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|----------------|----------|-------------|------------------|----------|--------------------|
| DATE IN 6.7.12 | SUSPENSE | ENGINEER DB | LOGGED IN 6.7.12 | TYPE NSL | APP NO. 1216027414 |
|----------------|----------|-------------|------------------|----------|--------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

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



Chesapeake 147179

PLU Big Sink 152530 USA #114

ADMINISTRATIVE APPLICATION CHECKLIST 30-015-39 893

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]

[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.

Adam Rankin

Print or Type Name

[Signature]

Signature

Attorney

Title

6/7/12

Date

agrarkin@hollandhart.com
 e-mail Address

NSL-6495-8

2012 JUN - 7 P 2 48
 RECEIVED OGC



June 7, 2012

VIA HAND DELIVERY

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

RECEIVED OOD
2012 JUN -7 P 2:48

Re: Application of Chesapeake Operating, Inc. for Amendment to Administrative Order NSL-6495-A Approving An Unorthodox Well Location for the PLU Big Sinks 15 25 30 USA Well No. 1H in Section 15, Township 25 South, Range 30 East, NMPM, Eddy County, New Mexico.

Dear Ms. Bailey:

By Administrative Order NSL-6495-A, dated March 7, 2012, the Division approved an unorthodox well location for Chesapeake Operating, Inc.'s ("Chesapeake") PLU Big Sinks 15 25 30 USA Well No. 1H located in Section 15, Township 25 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. NSL-6495-A approved a surface location 10 feet from the North line and 1980 feet from the West line of Section 22, Township 25 South, Range 30 East, with a penetration point into the Bone Spring formation 10 feet from the South line and 1980 feet from the West line and bottom-hole location 100 feet from the North line and 1980 feet from the West line of said Section 15. Notice was provided to the affected parties and no objection was received by the Division prior to issuance of Order NSL-6495-A.

As reflected on the attached amended "as drilled" C-102 report, Chesapeake now seeks to amend NSL-6495-A to approve a surface location 10 feet from the North line and 1980 feet from the West line of Section 22, Township 25 South, Range 30 East, with the first perforations in the completed interval at a location 62 feet from the South line and 1936 feet from the West line of Section 15, and a bottom-hole location 226 feet from the North line and 1947 feet from the West line for engineering reasons.

Exhibit A is a land plat for Section 15 and the surrounding sections that shows the adjoining units and existing wells. The "as drilled" first perforations makes the well unorthodox because the 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. The "as drilled" perforations are closer to the boundary of the spacing unit and section line than allowed by Division rules.

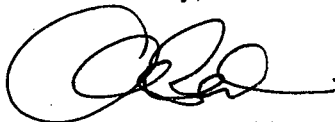
Exhibit B is the Well Location and Acreage Dedication Plat (Form C-102), which shows that the change to the PLU Big Sinks 15 25 30 USA Well No. 1H places its first perforations closer to the section line than approved under NSL-6495-A.

Exhibit C is a list of the affected parties. Pursuant to 19.15.4.12(A)(2)(c) NMAC, affected parties are those toward whom the non-standard location encroaches. Here, the first perforations in the completed interval encroach to the South upon BOPCO. A copy of this application to amend NSL-6495-A with all attachments was mailed to the notice recipient. Included with this application is a letter from BOPCO waiving all objections to the requested amendment to NSL-6495-A.

Accordingly, Chesapeake respectfully requests that Administrative Order NSL-6495-A be amended to reflect approval of a surface location 10 feet from the North line and 1980 feet from the West line of Section 22, Township 25 South, Range 30 East, with the first perforations in the completed interval at a location 62 feet from the South line and 1936 feet from the West line of Section 15, and a bottom-hole location 226 feet from the North line and 1947 feet from the West line.

Your attention to this application is appreciated.

Sincerely,



Adam G. Rankin
ATTORNEY FOR
CHESAPEAKE OPERATING, INC.

Enclosures
AGR

cc: David K. Brooks
Andy Morrison, BOPCO
Teresa Long, Chesapeake Operating, Inc. w/o encls.



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Division Director

Jami Bailey
Oil Conservation Division



March 7, 2012

Chesapeake Operating, Inc.
c/o Adam Rankin, Attorney

Administrative Order NSL-6495-A

Re: Chesapeake Operating, Inc.
PLU Big Sinks 15 25 30 USA Well No. 1H (API No. 30-015-39693)
SHL: 10 FNL 1980 FWL of Section 22, T25S, R30E
PP: 10 FSL 1980 FWL of Section 15, T25S, R30E
BHL: 100 FNL 1980 FWL of Section 15, T25S, R30E
Project Area: E/2 W/2 of Section 15, T25S, R30E
Eddy County, New Mexico

Dear Mr. Rankin:

This Order supersedes Order NSL-6495.

Reference is made to the following:

(a) your application (administrative application reference No. **pTGW12-06664516**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chesapeake Operating, Inc. (Chesapeake) [OGRID 147179], on March 6, 2012, and

(b) the Division's records pertinent to this request, including the file relating to Administrative Order NSL-6495.

Chesapeake has requested to drill the above-referenced well as a horizontal well in the Lower Avalon ("target") member of the Bone Spring formation, at a location that will be unorthodox under Division Rule 16.14.B(2) [19.15.16.14.B(2) NMAC].

The E/2 W/2 of Section 15 will be dedicated to the proposed well to form a project area comprising four standard 40-acre spacing units in the Wildcat; Bone Spring Pool. This pool is governed by statewide Rule 15.9 [19.15.15.9 NMAC], which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is unorthodox because



portions of the completed interval will be less than 330 feet from an outer boundary of the project area.

Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

It is our understanding that you are seeking this location for engineering reasons, in order to penetrate the maximum amount of the target zone within the producing area.

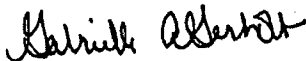
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2) [19.15.4.12.A(2) NMAC], in all adjoining units towards which the proposed location encroaches. We further understand that Bass Operating and Production Company, whose waiver of objection you have submitted, is the only person affected by the amendment to Order NSL-6495.

Pursuant to the authority conferred by Division Rule 15.13.B [19.15.15.13.B NMAC], the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to, Division Rule 5.9 [19.15.5.9 NMAC].

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



for JAMI BAILEY
Director

JB/wvj

cc: Oil Conservation Division – Artesia
Bureau of Land Management

DISTRICT I
1026 N. French Dr., Hobbs, NM 88240
Phone (505) 393-8101 Fax: (505) 393-0720

DISTRICT II
811 S. First St., Arlanza, NM 88210
Phone (505) 748-1283 Fax: (505) 748-9720

DISTRICT III
100 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 334-8178 Fax: (505) 334-8170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised August 1, 2011

Submit one copy to appropriate
District Office

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

| | | |
|----------------------------|---|-----------------------------------|
| API Number 30-015-39693 | Pool Code 96403 | Pool Name WILDCAT; BONE SPRING |
| Property Code 38939 | Property Name PLU BIG SINKS 15 25 30 USA | Well Number 1H |
| GRID No. 147179 | Operator Name CHESAPEAKE OPERATING CO. | Elevation 3339' |

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 | 22 | 25 S | 30 E | | 10 | NORTH | 1980 | 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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| C | 15 | 25 S | 30 E | | 226 | NORTH | 1947 | WEST | EDDY |

| Dedicated Acres | Joint or Infill | Consolidation Code | Order No. |
|-----------------|-----------------|--------------------|-----------|
| 163.02 | | | |

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

PROPOSED BOTTOM HOLE LOCATION
Lat - N 32.13746604°
Long - W 103.87119257°
NMSPC - E 684382.151
(NAD-83)
Lat - N 32.13734203°
Long - W 103.87071040°
NMSPC - E 643994.474
(NAD-27)

FIRST PERFORATIONS
62' FSL & 1936' FWL

SURFACE LOCATION
Lat - N 32.12306940°
Long - W 103.8711942°
NMSPC - E 684404.128
(NAD-83)
Lat - N 32.12294525°
Long - W 103.87071260°
NMSPC - E 643218.961
(NAD-27)

OPERATOR CERTIFICATION
I hereby certify that the information contained 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 a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature: *Bryan Arrant* Date: 5/31/2012
Printed Name: Bryan Arrant
Email Address: bryan.arrant@chk.com

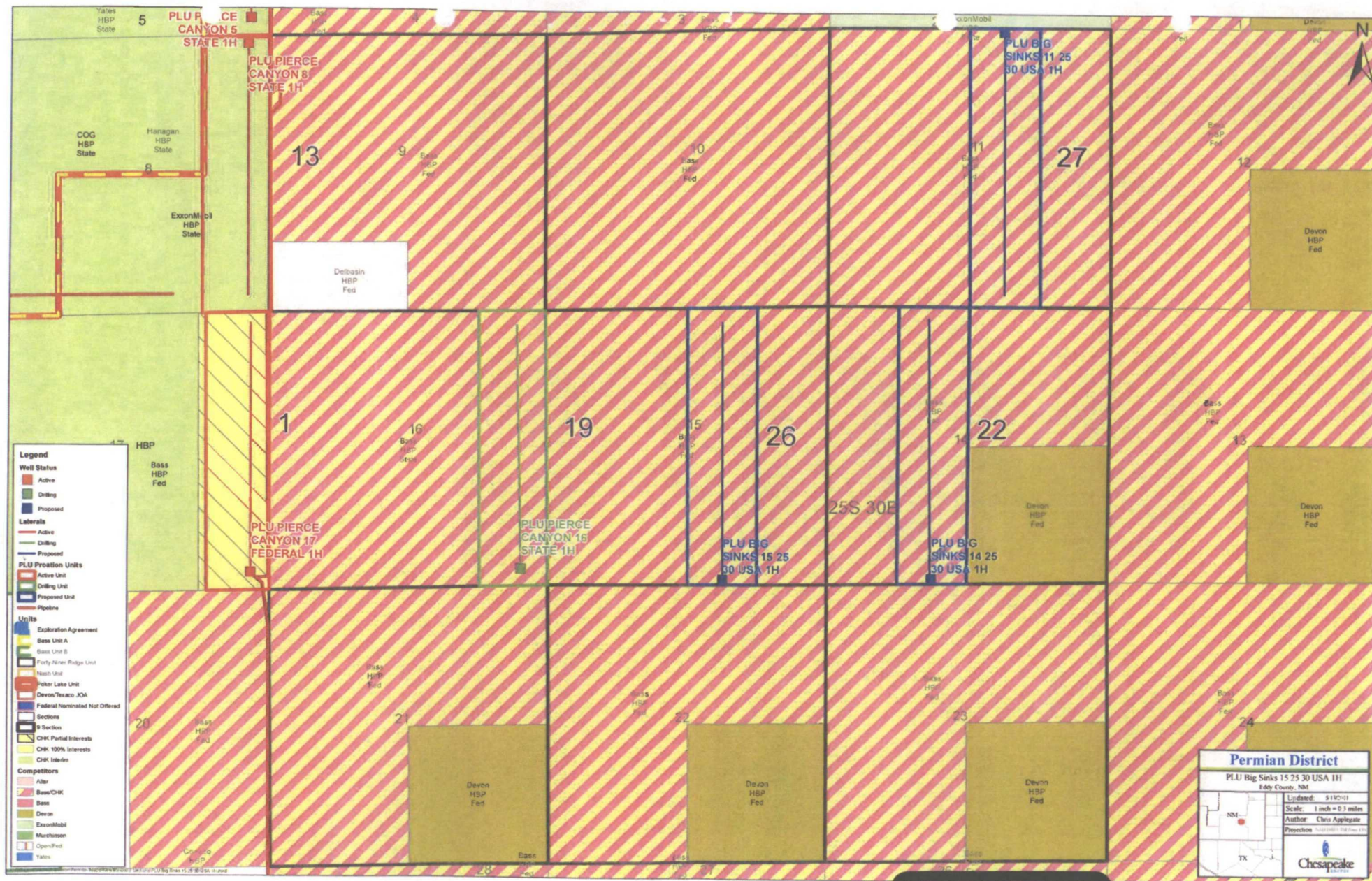
SURVEYOR CERTIFICATION
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.

Date Surveyed: 5/31/2011
Signature & Seal of Professional Surveyor: *Gary L. Jones*
Certificate No. Gary L. Jones 7977
BASIN SURVEYS 24821

AS DRILLED LAND PLAT

EXHIBIT

A



EXHIBIT

B

EXHIBIT C

**Chesapeake's Application to Amend NSL-6579
PLU Big Sinks 14 24 30 USA No. 1H**

BOPCO
201 Main Street, Suite 3100
Ft. Worth, Texas 76102



Regulatory Department

June 4, 2012

BOPCO, L. P.
6 Desta Drive, Ste. 3700
Midland, TX 79702

Attention: Andy Morrison
email: AMorrison@basspet.com

Re: Chesapeake Operating, Inc.'s PLU BIG SINKS 15 25 30 USA 1H.
Surface located is in Section 22, T-25-S, R-30-E, 10' FNL & 1980' FWL, NMPM, Eddy, New Mexico.

Dear Mr. Morrison,

Chesapeake Operating, Inc., ("Chesapeake") will be submitting a request to amend Administrative Order NSL-6495-A with the New Mexico Oil Conservation Division. This is on order to reflect where the Bone Spring was first perforated, which is 62' FSL & 1936' FWL of Section 15, T-25-S R 30-E.

A copy of Chesapeake's "as drilled" C-102 land plat and the NSL order is enclosed for your reference.

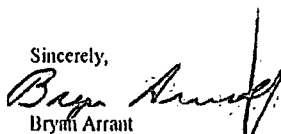
Notice was previously provided regarding the amended administrative application and no objection was received by the Division prior to the issuance.

The above-referenced well has been drilled and completed; therefore, Chesapeake is requesting your waiver of any objection to amend Order NSL-6495-A.

We respectfully request you that you sign this letter and either return by e-mail or overnight delivery as soon as possible.

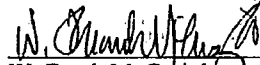
Thank you for your consideration of this matter. Should you wish to discuss please feel free to call me at (405) 935-3782.

Sincerely,


Brynn Arrant
Regulatory Specialist II
Chesapeake Energy Corporation

BOPCO, L. P. agrees to waive objection to Chesapeake Operating, Inc.'s request to amend Order NSL-6495-A for a non-standard location for the PLU Big Sinks 15 25 30 USA Well 1-H. The surface located in Section 22, T-25-S, R-30-E, 10' FNL & 1980' FWL, NMPM, Eddy, New Mexico.

By:


W. Frank McCreight
Sr. Vice President

Date:

6.6.12