

5/30/08 DATE IN	SUSPENSE	Brooks ENGINEER	5/30/08 LOGGED IN	NSL TYPE	PKVR0815532935 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 Operating
Diamond 31 Federal
#3H

ADMINISTRATIVE APPLICATION CHECKLIST

5857

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.

Ocean Munds-Dry Ocean Munds-Dry Attorney 5-30-08
Print or Type Name Signature Title Date
omundsdry@hollandhart.com
e-mail Address

RECEIVED
2008 MAY 30 PM 3 09



May 30, 2008

HAND-DELIVERED

Mark E. Fesmire, P.E.
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 Diamond 31 Federal Well No. 3H to be drilled from a surface location and penetration point 2310 feet from the North line and 25 feet from the East line and a bottomhole location 2310 feet from the North line and 350 feet from the West line of Section 31, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico.

Dear Mr. Fesmire:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks administrative approval pursuant to the provisions of Division Rules 104 and 111 for an unorthodox well location for its Diamond 31 Federal Well No. 3H. This well is located in Section 31, Township 24 South, Range 29 East, N.M.P.M., Eddy County, New Mexico and will be drilled in the Delaware formation, WillowLake-Delaware Pool, from an unorthodox surface location and penetration point 2310 feet from the North line and 25 feet from the East line to a standard bottomhole location 2310 feet from the North line and 350 feet from the West line of said Section 31, Eddy County, New Mexico. A 160-acre project area has been dedicated to this horizontal well comprised of the S/2 N/2 of Section 31.

This location is unorthodox because the Delaware 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. Division Rule 111 defines the "Penetration Point" as "the point where the wellbore penetrates the top of the pool from which it is intended to produce." The wellbore penetrates the Delaware formation at a point 25 feet from the East line of Section 31 and is therefore 305 feet closer than allowed by Division rules.



Although the wellbore penetrates the top of the Delaware at an unorthodox location, the well will be at a standard location at the producing interval. Chesapeake penetrates the top of the Delaware at approximately 5,124 feet (MD) in the vertical portion of the well. Chesapeake is targeting the Willow Lake which is estimated at 5,145 feet (MD). Therefore, once Chesapeake reaches the target formation, it will be at a standard location.

Exhibit A is a copy of the C-102 filed for this well. **Exhibit B** is a plat which shows the subject area and the 160-acre horizontal well project area for this well comprised of the S/2 N/2 of Section 31.

A copy of this application with all attachments was mailed to Nearburg Exploration Co., LLC who is the offset operator in the adjoining spacing unit towards which Chesapeake is encroaching. The affected party was advised that if they have an objection to this application it must be filed in writing with the Division's Santa Fe office within twenty days from the date notice was sent. It was also advised that if no objections were received by the Division within twenty days, the Division Director could approve the application.

Your attention to this application is appreciated.

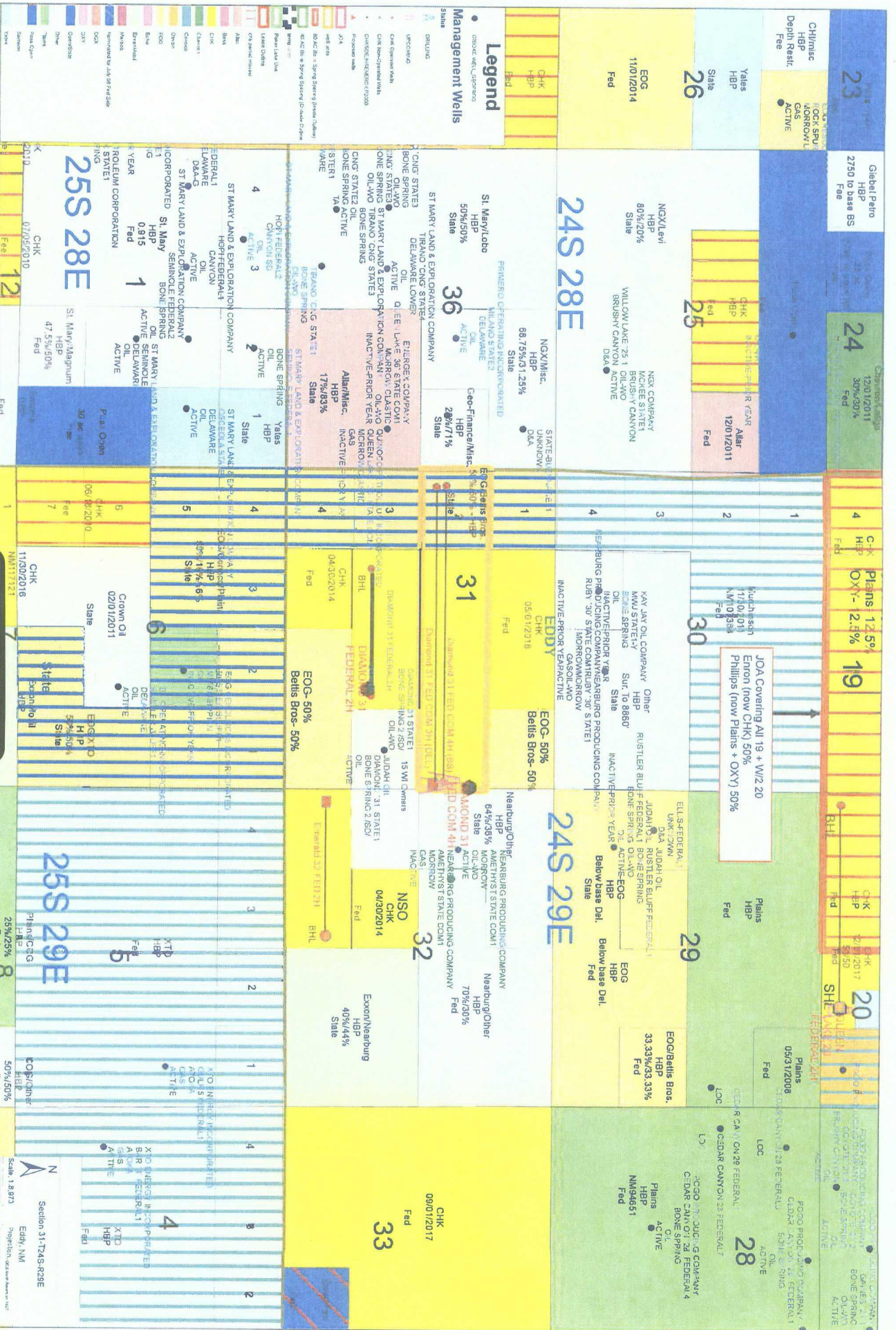
Sincerely,

A handwritten signature in black ink that reads "Ocean Munds-Dry".

Ocean Munds-Dry
Attorney for Chesapeake Operating, Inc.

Enclosures

cc: OCD/Artesia, District 2



EXHIBIT

Section 31-174S-025E
Eddy, NM
Scale 1:8973
Projection: GCS NAD 83
Datum: NAD 83
Units: Feet