

Case 14506
RJTW

DATE IN 5-25-10	SUSPENSE	ENGINEER DB	LOGGED IN 5-25-10	TYPE NSL	APP NO. 1014529552
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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
S/Keen 21 State #1

ADMINISTRATIVE APPLICATION CHECKLIST 30-015-37802

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 _____

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- [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 Monnds-Dry Ocean Monnds-Dry Attorney 5-24-10
 Print or Type Name Signature Title Date

omundsdry@hollandhard.com
 e-mail Address



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May 24, 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

Case 14506

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its Skeen "21" State Well No. 1H to be drilled from a surface location and penetration point 250 feet from the North line and 2310 feet from the West line and a bottomhole location 330 feet from the South line and 2310 feet from the West line of Section 21, Township 26 South, Range 28 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 Skeen "21" State Well No. 1H. This well is located in Section 21, Township 26 South, Range 28 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 250 feet from the North line and 2310 feet from the West line and a bottomhole location 330 feet from the South line and 2310 feet from the West line of Section 21, Eddy County, New Mexico. A 160-acre project area has been dedicated to this horizontal well comprised of the E/2 W/2 of Section 21.

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 250 feet from the North line of Section 21 and is therefore closer than allowed by Division rules.

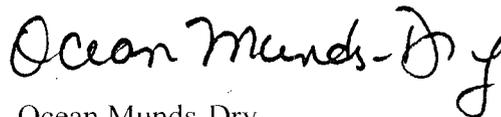
Although the wellbore penetrates the top of the Bone Spring at an unorthodox location, the well will be at a standard location at the producing interval. Chesapeake is targeting the Upper Avalon Shale at 6671 feet. Therefore, once Chesapeake reaches the targeted formation, it will be at a standard location.

Exhibit A is a plat showing the location of the well. This location is encroaching on the SE/4 SW/4 and the SW/4 SE/4 of Section 16. **Exhibit B** is the C-102 for this well.

A copy of this application with all attachments was mailed to the lessees of record in the S/2 SW/4 and SW/4 SE/4 in Section 16 as shown on **Exhibit C**. These affected parties were 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.

Your attention to this application is appreciated.

Sincerely,



Ocean Munds-Dry
ATTORNEY FOR
CHESAPEAKE OPERATING, INC.

Enclosures

cc: OCD District Office



May 24, 2010

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO AFFECTED PARTIES

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its Skeen "21" State Well No. 1H to be drilled as a horizontal wellbore in Section 21, Township 26 South, Range 28 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 Skeen "21" Federal Well No. 1H. This well is located in Section 21, Township 26 South, Range 28 East, N.M.P.M., to be drilled 250100 feet from the North line and 2310 feet from the West line to a bottomhole location 330 feet from the South line and 2310 feet from the West line of Section 21, 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

DISTRICT I
1025 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 Wildcat; Bone Spring
Property Code	Property Name SKEEN "21" STATE		Well Number 1H
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING CO.		Elevation 3038'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	21	26 S	28 E		250	NORTH	2310	WEST	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
N	21	26 S	28 E		330	SOUTH	2310	WEST	EDDY

Dedicated Acres 160	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>PENETRATION POINT & SURFACE LOCATION Lat - N 32.03453196' Long - W 104.0935580' NMSPCE - N 376383.657 E 615637.212 (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>Bryan Arrant</i> 4/22/10 Signature Date</p> <p>Bryan Arrant Printed Name</p>
	<p>PROPOSED BOTTOM HOLE LOCATION Lat - N 32.02156521' Long - W 104.0935719' NMSPCE - N 371666.717 E 615643.390 (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>APR 22 2010 Date Surveyed Signature of U.A. Jones Professional Surveyor Certificate No. 7977</p> <p>Basin Surveys</p>



Exhibit C
Chesapeake Operating Co.
NSL Application for the Skeen 21 State Well No. 1H
Section 21, Township 26 South, Range 28 East

The Allar Company
c/o Ed Graham
PO Box 1567
Graham, TX 76450

EG3, Inc.
PO Box 1567
Graham, TX 76450

Yates Petroleum Corp.
105 S. 4th St.
Artesia, NM 88210

Yates Drilling
105 S. 4th St.
Artesia, NM 88210

Abo Petroleum Corp
105 S. 4th St.
Artesia, NM 88210

Myco Industries, Inc.
105 S. 4th St.
Artesia, NM 88210

Marbob Energy Corp.
PO Box 227
Artesia, NM 88211-0227