

DATE IN <b>6.6.12</b>	SUSPENSE	ENGINEER <b>DB</b>	LOGGED IN <b>6.6.12</b>	TYPE <b>NSL</b>	APP NO. <b>1215840696</b>
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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



*Chesapeake 147179*

*PLA BIG SINKS 35 2430 USA #1H*  
*30-015-40155*

## 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-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

*6570A*

### [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 \_\_\_\_\_

*C - 35-245-30E*  
*2012 JUN - 5 10 40 AM*  
*RECEIVED 000*  
*fed / E/H*

### [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

*6/5/12*  
Date

*agrankin@hollandhart.com*  
e-mail Address



June 5, 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-ODD  
2012 JUN -5 P. 4:06

**Re: Application of Chesapeake Operating, Inc. for Amendment to Administrative Order NSL-6576 Approving An Unorthodox Well Location for the PLU Big Sinks 35 24 30 USA Well No. 1H in Section 35, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico.**

Dear Ms. Bailey:

By Administrative Order NSL-6576, dated March 30, 2012, the Division approved an unorthodox well location for Chesapeake Operating, Inc.'s ("Chesapeake") PLU Big Sinks 35 24 30 USA Well No. 1H located in Section 35, Township 24 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. Under the attached NSL Order, the well is to be drilled in the Wildcat Bone Spring formation at a surface location 150 feet from the North line and 1980 feet from the West line with a penetration point 330 feet from the North line and 1980 feet from the West line with a terminus location 100 feet from the South line and 1980 feet from the West line of Section 35. Notice was provided to the affected parties and no objection was received by the Division prior to issuance of Order NSL-6576.

As reflected on the attached amended C-102 report, Chesapeake now seeks to amend NSL-6576 to approve a standard surface location and a first perforation in the completed interval 360 feet from the North line and 1980 feet from the West line of Section 14.

**Exhibit A** is a land plat for Section 35 and the surrounding sections that shows the adjoining units and existing wells. The proposed amendment to NSL-6576 does not further encroach on any proration or spacing units.

HOLLAND & HART<sup>LLP</sup>



**Exhibit B** is the Well Location and Acreage Dedication Plat (Form C-102), which shows that the proposed change to the PLU Big Sinks 35 24 30 USA Well No. 1H well will place its first perforation within the 330-foot setback requirements of the Division's statewide rules.

Accordingly, Chesapeake respectfully requests that Administrative Order NSL-6576 be amended to reflect approval of a surface location and first perforations in the completed interval 360 feet from the North line and 1980 feet from the East line of Section 35.

Your attention to this application is appreciated.

Sincerely,

Adam G. Rankin  
ATTORNEY FOR  
CHESAPEAKE OPERATING, INC.

Enclosures  
AGR

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

State of New Mexico  
Energy, Minerals and Natural Resources Department

Susana Martínez  
Governor

John H. Bomig  
Cabinet Secretary

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

JamI Bailey  
Division Director  
Oil Conservation Division



March 30, 2012

Chesapeake Operating, Inc.  
c/o Holland & Hart LLP  
Attn: Mr. Adam G. Rankin

ADMINISTRATIVE NON-STANDARD LOCATION ORDER

Administrative Order NSL-6576  
Administrative Application Reference No. pTWG12-06031971

Chesapeake Operating, Inc.  
OGRID 147179  
PLU Big Sinks 35 24 30 USA Well No. 1H  
API No. 30-015

**Proposed Location:**

	Footages	Unit	Sec.	Township	Range	County
Surface	150 FNL & 1980 FWL	C	35	24S	30E	Eddy
Penetration Point	330 FNL & 1980 FWL	C	35	24S	30E	Eddy
Terminus	100 FSL & 1980 FWL	N	35	24S	30E	Eddy

**Proposed Project Area:**

Description	Acres	Pool	Pool Code
E/2 W/2 of Section 35	161.45	Wildcat Bone Spring	

Reference is made to your application received on February 28, 2012.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by statewide Rule 15.9.A [19.15.15.9.A NMAC], which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary, and Rule 15.16.14.B(2) [19.15.16.14.B(2) NMAC] concerning directional wells in designated project areas. This location is unorthodox because portions of the proposed completed interval are 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].

March 30, 2012  
Page 2

It is our understanding that you are seeking this location for engineering reasons, in order to maximize the productive length of the wellbore lateral 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), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, 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 [19.15.15.9 NMAC].

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey". The signature is stylized with a large, looped initial "J" and a cursive "Bailey".

Jami Bailey  
Director

JB/db

cc: New Mexico Oil Conservation Division – Artesia  
United States Bureau of Land Management

DATE <u>2/29/12</u>	SUSPENSE	ENGINEER <u>DB</u>	LOGGED IN	TYPE <u>NSL</u>	APP NO <u>1206031971</u>
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ABOVE THE 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 35-2438 USA #14*

## ADMINISTRATIVE APPLICATION CHECKLIST

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[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]  
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[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 G. Rankin  
Print or Type Name

[Signature]  
Signature

Attorney  
Title

2/28/12  
Date

agrarkin@hollandhart.com  
e-mail Address

2012 FEB 28 P 3:41  
RECEIVED OOD  
C-35-245-30E  
Edly

**HOLLAND & HART**



**Adam G. Rankin**  
**Associate**  
Phone 505-954-7294  
Fax 505-983-6043  
agrarkin@hollandhart.com

February 28, 2012

**VIA HAND DELIVERY**

Jami Bailey  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

RECEIVED OGD  
2012 FEB 28 P 3:41

**Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Big Sinks 35 24 30 USA 1H well in the Bone Spring Pool Section 35, Township 24 South, Range 30 East, N.M.P.M., Eddy County, New Mexico.**

Dear Ms. Bailey:

Chesapeake Operating, Inc. (OGRID No. 147179) hereby seeks administrative approval pursuant to the provisions of Division Rule 19:15.15.13 NMAC for an unorthodox well location for its PLU Big Sinks 35 24 30 USA No. 1H to be located in Section 35, Township 24 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. The proposed wildcat well is to be drilled at a surface location 150 feet from the North line with a penetration point 330 feet from the North line approximately 1980 feet from the West line of Section 35. The bottom-hole location will be 100 feet from the South line and 1980 feet from the West line of Section 35. A 161.45-acre project area has been dedicated to this horizontal well comprised of the E/2 W/2 of Section 35.

Exhibit A is a land plat for Section 35 and surrounding sections that shows the proposed non-standard location of the PLU Big Sinks 35 24 30 USA No. 1H in relation to adjoining units and existing wells. 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. The bottom-hole location of this well will be located 100 feet from the South line of Section 35 for engineering reasons, and is, therefore, closer to the section line than allowed by Division rules.

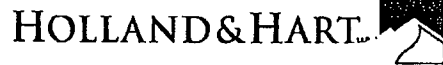
Exhibit B is the Well Location and Acreage Dedication Plat (Form C-102), which shows that the proposed PLU Big Sinks 35 24 30 USA No. 1H well encroaches on the spacing and proration unit to the South.

**Holland & Hart**

Phone (505) 988-4421 Fax (505) 983-6043 [www.hollandhart.com](http://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. O



PLU Big Sinks 35 24 30 USA 1H  
February 28, 2012  
Page 2

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 proposed bottom-hole location encroaches on the spacing and proration unit to the South. The affected lessee is XTO Energy Inc. A copy of this application with all attachments was mailed to the notice recipient.

Your attention to this application is appreciated.

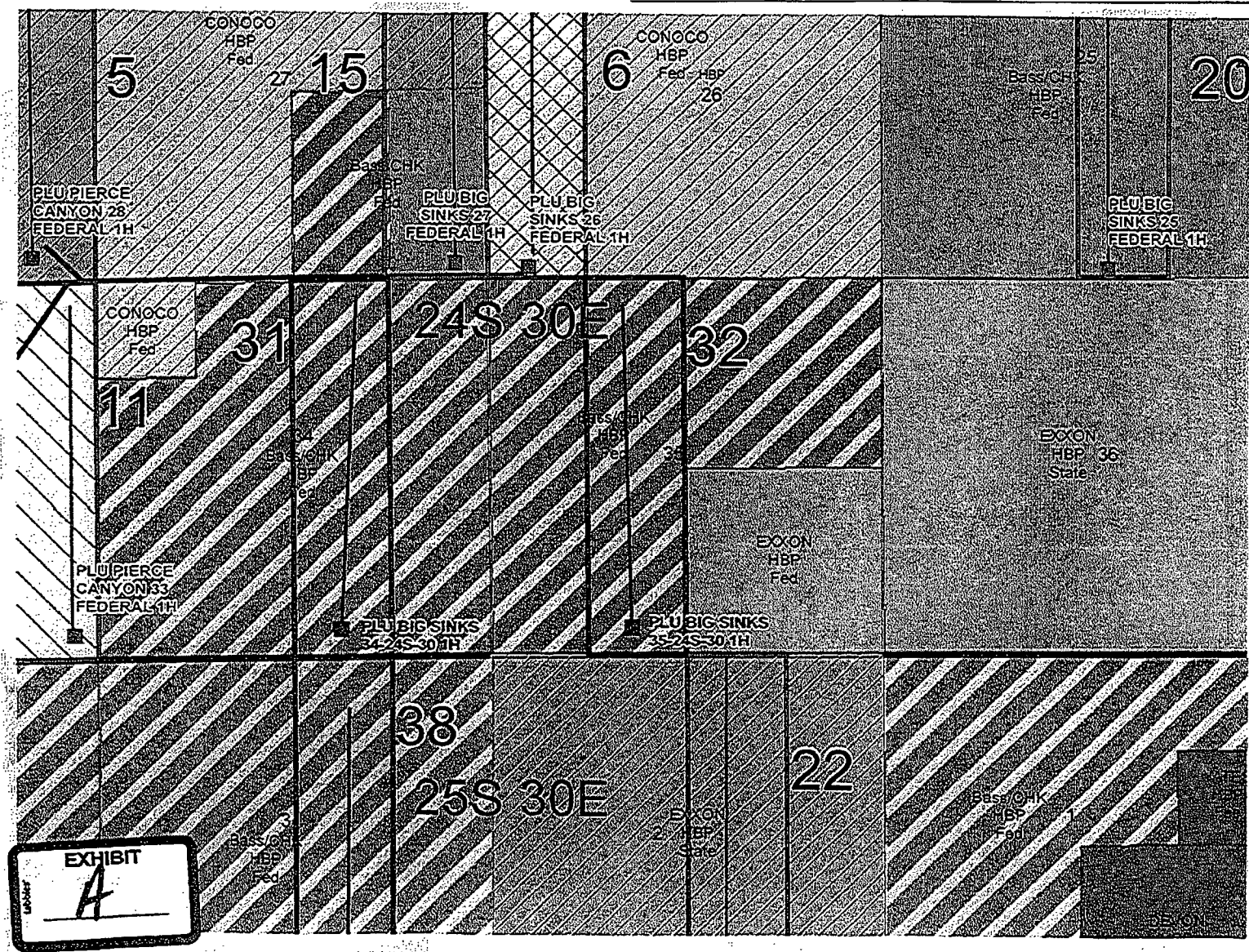
Sincerely,

A handwritten signature in black ink, appearing to read "Adam G. Rankin".

Adam G. Rankin  
ATTORNEY FOR CHESAPEAKE OPERATING, INC.

cc: Jerris Johnson





DISTRICT I  
1410 S. Fourth St., Santa Fe, NM 87501  
Phone (505) 426-1000 Fax (505) 426-1000

DISTRICT II  
611 S. Fourth St., Santa Fe, NM 87501  
Phone (505) 426-1000 Fax (505) 426-1000

DISTRICT III  
1000 Elm Street Rd., Alamosa, NM 87510  
Phone (505) 426-1000 Fax (505) 426-1000

DISTRICT IV  
1410 S. Fourth St., Santa Fe, NM 87501  
Phone (505) 426-1000 Fax (505) 426-1000

State of New Mexico  
Energy, Minerals and Natural Resources Department

**OIL CONSERVATION DIVISION**  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87508

Form C-108  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

☐ AMENDED REPORT

API Number <b>30-065-40155</b>	Pool Code <b>08403</b>	Pool Name <b>WILDCAT; BONE SPRING</b>
Property Code	Property Name <b>PLU BIG SINKS 35 24 30 USA</b>	Well Number <b>1H</b>
OGRD No. <b>147178</b>	Operator Name <b>CHESAPEAKE OPERATING CO.</b>	Elevation <b>3343'</b>

**Surface Location**

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>C</b>	<b>35</b>	<b>24 S</b>	<b>30 E</b>		<b>150</b>	<b>NORTH</b>	<b>1980</b>	<b>WEST</b>	<b>EDDY</b>

**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
<b>N</b>	<b>35</b>	<b>24 S</b>	<b>30 E</b>		<b>100</b>	<b>SOUTH</b>	<b>1980</b>	<b>WEST</b>	<b>EDDY</b>

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
<b>181.45</b>			

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

	<b>SURFACE LOCATION</b> Lot - N 32.161218745 Long - W 103.831872327 NUSPCE - E 889970.203 (HAG-85) Lot - N 32.161218745 Long - W 103.831872327 NUSPCE - E 889970.203 (HAG-27)	<b>OPERATOR CERTIFICATION</b> I hereby certify that the information explained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or otherwise has a right to drill the 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: <i>Bryan Arant</i> Date: <b>02/03/2012</b> Printed Name: <b>Bryan Arant</b> Email Address: <b>bryan.arant@ohk.com</b>
	<b>PROPOSED BOTTOM HOLE LOCATION</b> Lot - N 32.167408165 Long - W 103.83191975 NUSPCE - E 889743.485 (HAG-85) Lot - N 32.167284832 Long - W 103.83191975 NUSPCE - E 889550.787 (HAG-27)	<b>SURVEYOR CERTIFICATION</b> 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: <b>02/03/2012</b> Signature: <i>Gary L. Jones</i> Printed Name: <b>Gary L. Jones</b> Certificate No. <b>Gary L. Jones 7977</b> <b>BARIN SURVYR 28833</b>

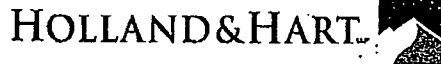
Terminus



**EXHIBIT C**

**Chesapeake's NSL Application  
PLU Big Sinks 35 24 30 USA No. 1H**

XTO Energy Inc.  
Attn: Dylan Boyer  
810 Houston Street  
Fort Worth, Texas 76102



Adam G. Rankin  
Phone 505-988-4421  
Fax 505-983-6043  
agrankin@hollandhart.com

February 28, 2012

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

**TO AFFECTED PARTIES**

**Re:** Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Big Sinks 35 24 30 USA 1H well in the Bone Spring Pool Section 35, Township 24 South, Range 30 East, N.M.P.M., 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 PLU Big Sinks 35 24 30 USA Well No. 1H. The proposed wildcat well is to be drilled at a surface location 150 feet from the North line and a penetration point 330 feet from the North line; both of which will be 1980 feet from the West line of Section 35. The bottom-hole location will be 100 feet from the South line and 1980 feet from the West line of Section 35.

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,

Adam G. Rankin  
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. ☐





**DISTRICT I**  
1626 N. French Dr., Hobbs, NM 88240  
Phone (505) 393-8161 Fax: (505) 293-0720

**DISTRICT II**  
111 S. First St., Artesia, NM 88210  
Phone (505) 748-1288 Fax: (505) 748-9728

**DISTRICT III**  
1000 Rio Brazos Rd., Aztec, NM 87410  
Phone (505) 334-6178 Fax: (505) 634-6170

**DISTRICT IV**  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone (505) 478-3420 Fax: (505) 478-3462

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 30-015-40155	Pool Code 97798	Pool Name WILDCAT; G-06 S243026M; BONE SPIRNG
Property Code 39512	Property Name PLU BIG SINKS 35 24 30 USA	Well Number 1H
GRID No. 147179	Operator Name CHESAPEAKE OPERATING CO.	Elevation 3346'

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	35	24 S	30 E		360	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
N	35	24 S	30 E		100	SOUTH	1980	WEST	EDDY

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><b>SURFACE LOCATION AND PROJECTED PERFORATION POINTS</b></p> <p>Lat - N 32.180642570' Long - W 103.853872648' NMSPC - E 689673.210 (NAD-83)</p> <p>Lat - N 32.180518966' Long - W 103.853389175' NMSPC - N 429724.450 E 648488.670 (NAD-27)</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p>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.</p> <p><i>Bryan Arrant</i> 5/22/2012 Signature Date</p> <p>Bryan Arrant Printed Name</p> <p>bryan.arrant@chk.com Email Address</p>
	<p><b>PROPOSED BOTTOM HOLE LOCATION</b></p> <p>Lat - N 32.167408483' Long - W 103.853716994' NMSPC - N 424968.822 E 689742.894 (NAD-83)</p> <p>Lat - N 32.167284632' Long - W 103.853231975' NMSPC - N 424910.388 E 648558.787 (NAD-27)</p>	<p><b>SURVEYOR CERTIFICATION</b></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>JAN 2012 Date Surveyed</p> <p><i>Gary L. Jones</i> Signature of Professional Surveyor</p> <p>26749 Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS 26749</p>

EXHIBIT

B