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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



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] [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A] Location - Spacing Unit - Simultaneous Dedication [A] 🕅 NSL 🗌 NSP 🔲 SD Check One Only for [B] or [C] Commingling - Storage - Measurement ☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS OLM [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery Ŭ WFX Û PMX Û SWD Û IPI Û EOR Û PPR [D] Other: Specify [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply Working, Royalty or Overriding Royalty Interest Owners [A] [B] M 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. **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 **Associate** Phone 505-954-7294 Fax 505-983-6043 AGRankin@hollandhart.com

December 21, 2012

VIA HAND DELIVERY

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

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its McCloy Ranch 2 24 32 Sate Com 4H well in Section 2, Township 24 South, Range 32 East, N.M.P.M., Lea County, New Mexico.

Dear Ms. Bailey:

Enclosed please find the original application packet filed by Chesapeake Operating, Inc. on November 16, 2012 for the above-referenced non-standard location application. This application was inadvertently withdrawn while negotiations were underway with Energen Resources. Those negotiations have been successful and Energen has agreed to waive objections to the proposed non-standard location. Please find a copy of Energen's waiver enclosed with this letter. Because the only affected party has agreed to waive any objections to the non-standard location, Chesapeake would appreciate if this application could be reviewed and processed promptly. Please contact me should you have any questions or concerns.

Sincere

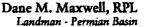
dam G. Rankin

ATTORNEY FOR CHESAPEAKE OPERATING, INC.

AGR

cc:

David Brooks via E-mail





December 10, 2012

Mr. John Cox Energen Resources Corporation 3300 North A Street Bldg. 4 suite 100 Midland, TX 79705

Re:

Application of Chesapeake Operating, Inc., agent for Chevron U.S.A. Inc., for administrative approval of an unorthodox well location for its McCloy Ranch 2-24-32 St Com 4H well in Section 2, Township 24 South, Range 32 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Cox:

Chesapeake Operating, Inc., agent for Chevron U.S.A. Inc., has submitted the above-referenced application to the New Mexico Oil Conservation Division for an unorthodox well location for its McCloy Ranch 2-24-32 St Com 4H well. This well is located in Section 2, Township 24 South, Range 32 East, N.M.P.M., Lea County, New Mexico, and is to be drilled horizontally at a surface location 100 feet from the South line with a penetration point 330 feet from the South line and approximately 660' feet from the East line of Section 2. The bottom-hole location will be 150 feet from the North line with a penetration point approximately 180 from the North line and 660' feet from the East line of Section 28.

Division Rules provide that an application may be approved sooner if the applicant obtains waivers from affected parties. We therefore request your waiver of objection to this administrative application. We respectfully request that you sign this letter and return it 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.

Sincerely,

Chesapeake Exploration, L.L.C.

agent for Chevron USA. Inc.

Dane M. Maxwell

Mr. John Cox December 10, 2012 Page 2

Energen Resources Corporation agrees to waive objection to Chesapeake Operating, Inc.'s, agent for Chevron U.S.A. Inc., application for an unorthodox well location for its McCloy Ranch 2-24-32 St Com 4H well.

Agreed to and accepted this 10 Day of December, 2012

Name/

Title:

Date:

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.

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

November 16, 2012

VIA HAND DELIVERY

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

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its McCloy Ranch 2 24 32 State Com 4H well in Section 2, Township 24 South, Range 32 East, N.M.P.M., Lea 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 Chevron USA, Inc.'s McCloy Ranch 2 24 32 State Com 4H well to be located in Section 2, Township 24 South, Range 32 East, N.M.P.M., Lea County, New Mexico. The proposed well is to be drilled horizontally at a surface location 100 feet from the South line and 660 feet from the East line of Section 2. The first perforations in the well will be at a point 330 feet from the South line and approximately 660 feet from the East line of the project area. The bottom-hole location will be 150 feet from the North line and 660 feet from the East line of Section 2. A 160-acre project area has been dedicated to this horizontal well comprised of the E/2 E/2 of Section 2.

Exhibit A is a land plat for Section 2 and surrounding sections that shows the proposed non-standard location of the McCloy Ranch 2 24 32 State Com 4H well in relation to adjoining units and existing wells. This location is unorthodox because 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 150 feet from the North line of Section 2 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 McCloy Ranch 2 24 32 State Com 4H well encroaches on the spacing and proration unit to the North.



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 bottomhole location encroaches to the North. The affected party is Energen Resources. A copy of this application with all attachments has been sent to Energen Resources at the address indicated in Exhibit C.

Your attention to this application is appreciated.

Sincerely,

Adam G. Rankin

ATTORNEY FOR CHESAPEAKE OPERATING INC.



District 1
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fex: (575) 393-6720
District II.
811 S. First S., Artesia, NM 88210
Phone: (575) 748-1283 Fex: (575) 748-920
District III.
1000 Rio Brazos Rozd, Azreo, NM 87410
Phone: (505) 334-6178 Fex: (505) 334-6170
District IV.
1220 S. S. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fex: (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

MENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

30-025-40861		² Pool C (9660	² Pool Code (96603)		7 POOL Name TRISTE DRAW, BONE SPRING					
⁴ Property Code			³ Property Name				⁶ Well Number			
			MC	MCCLOY RANCH 2 24 32 STATE COM				4H		
⁷ OGR	OGRID No.				* Operator Name				y Blevation	
4323			CHEVRON USA, INC.					3606'		
				∘ Sur	face Locat	ion	•			
UL or lot no.	Section	n Township	Range	Lot Idn	Peet from the	North/South line	Feet from the	East/West line	County	
P	2	24 SOUTH	32 EAST, N.M.P.M.		100	SOUTH	660	EAST	LEA	
		•	" Bottom H	ole Locat	ion If Diffe	rent From S	urface		,	
UL or lot no.	Section	n Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	Bast/West line	County	
Α	2	24 SOUTH	32 EAST, N.M.P.M.	ļ	150	NORTH	660	EAST	LEA	
¹² Dedicated A 160	scres 13 J.	oint or Infill	14 Consolidation Code 15	Order No.						

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.

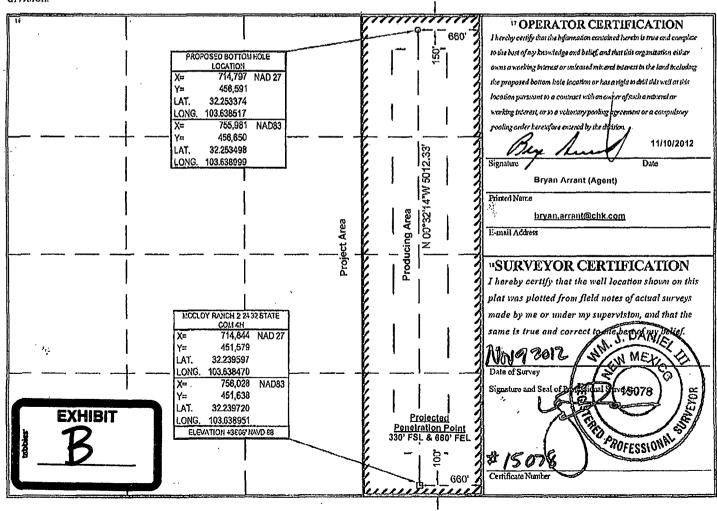


EXHIBIT C

Chesapeake's NSL Application McCloy Ranch 2 24 32 State Com 4H well

Energen Resources 3300 North A Street Building 4, Suite 100 Midland, Texas 79705



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

November 16, 2012

VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED

Energen Resources 3300 North A Street Building 4, Suite 100 Midland, Texas 79705

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its McCloy Ranch 2 24 32 State Com 4H well in Section 2, Township 24 South, Range 32 East, N.M.P.M., Lea 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 November 16, 2012 by Chesapeake Operating Co. for an unorthodox well location for Chevron USA, Inc.'s McCloy Ranch 2 24 32 State Com 4H well to be located in Section 2, Township 24 South, Range 32 East, N.M.P.M., Lea County, New Mexico. The proposed well is to be drilled horizontally at a surface location 100 feet from the South line and 660 feet from the East line of Section 2. The first perforations in the well will be at a point 330 feet from the South line and approximately 660 feet from the East line of the project area. The bottom-hole location will be 150 feet from the North line and 660 feet from the East line of Section 2. A 160-acre project area has been dedicated to this horizontal well comprised of the E/2 E/2 of Section 2.

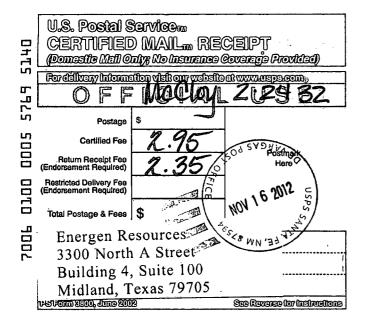
As an owner of an interest that may affected by the well, you may object to this application. Objections must be filed in writing within twenty day from this date at the Divisions Santa Fe office that is located at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. If no objection is received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

Sincerely,

Sea

Adam G. Rankin

ATTORNEY FOR CHESAPEAKE OPERATING, INC.



Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. Article Addressed to: Energen Resources 3300 North A Street	A. Signature X. D. C. January B. Received by (Printed Name) C. Date of Delivery D. C. On ZALLS If YES, enter delivery address below:			
Building 4, Suite 100 Midland, Texas 79705	3. Service Type Certified Mail Registered Insured Mail C.O.D.			
	4. Restricted Delivery? (Extra Fee)			
2. Article Number (Transfer from service label) 7006	0100 0005 5769.5140			
PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540				

Brooks, David K., EMNRD

From:

Brooks, David K., EMNRD

Sent:

Monday, December 31, 2012 10:24 AM

To:

'Adam Rankin'

Subject:

RE: McCloy 4H NSL application

Dear Adam

Our system shows the surface location for the MCloy Ranch 2 24 32 State Com #4H as 100 FSL & 600_ FEL, not 660.

Which is correct?

David¹

From: Adam Rankin [mailto:AGRankin@hollandhart.com]

Sent: Monday, December 31, 2012 9:56 AM

To: Brooks, David K., EMNRD

Subject: RE: McCloy 4H NSL application

Apologies for that oversight! Attached is the application we re-filed.

Happy New Year, David.

All best, Adam

From: Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]

Sent: Monday, December 31, 2012 8:58 AM

To: Adam Rankin

Subject: RE: McCloy 4H NSL application

Dear Adam

There was no attachment to this email.

David

From: Adam Rankin [mailto:AGRankin@hollandhart.com]

Sent: Friday, December 21, 2012 6:37 PM

To: Brooks, David K., EMNRD **Subject:** McCloy 4H NSL application

David,

Attached is the McCloy 4H NSL resubmitted to the Division today with the Energen waiver. I would appreciate your attention to this application at your convenience when you return from the holidays.

Merry Christmas and Happy New Year.

Very best,

Adam

Adam G. Rankin

Holland & Hart LLP 110 North Guadalupe Suite 1

P.O. Box 2208 Santa Fe, NM 87504

Office: (505) 988-4421 Direct: (505) 954-7294 Cell: (505) 570-0377

Fax (505) 983-6043

E-mail: agrankin@hollandhart.com

Download vCard

Web Bio

HOLLAND&HART



CONFIDENTIALITY NOTICE: This message is confidential and may be privileged. If you believe that this email has been sent to you in error, please reply to the sender that you received the message in error; then please delete this e-mail. Thank you.

Brooks, David K., EMNRD

From:

9

Adam Rankin < AGRankin@hollandhart.com>

Sent:

Monday, December 31, 2012 4:41 PM

To:

Brooks, David K., EMNRD

Subject:

RE: McCloy 4H NSL application

David,

The report back from Chesapeake is that the correct surface location is 660.

Happy New Year to you and see you soon.

Best, Adam

From: Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]

Sent: Monday, December 31, 2012 10:24 AM

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Subject: RE: McCloy 4H NSL application

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Holland & Hart LLP 110 North Guadalupe Suite 1 P.O. Box 2208 Santa Fe, NM 87504

Office: (505) 988-4421 Direct: (505) 954-7294 Cell: (505) 570-0377

Fax (505) 983-6043

E-mail: agrankin@hollandhart.com

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