and belief.

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

Certificate No.



DISTRICT I
1825 N. French Dr., Hobbs, NM 88240

DISTRICT II
P.O. Drawer 10, Artesia, NM 88211-0719

DISTRICT III
1000 Elia Franco Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 16, 2000
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-35596	Pool Code 56270	Pool Name NORTH SHOE BAR (STRAWN)
Property Code 25993	Property Name HILBURN	Well Number 3
OGED No. 25797	Operator Name PERMIAN RESOURCES, INC.	Elevation 3968

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	13	16 S	35 E		660	NORTH	510	WEST	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
F	13	16 S	35 E		1980	NORTH	1980	WEST	LEA

Dedicated Acres 160	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

<p>Plane Coordinate X = 781,011 Y = 702,296</p> <p>Strawn Penetration Point 683' FNL & 536' FWL X = 781,037 Y = 702,273</p> <p>Existing Hilburn #2 1190' FNL & 1980' FWL North Shoe Bar (Wolfcamp) NSL Order #1919</p> <p>Plane Coordinate X = 782,493 Y = 700,988</p> <p>Project Area 160 Acres NW 1/4 Section 13, T16S, R35E</p> <p>Existing Hilburn #1 1980' FNL & 660' FWL North Shoe Bar (Wolfcamp) North Shoe Bar (Strawn) DHC Permit #885</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature Michael Stewart</p> <p>Printed Name Michael Stewart</p> <p>Date July 13, 2001</p> <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Date Surveyed July 5, 2001</p> <p>Signature & Seal of Professional Surveyor M2</p> <p>W.O. Num. 2001-0637-S</p> <p>Certificate No. MACON McDONALD 12185</p>
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NOTE:
1) Plane Coordinates shown hereon are Lambert Grid and Conform to the "New Mexico Coordinate System", New Mexico East Zone, North American Datum of 1927. Distances shown hereon are mean horizontal surface values.

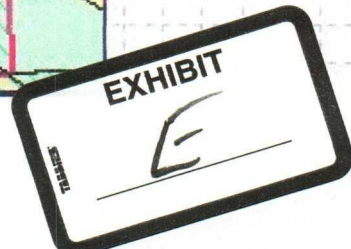
EXHIBIT D



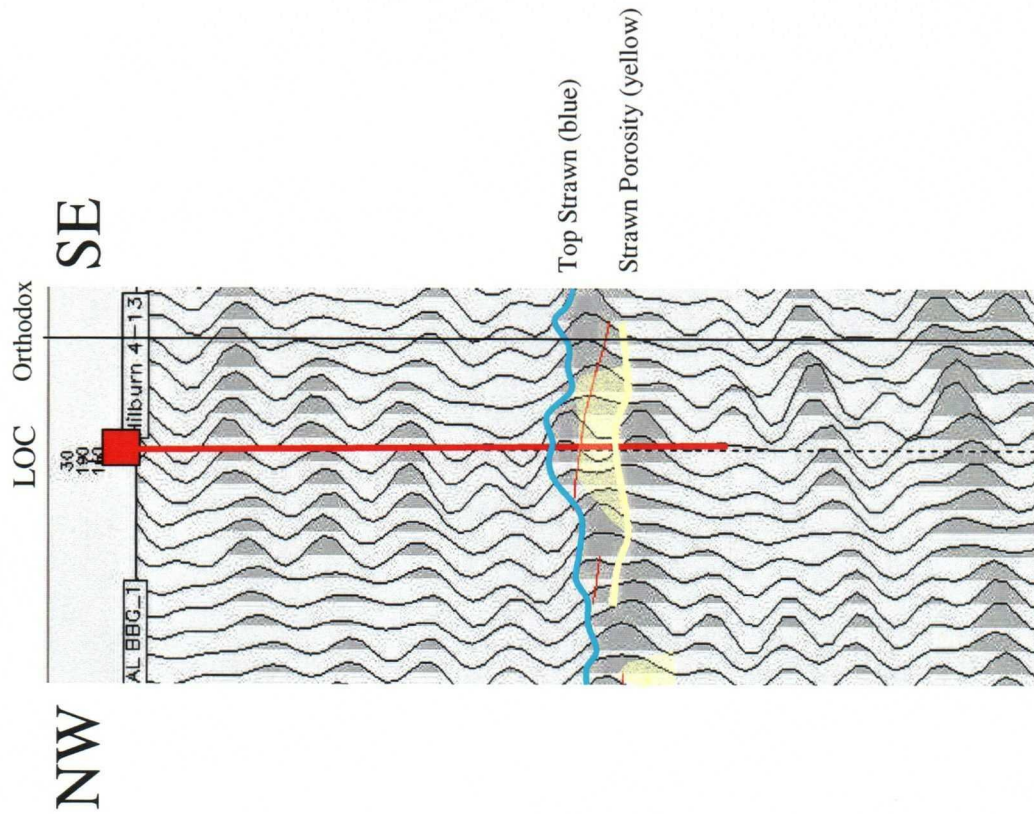
	<p>CHESAPEAKE ENERGY SERVICES, INC.</p> <p>HILLBURY 19-4 Unconformity Location 1738' FNL 1738' FNL 1738' FNL</p> <p>GEORGE J. STANLEY, JR. Geological Engineer</p>
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1 inch = 500 feet

Requested Location: 335' FNL & 1738' FNL



Arbitrary Seismic Line



Hillburn 13-4
 13C-T16S-R35E
 330' FNL & 1734' FWL

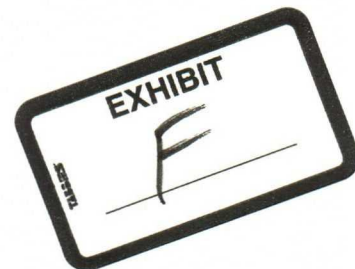


EXHIBIT "G"

Offsetting Notice:

Section 12: South Half

Operator: Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

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

September 1, 2004

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

**NOTICE OF THE FOLLOWING NEW MEXICO OIL CONSERVATION
DIVISION ADMINISTRATIVE CASE:**

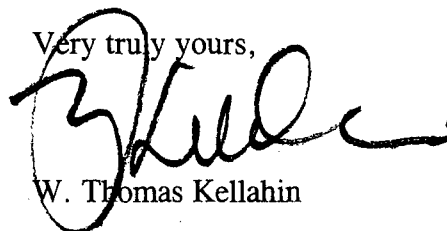
*Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Attn: Randy Patterson*

***Re: Administrative Application of Chesapeake Operating Company for
approval of unorthodox well location for its Hillburn "13" Well No. 4, Unit C
Section 13, T16S, R35E, Lea County, New Mexico.***

Dear Mr. Patterson:

On behalf of Chesapeake Operating Company, please find enclosed a copy of its referenced administrative application. If Yates has no objection, then there is nothing for you to do. If Yates is willing to waive objection, please sign this letter as indicated and return it to me. However, should Yates have any objection to the Division approving this application, then it will be necessary for you to file a written objection with the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505 within twenty (20) days of the date of this letter. Failure to file a timely objection will preclude Yates from objecting at a later date.

Very truly yours,



W. Thomas Kellahin

WAIVER OF OBJECTION:

By: _____ with authority for
and on behalf of Yates Petroleum Corporation
Date: _____

