

DATE 3-7-11	SUSPENSE	ENGINEER DB	LOGGED IN 3,8,11	TYPE NSL	APP NO. 1106756048
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PTG-W

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



Chesapeake
Big Simbs 25 Fed # 1H

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

6357

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 3-7-11
Print or Type Name Signature Title Date

omundsdry@hollandhart.com
e-mail Address

RECEIVED OOD
2011 MAR -7 P 2:14



March 7, 2011

HAND-DELIVERED

Daniel Sanchez, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

RECEIVED OGD
2011 MAR -7 P 2:12

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Big Sinks "25" Federal Well No. 1H to be drilled from a surface location 100 feet from the South line and 2240 feet from the East line, penetration point 100 feet from the South line and 2240 feet from the East line and a bottomhole location 350 feet from the North line and 2400 feet from the East line of Section 25, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico.

Dear Mr. Sanchez:

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 Big Sinks "25" Federal Well No. 1H. This well is located in Section 25, Township 24 South, Range 30 East, N.M.P.M., Eddy County, New Mexico and is to be drilled in the First Bone Spring Shale formation at a surface location 100 feet from the South line and 2240 feet from the East line, a penetration point 100 feet from the South line and 2240 feet from the East line and a bottomhole location 350 feet from the North line and 2240 feet from the East line of Section 25, 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 25.

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 100 feet from the South line of Section 25 and is therefore closer than allowed by Division rules.

HOLLAND & HART_{LLP}



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 First Bone Spring Shale (TVD 9348 feet). 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 within the Poker Lake Unit which is operated by BOPCo., LP. Chesapeake is drilling this well pursuant to a contract with BOPCo., LP. **Exhibit B** is the C-102 for this well.

A copy of this application with all attachments was mailed to BOPCo., LP who is the operator of the Unit. BOPCo. 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. Letter to BOPCo., LP and Exxon Mobil is attached as **Exhibit C**.

Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry
ATTORNEY FOR
CHESAPEAKE OPERATING, INC.

Enclosures

cc: OCD/Artesia, District 2

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name PLU BIG SINKS "25" FEDERAL	Well Number 1H
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING CO.	Elevation 3451'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	25	24 S	30 E		100	SOUTH	2240	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
B	25	24 S	30 E		350	NORTH	2240	EAST	EDDY

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

<p>PROPOSED BOTTOM HOLE LOCATION Lat - N 32.19514693° Long - W 103.83293488° NMSPC - N 435088.992 E 696126.466 (NAD-83)</p>	<p>OPERATOR CERTIFICATION</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>Craig Bannard</i> 2/11/11 Signature Date</p> <p>CRAIG BANNARD Printed Name</p>
<p>SURFACE LOCATION Lat - N 32.181865618° Long - W 103.832941531° NMSPC - N 430257.442 E 696146.887 (NAD-83)</p>	<p>SURVEYOR CERTIFICATION</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>GARY L. JONES Date Surveyed Signature & Seal of Professional Surveyor</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>

EXHIBIT

B



March 7, 2011

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

BOPCo., LP 201 W. Main Street Suite 3100 Fort Worth, Texas 76102	ExxonMobil P.O. Box 4358 Houston, Texas 77210-4358
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Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Big Sinks "25" Federal Well No. 1H to be drilled as a horizontal wellbore in Section 25, Township 24 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, Inc. for administrative approval of an unorthodox well location for its PLU Big Sinks "25" Federal Well No. 1H. This well is located in Section 25, Township 24 South, Range 30 East, N.M.P.M., to be drilled to the First Bone Spring Shale formation from a surface location 100 feet from the South line and 2240 feet from the East line, a penetration point 100 feet from the South line and 2240 feet from the East line to a bottomhole location 350 feet from the North line and 2240 feet from the East line of Section 25, 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, INC.

Enclosures



March 7, 2011

HAND-DELIVERED

Daniel Sanchez, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

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201 MAR -7 P 2:12

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HOLLAND & HART^{LLP}



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Ocean Munds-Dry
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CHESAPEAKE OPERATING, INC.

Enclosures

cc: OCD/Artesia, District 2

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- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



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Ocean Munds-Dry Ocean Munds-Dry Attorney 3-7-11
 Print or Type Name Signature Title Date
 omundsdry@hollandhart.com
 e-mail Address

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
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State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
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Form C-102
Revised October 15, 2009

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<p>PROPOSED BOTTOM HOLE LOCATION Lat - N 32.19514693° Long - W 103.83293488° NMSPC - N 435088.992 E 696126.466 (NAD-83)</p>	<p>B.H.</p> <p>350'</p> <p>2240'</p>	<p>OPERATOR CERTIFICATION</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>Craig Bannard</i> 2/11/11 Signature Date</p> <p>CRAIG BANNARD Printed Name</p>
<p>SURFACE LOCATION Lat - N 32.181865618° Long - W 103.832941531° NMSPC - N 430257.442 E 696146.887 (NAD-83)</p>	<p>4832.0'</p> <p>3453.2' 3450.6'</p> <p>100'</p> <p>S.L.</p> <p>2240'</p> <p>3459.2' 3451.9'</p>	<p>SURVEYOR CERTIFICATION</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>GARY L. JONES Date Surveyed</p> <p>Signature & Seal of Professional Surveyor</p> <p>W. O. 7001240-50</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>

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March 7, 2011

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Sincerely,

Ocean Munds-Dry
ATTORNEY FOR
CHESAPEAKE OPERATING, INC.

Enclosures