

9-11-12 DATE IN	NA SUSPENSE	DB ENGINEER	9-11-12 LOGGED IN	NSL TYPE	DDK01225557639 APP NO.
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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 - PLU  
Pierce Canyon 4 2530  
USA #1H

## 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]

Amend  
NSL-6652

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

2012 SEP 11 P 3:33  
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### [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

Attorney  
Title Date 09/11/12

agranger@hollandhart.com  
e-mail Address



September 11, 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

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2012 SEP 11 P 3:38

**Re: Application of Chesapeake Operating, Inc. for Amendment to Administrative Order NSL-6652 to Reverse the Approved Surface and Bottom Hole Location for the PLU Pierce Canyon 4 25 30 USA Well No. 1H in Section 4, Township 25 South, Range 30 East, NMPM, Eddy County, New Mexico.**

Dear Ms. Bailey:

By Administrative Order NSL-6652, dated July 6, 2012, the Division approved an unorthodox well location for Chesapeake Operating, Inc.'s ("Chesapeake") PLU Pierce Canyon 4 25 30 USA Well No. 1H in Section 4, Township 25 South, Range 30 East, NMPM, Eddy County, New Mexico. NSL-6652, attached hereto, approved a surface location 300 feet from the South line and 400 feet from the East line of Section 4 and a penetration point 330 feet from the South line and 400 feet from the East line of Section 4, and a bottom-hole location 100 feet from the North line and 660 feet from the East line of Section 4. Notice was provided to the affected parties and no objection was received by the Division prior to issuance of Order NSL-6652.

Chesapeake now seeks an amendment to NSL-6652 to reverse the bottom-hole and surface-hole locations for engineering reasons. Chesapeake requests an amendment to NSL-6652 to approve a surface location 150 feet from the North line and 660 feet from the East line of Section 4 with the first perforations at a location 330 feet from the North line and 660 feet from the East line of Section 4, and a bottom hole location 100 feet from the South line and 660 feet from the East line of Section 4. The proposed amendment will result in an encroachment upon BOPCO, LP ("BOPCO") to the South in Section 9. BOPCO provided Chesapeake with a waiver for its original application and has provided Chesapeake with another waiver of objection to amend NSL-6652, attached hereto.

**Exhibit A** is land plat for Section 4 and the surrounding sections that shows the proposed amended non-standard location of the PLU Pierce Canyon 4 25 30 USA Well No. 1H in relation to adjoining units and existing wells. This location is unorthodox because the Bone Spring Pool 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 surface location of this well will be located 150 feet from the North line and the bottom-hole location will be 100 feet from the South line of Section 4 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 the reversal of the surface and bottom hole locations of the PLU Pierce Canyon 4 25 30 USA Well No. 1H and the encroachment on the spacing and proration unit to the South.

**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 encroaches to the South. The affected party, BOPCO, agrees to waive objections to this application. A copy of their updated waiver is attached to this application as **Exhibit D**.

Your attention to this application is appreciated.

Sincerely,

Adam G. Rankin

ATTORNEY FOR CHESAPEAKE OPERATING, INC.

AGR

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



EXHIBIT

A



**District I**  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (505) 393-6161 Fax: (505) 393-0720  
**District II**  
811 S. First St., Artesia, NM 88210  
Phone: (505) 716-1263 Fax: (505) 744-9720  
**District III**  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6174 Fax: (505) 334-6170  
**District IV**  
1270 S. 51. Frazee Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

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

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

☐ AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number		Pool Code 476451	Pool Name NASH DRAW; DELAWARE/BONE SPRING (AVALON SAND)	
Property Code		Property Name PLU PIERCE CANYON 4 25 30 USA		Well Number IH
OGRID No. 147179		Operator Name CHESAPEAKE OPERATING, INC.		Elevation +3300'

**" Surface Location**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	4	25S	30E		150'	NORTH	660'	EAST	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
P	4	25S	30E		100'	SOUTH	660'	EAST	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.

	<b>PLU PIERCE CANYON 4 25 30 USA</b> <b>HQ. II WELL</b> X= 640,658 NAD 27 Y= 424,573 LAT. 32.168451 LONG. 103.879059 X= 681,741 NAD83 Y= 424,631 LAT. 32.166575 LONG. 103.879582 ELEVATION 4300' (NAD 83)	<b>" OPERATOR CERTIFICATION</b> 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 has a right to drill this well at this location pursuant to a contract with an owner of such an interest or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the state. Signature: <i>Bryan Arrant</i> Printed Name: Bryan Arrant E-mail Address: bryan.arrant@chh.com Date: 08/27/2012
	<b>PROPOSED BOTTOM HOLE LOCATION</b> X= 640,672 NAD 27 Y= 419,481 LAT. 32.152454 LONG. 103.879117 X= 681,756 NAD83 Y= 419,539 LAT. 32.152570 LONG. 103.879601	<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 knowledge and belief. Date of Survey: Aug 27, 2012 Signature and Seal of Surveyor: <i>[Signature]</i> Certificate Number: 16078 Surveyor: J. S. WILSON State of New Mexico Professional Surveyor #15078



**EXHIBIT C**

**Chesapeake's Application to Amend NSL-6652  
PLU Pierce Canyon 4 25 30 USA Well No. 1H**

BOPCO

Attn: Andy Morrison

201 Main Street, Suite 3100

Ft. Worth, Texas 76102



Teresa Long  
Assistant Landman - Permian District

August 30, 2012

Mr. Monty Montgomery  
BOPCO, L.P.  
201 Main Street, Suite 3100  
Ft. Worth, TX 76102

Re: Application of Chesapeake Operating, Inc. to Amend NSL-6652

Dear Mr. Montgomery:

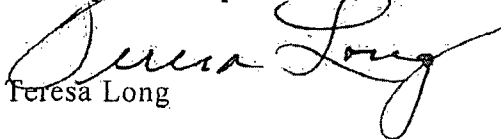
Chesapeake Operating, Inc. ("Chesapeake") intends to request the New Mexico Oil Conservation Division to enter an administrative order amending NSL-6652 to reverse the approved surface and bottom hole location for its PLU Pierce Canyon 4 25 30 USA 1H well in the Pierce Crossing, Bone Spring, East Pool of Section 4, Township 25 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. NSL-6652 attached hereto, approved a surface location 300 feet from the South line and 400 feet from the East line of Section 4 and a penetration point 330 feet from the South line and 400 feet from the East line of Section 4, and a bottom hole location 100 feet from the North line and 660 feet from the East line of Section 4. Chesapeake seeks an amendment to NSL-6652 approving a surface location 150 feet from the North line and 660 feet from the East line of Section 4 with the first perforations at a location 330 feet from the North line and 660 feet from the East line of Section 4. The bottom hole location will be 100 feet from the South line of Section 4. The proposed amendment will result in an encroachment upon BOPCO to the South in Section 9.

Division Rules provide that an application may be approved sooner if the applicant obtains waivers from affected parties. BOPCO provided Chesapeake with a waiver for its original application and now Chesapeake respectfully requests a waiver of objection to amend NSL-6652, as provided above. We respectfully request that you sign this letter and return it by e-mail delivery to me ([teresa.long@chk.com](mailto:teresa.long@chk.com)) as soon as possible.

Thank you for your consideration of this matter. Should you wish to discuss, please feel free to call me at 405-935-9175.

Sincerely,

Chesapeake Exploration, L.L.C.

  
Teresa Long



Chesapeake Energy Corporation

P.O. Box 18496 • Oklahoma City, OK 73154-0496 • 6100 N. Western Avenue • Oklahoma City, OK 73118  
405-935-9175 • fax 405-935-4251 • [teresa.long@chk.com](mailto:teresa.long@chk.com)

Amendment of NSL-6652 Waiver Letter  
PLU Pierce Canyon 4 25 30 USA 1H  
Page Two.

BOPCO, L.P. agrees to waive objection to Chesapeake Operating, Inc.'s proposed amendment to NSL-6652 for its PLU Pierce Canyon 4 25 30 USA 1H well.

**BOPCO, L.P., a Delaware limited partnership**

By: BOPCO GP, L.L.C., a Delaware limited  
liability company, general partner

By: W. Frank McCreight  
W. Frank McCreight, Sr. Vice President *WFM*

Date: 9.6.12