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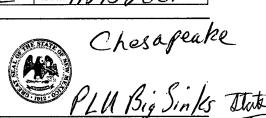
APP NO 1121528613

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



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August 2, 2011

HAND-DELIVERED

Jami Bailey
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 PLU Big Sinks 2 24 30 USA Well No. 1H to be drilled from a surface location and penetration point 1980 feet from the North line and 200 feet from the West line and a bottomhole location 1980 feet from the North line and 100 feet from the East line of Section 2, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico.

Dear Ms. Bailey:

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 PLU Big Sinks 2 24 30 USA Well No. 1H. This well is located in Section 2, Township 24 South, Range 30 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 1980 feet from the North-line and 200 feet from the West line and a bottomhole location 1980 feet from the North-line and 100 feet from the East line of Section 2, Eddy County, New Mexico. A 160-acre project area has been dedicated to this horizontal well comprised of the S/2 N/2 of Section 2.

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 200 feet from the West line of Section 2 and is therefore closer than allowed by Division rules.

HOLLAND&HART

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 Avalon Shale at approximately 9360 feet (TVD). Therefore, once Chesapeake reaches the targeted formation, it will be at a standard location. Also, the bottomhole is at a non-standard location since it is only 100 feet from the East line of the section.

Exhibit A is a plat showing the location of the well. This location is encroaching to the west and east of Section 2. This location is within the Poker Lake Unit which is operated by BOPCo. Devon Energy is also an affected party. A copy of this application with all attachments was mailed to BOPCo. and Devon and they 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.

Exhibit C is the notice list.

Your attention to this application is appreciated.

Sincerely,

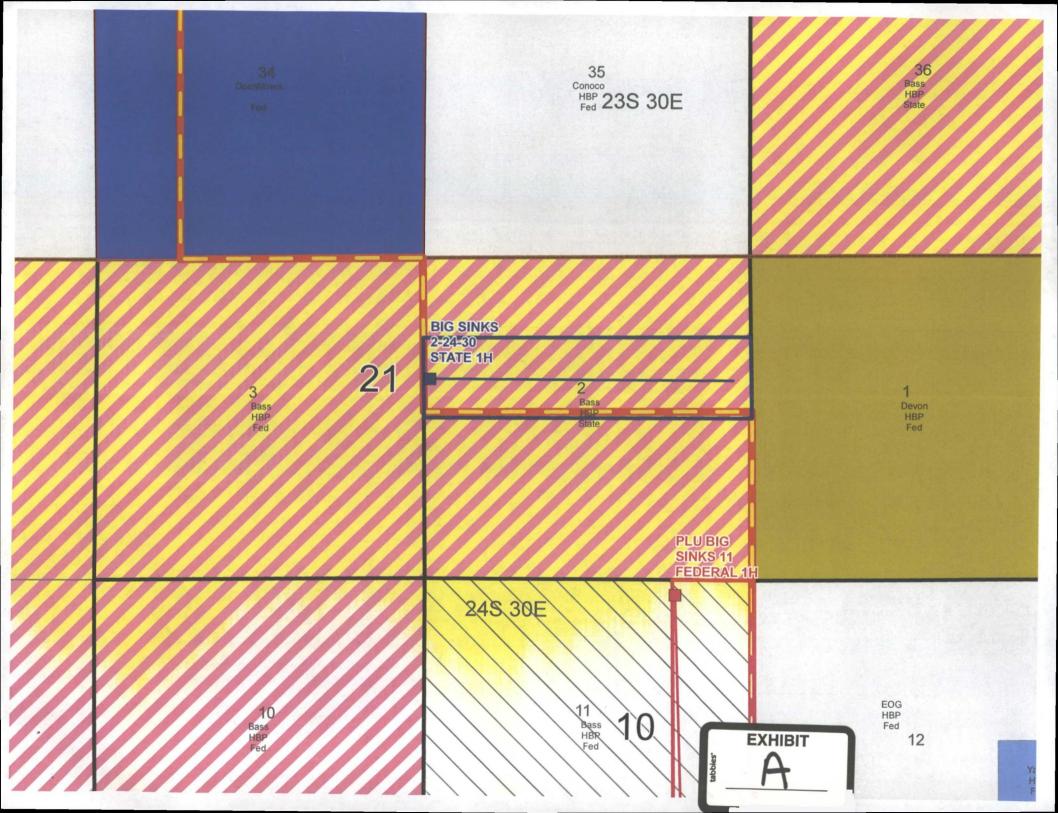
Ocean Munds-Dry

ATTORNEY FOR

CHESAPEAKE OPERATING, INC.

Enclosures

cc: OCD District Office



DÍSTRIC I I 1025 N French Dr. Robba, 274 68240 DISTRICT II 1801 W. Grand Avenue, Artesia, MM 88210

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102 Revised July 16, 2010

Subialt one copy to appropriate District Office

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

DISTRICT IV 1223 S. St. Francis fir, Santa Fe, INL 87503

OIL CONSERVATION DIVISION

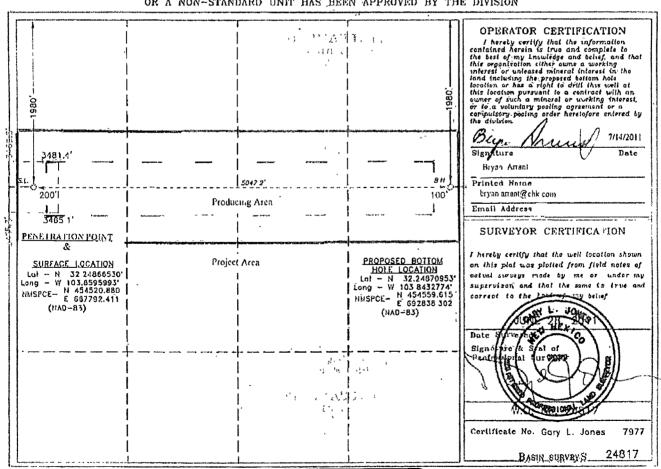
1220 South St. Francis Dr. Santa Fe. New Mexico 07505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API	Number	,	-	2001 Code 26804		Wildcat; Bone Spring							
Property	Code		Elizabeth of American	Well Number									
ocrid no. 147179				Elevation + 3465'									
	Surface Location												
UL or lot No.	Section	Township	Range	lot Idn	Pont from the	North/South line	Feet from the	Last/West line	County				
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	Bottom Hole Location If Different From Surface												
UL or lot No.	Scotion	Township	Hange	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County				
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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



EXHIBIT

Separate Sep

Exhibit C
Chesapeake's NSL Application PLU Big Sinks 2 24,30 USA Well No. 1H

BOPCo., LP 201 W. Main Street Suite 3100 Fort Worth, Texas 76102

Devon Energy Production Co, LP 20 North Broadway Suite 1500 Oklahoma City, OK 73102-8260