

DATE IN <u>10.15.10</u>	SUSPENSE	ENGINEER <u>DKR.</u>	LOGGED IN <u>10.15.10</u>	TYPE <u>NSL</u>	PTG-W APP NO. <u>1028852703</u>
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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*  
*Pierce Canyon State #114*

## ADMINISTRATIVE APPLICATION CHECKLIST 30-015-37937

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 \_\_\_\_\_

2010 OCT 15 P 1:50

RECEIVED OGD

### [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply

[A] ☐ Working, Royalty or Overriding Royalty

[B] ☒ Offset Operators, Leaseholders or Surface Owners

[C] ☐ Application is One Which Requires

[D] ☐ Notification and/or Concurrent Approval  
U.S. Bureau of Land Management - Commissioner of Public Lands

[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

*Ripe 11/5*  
*Pierce Crossing*  
*BS*

### [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 10-  
Print or Type Name Signature Title Date  
omundsdry@hollandhart.com  
e-mail Address



October 15, 2010

**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 PLU Pierce Canyon "8" State Well No. 1H to be drilled from a surface location and penetration point 145 feet from the North line and 400 feet from the East line and a bottomhole location 330 feet from the South line and 400 feet from the East line of Section 8, Township 25 South, Range 30 East, NMPM, Eddy County, New Mexico.**

Dear Mr. Fesmire:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks administrative approval pursuant to the provisions of Division Rules 19.15.15.13 and 19.15.16.14 for an unorthodox well location for its PLU Pierce Canyon "8" State Well No. 1H. This well is located in Section 8, Township 25 South, Range 30 East, N.M.P.M., Eddy County, New Mexico and is to be drilled in the Bone Spring formation at a surface location and a penetration point 145 feet from the North line and 400 feet from the East line and a bottomhole location 330 feet from the South line and 400 feet from the East line of Section 8, Eddy County, New Mexico. A 160-acre project area has been dedicated to this horizontal well comprised of the E/2 E/2 of Section 8.

This location is unorthodox because the Bone Spring 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 19.15.16.14 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 Bone Spring formation at a point 145 feet from the North line of Section 8 and is therefore closer than allowed by Division rules.

# HOLLAND & HART<sup>LLP</sup>

THE LAW OUT WEST



Although the wellbore penetrates the top of the Bone Spring at an unorthodox location, the well will be at a standard location at the producing interval. Chesapeake is targeting the Lower Avalon Shale at 8116 feet (TVD). Therefore, once Chesapeake reaches the targeted formation, it will be at a standard location.

**Exhibit A** is a plat showing the location of the well. This location is encroaching to the north of Section 8. This location is within the Poker Lake Unit which is operated by BOPCo. A copy of this application with all attachments was mailed to BOPCo. and to ExxonMobil (which holds the lease to the north of the proposed project area) and 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. They were also advised that if no objections were received by the Division within twenty days, the Division Director could approve the application.

**Exhibit B** is the C-102 for this well.

**Exhibit C** is the notice list.

Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry

**ATTORNEY FOR  
CHESAPEAKE OPERATING, INC.**

Enclosures

cc: OCD District Office



October 15, 2010

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

**TO AFFECTED PARTIES**

Re: Application of Chesapeake Operating Co. for administrative approval of an unorthodox well location for its PLU Pierce Canyon "8" State Well No. 1H to be drilled as a horizontal wellbore in Section 8, Township 25 South, Range 30 East, N.M.P.M., Eddy 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 this date by Chesapeake Operating Co. for administrative approval of an unorthodox well location for its PLU Pierce Canyon "8" State Well No. 1H. This well is located in Section 8, Township 25 South, Range 30 East, N.M.P.M., to be drilled to the Bone Spring formation from a surface location and penetration point 145 feet from the North line and 400 feet from the East line to a bottomhole location 330 feet from the South line and 400 feet from the East line of Section 8, Eddy County, New Mexico.

As an owner of an interest that may be affected by the proposed well, you may object to this application. Objections must be filed in writing within twenty days from this date at the Division's Santa Fe office that is located at 1220 South Saint 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,

Ocean Munds-Dry  
Attorney for Chesapeake Operating Co.

Enclosures





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

Form C-102  
Revised October 15, 2009  
Submit one copy to appropriate District Office

OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

under ~~the~~ Pierce Crossing

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number <b>30-015-37937</b>	Pool Code <b>96403</b>	Pool Name <b>Wildcat, Bone Spring</b>
Property Code	Property Name <b>PLU PIERCE CANYON "8" STATE</b>	Well Number <b>1H</b>
OGRIN No. <b>147179</b>	Operator Name <b>CHESAPEAKE OPERATING CO.</b>	Elevation <b>3235'</b>

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	8	25 S	30 E		145	NORTH	400	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	8	25 S	30 E		330	SOUTH	400	EAST	EDDY

Dedicated Acres <b>160</b>	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

<p><b>Penetration Point &amp; SURFACE LOCATION</b> Lat - N 32.15184274° Long - W 103.8960873° NMSPCE- E 676657.801 (NAD-83)</p>	<p><b>PROPOSED BOTTOM HOLE LOCATION</b> Lat - N 32.13851569° Long - W 103.8961498° NMSPCE- E 676658.103 (NAD-83)</p>	<p>Project Area</p>	<p>Producing Area</p>	<p>145'</p> <p>400'</p> <p>4849.2'</p> <p>400'</p> <p>B.H. 330'</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p>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 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 a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Bryan Arrant</i> 5/26/2010 Signature Date</p> <p>Bryan Arrant Printed Name</p> <p><b>SURVEYOR CERTIFICATION</b></p> <p>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.</p> <p>MAY 2010 NEW MEXICO Professional Surveyor 7977 W.G. JONES 22705 AND SURVEYOR</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>
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EXHIBIT

B

**Exhibit C**  
Chesapeake's NSL Application  
PLU Pierce Canyon "8" State Well No. 1H

BOPCo., LP  
201 W. Main Street Suite 3100  
Fort Worth, Texas 76102

ExxonMobil  
800 Bell Street  
Houston, Texas 77002