

DATE IN 10.25.11 SUSPENSE ENGINEER DK-B LOGGED IN 10.25.11 TYPE NSL APP NO. 1129828864 PTG-W

ABOVE THIS LINE FOR DIVISION USE ONLY

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



chesapeake
14179

Crow Flats 141628 #24

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

6505

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]

[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

2011 OCT 24 P 4: 04
RECEIVED OGD

[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 A Horney 10-24-11
Print or Type Name Signature Title Date
omundsdry@hollandhart.com
e-mail Address



October 24, 2011

VIA HAND DELIVERY

Jami Bailey, Director
Oil Conservation Division
New Mexico Department of Energy
Mineral and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RECEIVED OCO
2011 OCT 24 P 4:05

Re: Application of Chesapeake Operating for administrative approval of an unorthodox well location for its Crow Flats 14 16 28 USA Well No. 2H to be drilled from a surface location and penetration point 1980 feet from the North line and 10 feet from the West line and a bottom-hole location 1980 feet from the North line and 350 feet from the East line of Section 14, Township 16 South, Range 28 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 Crow Flats 14 16 28 USA Well No. 2H. This well is located in Section 14, Township 16 South, Range 28 East, N.M.P.M., Eddy County, New Mexico and is to be drilled in the Wolfcamp formation at a surface location and a penetration point 1980 feet from the North line and 10 feet from the West line and a bottomhole location 1980 feet from the North line and 350 feet from the East line of Section 14, 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 14.

This location is unorthodox because the Wolfcamp (oil) 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 Wolfcamp formation at a point 10 feet from the West line of Section 14 and is therefore closer than allowed by Division rules.

Although the wellbore penetrates the top of the Wolfcamp at an unorthodox location, Chesapeake will case and cement the wellbore and will not perforate the well until it reaches a standard location within the producing area.



Exhibit A is a plat showing the location of the well. This location is encroaching to the west of Section 14. A copy of this application with all attachments was mailed to Chase Oil Corp. and 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.

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
11885 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised July 16, 2010
Submit to Appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 97102/96794	Pool Name CROW FLATS; WOLFCAMP OIL/WILDCAT; WOLFCAMP OIL.
Property Code	Property Name CROW FLATS 14 16 28 USA	Well Number 2H
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 3575'

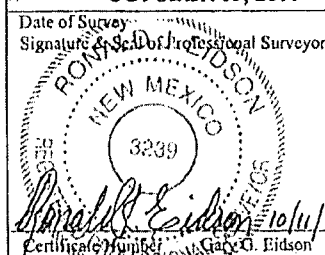
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	14	16-S	28-E		1980	NORTH	10	WEST	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
H	14	16-S	28-E		1980	NORTH	350	EAST	EDDY
Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.	NSL-Pending					

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>1980'</p> <p>Projected Penetration Point: 1980' FNL & 10' EWL</p> <p>Project Area</p> <p>1980'</p>		<p>OPERATOR CERTIFICATION I hereby certify that the information 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Bryan Arrant</i> 10/13/2011 Signature Date</p> <p>Bryan Arrant Printed Name bryan.arrant@chk.com E-mail Address</p>	
<p>10'</p> <p>S.L. SEE DETAIL</p> <p>Producing Area GRID AZ. = 89°58'57" HORIZ. DIST. = 4855.2'</p> <p>B.H. 350'</p>		<p>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.</p> <p>OCTOBER 05, 2011 Date of Survey</p> <p>Signature of Professional Surveyor:  Ronald J. Eidson 10/11/2011 Certificate Number 12641 JWSC W.O.: 11.11.2052</p>	
<p>DETAIL 3569.3' 3577.6' 600' 3573.9' 3579.6'</p> <p>GEODETIC COORDINATES NAD 27 NME SURFACE LOCATION Y=700396.0 N X=554794.7 E LAT.=32.925337° N LONG.=104.154757° W BOTTOM HOLE LOCATION Y=700397.5 N X=559648.7 E</p>		<p>SECTION, QUARTER & SIXTEENTH CORNER COORDINATES (A) - Y=701040.7 N, X=554783.9 E (B) - Y=701040.6 N, X=559995.9 E (C) - Y=699705.9 N, X=554785.5 E (D) - Y=699704.2 N, X=560001.4 E</p>	

EXHIBIT

B

tabbles

Exhibit C
Chesapeake's NSL Application
Crow Flats 14 16 28 USA Well No. 2H

Chase Oil Corp.
P.O. Box 1767
11352 Lovington Hwy
Artesia, NM 88211

HOLLAND & HART LLP



Ocean Munds-Dry
Phone 505-988-4421
Fax 505-983-6043
omundsdry@hollandhart.com

October 24, 2011

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Chase Oil Corporation
Post Office Box 1767
Artesia, New Mexico 88211

Re: Application of Chesapeake Operating for administrative approval of an unorthodox well location for its Crow Flats 14 16 28 USA Well No. 2H to be drilled as a horizontal wellbore in Section 14, Township 16 South, Range 28 East, NMPM, Eddy County, New Mexico.

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date by Chesapeake Operating Co. for administrative approval of an unorthodox well location for its Crow Flats 14 16 28 USA Well No. 2H. This well is located in Section 14, Township 16 South, Range 28 East, N.M.P.M., to be drilled to the Wolfcamp formation from a surface location and penetration point 1980 feet from the North line and 10 feet from the West line to a bottomhole location 1980 feet from the North line and 350 feet from the East line of Section 14, Eddy County, New Mexico.

As an owner of an interest that may be affected by the proposed well, you may object to this application. Objections must be filed in writing within twenty days from this date at the Division's Santa Fe office that is located at 1220 South Saint Francis Drive, Santa Fe, New Mexico. 87505. If no objection is received within this twenty-day period, this application for an unorthodox well location may be approved.

Sincerely,

Ocean Munds-Dry
ATTORNEY FOR
CHESAPEAKE OPERATING, INC.

Enclosures

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Denver Aspen Boulder Colorado Springs Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Salt Lake City Santa Fe Washington, D.C. ♻