TYPE NSL

APP NO pTDS 0611159691

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 MANDATOR	RY FOR ALL ADMINISTRATIVE	E APPLICATIONS FOR E	EXCEPTIONS TO DIVISI	ON RULES AND REGULATION	NE
	WHICH REQUIRE PROCESS	SING AT THE DIVISION	LEVEL IN SANTA FE		

Applic	[DHC-Dow	ndard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous inhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Colool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measur [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]	mmingling] ement]
	[EOR-Qua	[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase] lified Enhanced Oil Recovery Certification] [PPR-Positive Production	Response]
[1]	TYPE OF AI [A]	PPLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Simultaneous Dedication NȘL NSP SD	2006 APR
	Check [B]	Cone Only for [B] or [C] Commingling - Storage - Measurement DHC CTB PLC PC OLS OLM	20 PM
	[C]	Injection - Disposal - Pressure Increase - Enhanced Oil Recovery WFX PMX SWD IPI EOR PPR	2 55
[2]	[D] NOTIFICAT [A]	Other: Specify TION REQUIRED TO: - Check Those Which Apply, or □ Does Not Apply □ Working, Royalty or Overriding Royalty Interest Owners	,
	[B]	Offset Operators, Leaseholders or Surface Owner Application is One Which Requires Published Legal Notice	
	[D] [E]	Notification and/or Concurrent Approval by BLM or SLO U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office For all of the above, Proof of Notification or Publication is Attache	d, and/or,
[3]		☐ Waivers are Attached CURATE AND COMPLETE INFORMATION REQUIRED TO PROATION INDICATED ABOVE.	CESS THE TYPE
	val is <mark>accurate</mark> a	TION: I hereby certify that the information submitted with this application and complete to the best of my knowledge. I also understand that action equired information and notifications are submitted to the Division.	
Oc Print o	Note Lan Mun or Type Name	Statement must be completed by an individual with managerial and/or supervisory of the signature Signature Omundsary e-mail Address	apacity. 4-18-06 Date holland Wart.com



Ocean Munds-Dry Associate omundsdry@hollandhart.com

April 18, 2006

HAND DELIVERY

Mr. Mark Fesmire, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Chesapeake Operating, Inc., for administrative approval of an unorthodox well location for its LE 35 State Well No. 1, to be drilled to the Strawn formation at a surface location 1879 feet from the North line and 978 feet from the West line of Section 35, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Fesmire:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4) and Rule 3 of the Special Rules for the Shipp-Strawn Pool and/or Rule 4 of the Special Rules for the Casey-Strawn Pool, of an unorthodox well location in the Shipp-Strawn or Casey-Strawn Pool for its LE 35 State Well No. 1 located 1879 feet from the North line and 978 feet from the West line of Section 35 (Unit E), Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

This proposed location in the Strawn formation is unorthodox because it is governed by Special Pool Rules and Regulations for the Shipp-Strawn Pool and/or Casey-Strawn Pool which provides for wells on 80-acre spacing units to be located within 150 feet of the center of a governmental quarter-quarter section or lot. The proposed unorthodox well location is 183 feet outside of the standard orthodox location circle. A standard 80-acre spacing unit and proration unit comprised of the S/2 NW/4 of Section 35 will be dedicated to the well.

The non-standard location is required by geologic conditions. As shown on the attached **Exhibit A**, the proposed location is positioned to encounter the Strawn formation at the highest and thickest point possible. Exhibit A is a composite map based



upon subsurface geology and 3D seismic interpretation and shows a (Isopach) net Strawn Porosity Contour Interval of 20 feet (in green) and a (Structure) T/Strawn Porosity Contour Interval of 50 feet (gray contour lines). The map also shows the Strawn producers in red along with the cumulative production gas (in red) and oil (in green). Finally, the map shows the Strawn water leg in blue. A location within the orthodox circle would find minimal thickness of Strawn porosity and would not be in the best structural position, resulting in a dryhole or a non-commercial producer which would ultimately leave the bulk of the reserves unrecovered.

Exhibit B is a plat that shows the subject area, the 80-acre proposed spacing unit comprised of the S/2 NW/4 of Section 35, the proposed unorthodox well location and the offsetting spacing units.

Exhibit C is the C-102 filed for the well that shows the surveyed location of the well.

The ownership in the north offsetting unit is common with the proposed spacing unit and therefore there are no affected parties as defined in Division Rule 1210.

Also enclosed is a proposed administrative order prepared by Chesapeake on behalf of the Division.

Your attention to this application is appreciated.

Sincerely,

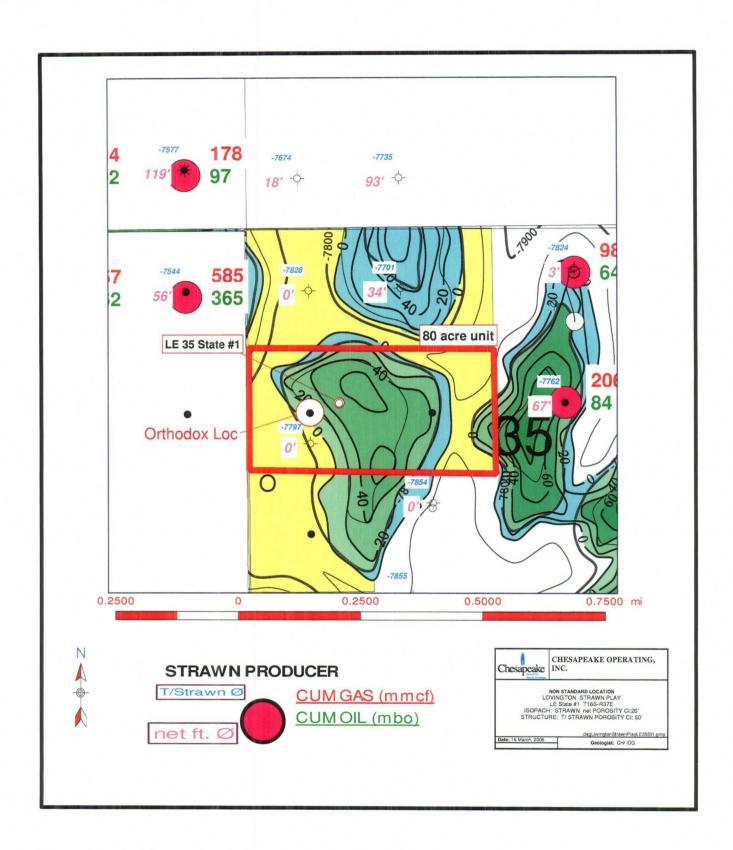
Ocean Munds-Dry

ATTORNEY FOR CHESAPEAKE

OPERATING, INC.

Enclosures

cc: David Godsey



LAND PLAT

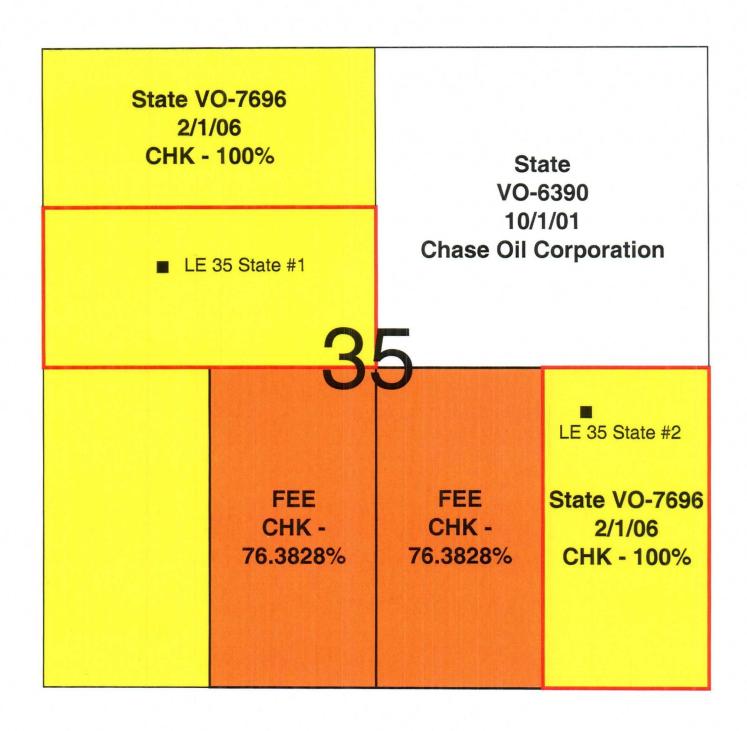


EXHIBIT B

CHESAPEAKE OPERATING, INC. SECTION 35-16S-37E Lea County, New Mexico LE 35 State #1 Well 1879' FNL and 978' FWL LE 35 State #2 Well 2255' FSL and 898' FEL