

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

McMaster Trust

Fed Comm. #1

5968

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]

- [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.

Kellahin & Kellahin
Attorneys At Law
706 Gonzales Rd.
Santa Fe, NM 87501

Signature

Title

Date

e-mail Address

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RECEIVED

[Signature]

ATTORNEY

10/30/08

TKELLAHIN@COMCAST.NET

KELLAHIN & KELLAHIN
Attorney at Law

W. THOMAS KELLAHIN
706 GONZALES ROAD
SANTA FE, NEW MEXICO 87501

TELEPHONE 505-982-4285
FACSIMILE 505-982-2047
TKELLAHIN@COMCAST.NET

October 30, 2008

HAND DELIVERED

Mr. Mark E. Fesmire, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Administrative Application of Chesapeake Operating Company
for an unorthodox gas well location,
Chaves County, New Mexico

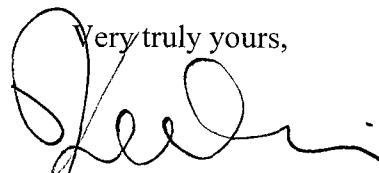
McMaster Trust "3" Federal Com Well No. 1
Unit H of Section 30, T12S, R26E
Location: 2310 feet FNL and 810 feet FEL

Dedication: (a) standard 321.85-acre unit being the
E/2 Sec 3 for Wolfcamp Gas
(b) standard 161.85-acre unit being the
NE/4 of Sec 3 for San Andres-Abo Gas

Dear Mr. Fesmire:

On behalf of Chesapeake Operating Company, please find enclosed our
referenced administrative application.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Kevin Pfister

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

ADMINISTRATIVE APPLICATION
OF CHESAPEAKE OPERATING, INC.
FOR AN UNORTHODOX GAS WELL LOCATION,
CHAVES COUNTY, NEW MEXICO.

RECEIVED
2008 OCT 30 AM 8 21

ADMINISTRATIVE APPLICATION

CHESAPEAKE OPERATING, INC. ("Chesapeake") by its attorneys, Kellahin & Kellahin, seeks an order authorizing the drilling and production of its McMaster Trust "3" Federal Com Well No. 1 at an unorthodox gas well location 2310 feet from the North line and 810 feet from the East line (Unit H) of Section 3, Township 12 South Range 26 East, NMPM to be dedicate to a standard 321.85-acre gas spacing unit consisting of the E/2 of this section and dedicated to production from the Wolfcamp formation and/or a standard 161.85-acre gas spacing unit consisting of the NE/4 of this section and dedicated to production from the San Andres and/or Abo formation, including but not limited to the Sand Draw-Abo Gas Pool, Chaves County, New Mexico

under Sand Draw-Abo Gas

In support of its application Chesapeake states:

1. Chesapeake proposes to drill its McMaster "3" Federal Com Well No. 1 in such a way as to test the Wolfcamp formation and then back up into the Abo and San Andres formation. **See Division form C-102 attached as Exhibit "A"**

2. Chesapeake's location is 330 feet from the southern end boundary of the quarter section (NE/4) instead of 660 feet.

3. The closest standard locations are geologically equivalent to the proposed unorthodox location.

4. These spacing units are subject to Division Rule 104.

SURFACE AND TOPOGRAPHICAL REASONS

5. Chesapeake, based upon geologic data, believes that this proposed unorthodox gas well location is equivalent to the closest standard locations for the Wolfcamp, San Andres and Abo formations.

6. There is a considerable draw to the northwest of this location and the terrain varies surrounding this location. From a construction standpoint, this is the best location to avoid excessive cut and fill and to minimize impact to the surrounding area.

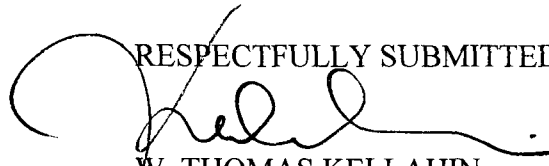
7. A field inspection has been conducted with Chesapeake and BLM's personnel. The BLM has approved this location subject a change in the access road to the location. See topographic maps attached as Exhibit "B" and Exhibit "C"

NOTIFICATION

8. The E/2 of Section 3 is composed of three (3) Tracts:
- a. Lot 1 and 2 (N/2NE/4 equivalent) is a fee tract containing 81.85-acres controlled by Yates Petroleum Corporation
 - b. The NS/2NE/4 and the SE/4 are parts of a single federal oil and gas lease controlled by Chesapeake Exploration. L.L.C. (NMNM-111408)
9. If dedicated to an E/2 gas spacing unit for Wolfcamp production then the SE/4 portion will share in production from the encroaching wellbore.
10. If dedicated to a NE/4 quarter section as a San Andres or Abo gas spacing unit, then Chesapeake, as the only working interest owner in the SE/4, will also share in the production from the encroaching wellbore.
11. In accordance with the Division's notice requirements, a copy of this application has been sent to the BLM c/o Field Manager, Carlsbad Field Office, 620 E. Greene Street, Carlsbad, NM 88220 and BLM c/o State Director, P. O. Box 27115, Santa Fe, NM 87502-0115

WHEREFORE, Chesapeake, as applicant, requests that the Division enter its order approving this requested unorthodox well location.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN

706 Gonzales Road

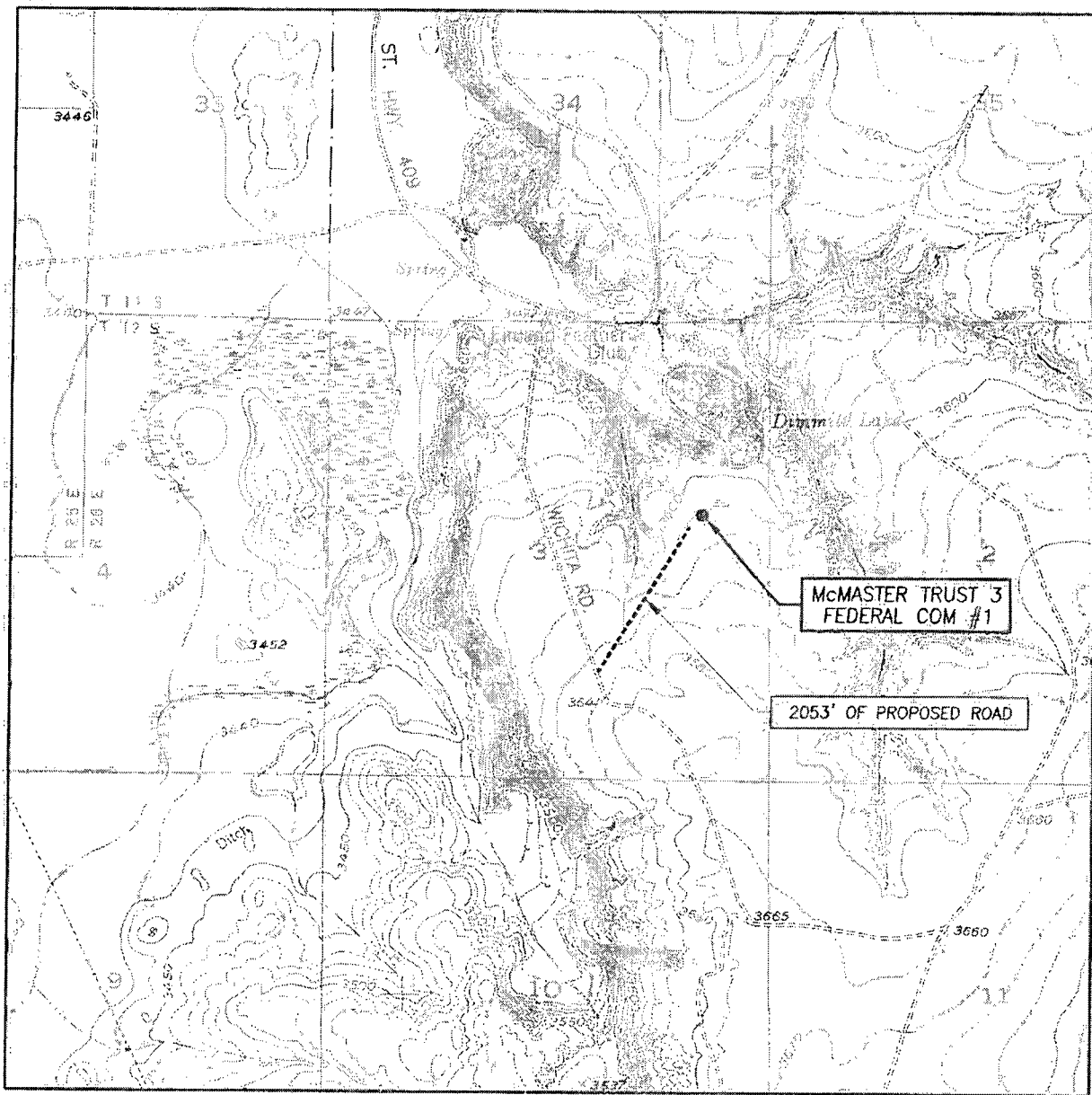
Santa Fe, New Mexico 87501

Telephone: (505) 982-4285

Fax: (505) 982-2047

tkellahin@comcast.net

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
BOTTOMLESS LAKES, N.M. - 10'

SEC. 3 TWP. 12-S RGE. 26-E

SURVEY N.M.P.M.

COUNTY CHAVES STATE NEW MEXICO

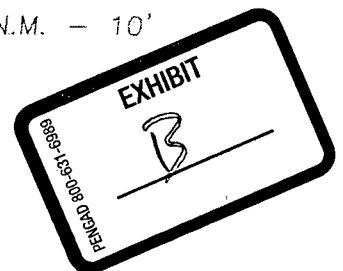
DESCRIPTION 2310' FNL & 810' FEL

ELEVATION 3608'

OPERATOR CHESAPEAKE
OPERATING, INC.

LEASE McMASTER TRUST 3 FEDERAL COM

U.S.G.S. TOPOGRAPHIC MAP
BOTTOMLESS LAKES, N.M.



PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102

Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name McMASTER TRUST 3 FEDERAL COM	Well Number 1
OGRID No.	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 3608'

Surface Location

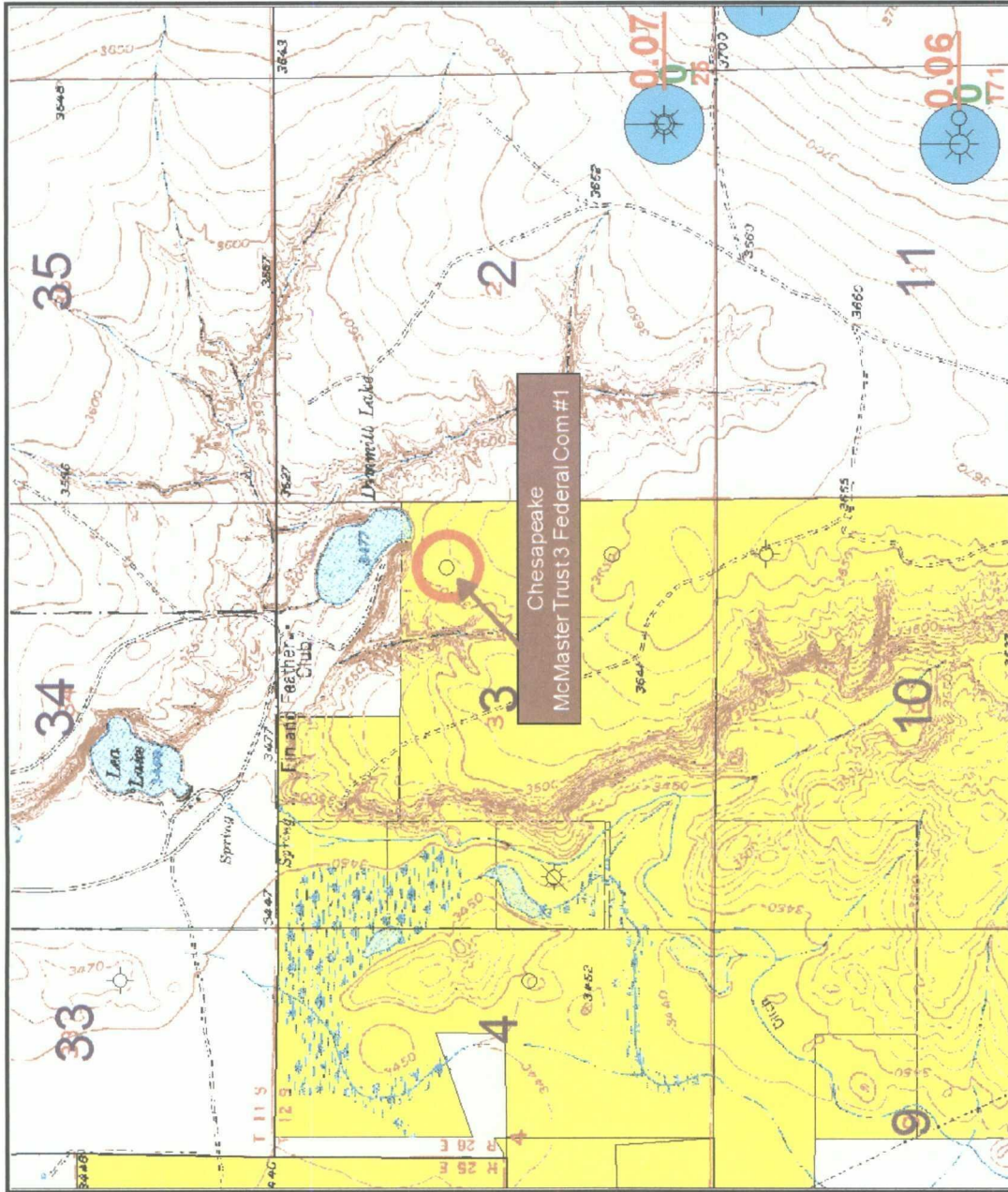
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	3	12-S	26-E		2310'	NORTH	810'	EAST	CHAVES

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
Dedicated Acres	Joint or Infill	Consolidation Code	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

LOT 4	LOT 3	LOT 2	LOT 1
<p>GEODETIC COORDINATES NAD 27 NME Y=839411.1 N X=503513.0 E LAT.=33.307561' N LONG.=104.321835' W</p>			
<p>EXHIBIT C</p>			
<p>OPERATOR CERTIFICATION I hereby certify that the information 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. Signature: Ed Bridgeshead Date: 6-6-08 Printed Name: Ed Bridgeshead</p>			
<p>SURVEYOR CERTIFICATION 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 Surveyed: 6-6-08 Signature & Seal of Professional Surveyor: Ronald J. Eidson Certificate No. GARY C. EIDSON 12641 RONALD J. EIDSON 3239</p>			



	CHESAPEAKE OPERATING, INC.
BOTTOMLESS LAKES AREA McMaster Trust 3 Federal Com #1 Topographic Map C.I. = 10' Chaves County, New Mexico <small>Map prepared by: Martin Gotsky Date: 27 October 2008</small>	

