

30-015-40371

HOLLAND & HART^{LLP}



Michael H. Feldewert
Recognized Specialist in the Area of
Natural Resources — oil and gas law —
New Mexico Board of Legal
Specialization
mfeldewert@hollandhart.com

May 30, 2012

VIA HAND DELIVERY

Jami Bailey
Oil Conservation Division
New Mexico Department of
Energy, Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RECEIVED
MAY 31 2012
NEW MEXICO
DEPARTMENT OF
ENERGY, MINERALS
& NATURAL RESOURCES

Re: Application of Chesapeake Operating Co. for administrative approval of an unorthodox well location for its Los Medanos 36 23 30 State 1H well in Section 36, Township 23 South, Range 30 East, N.M.P.M., Eddy County, New Mexico

Dear Ms. Bailey:

Chesapeake Operating Co. (OGRID No. 147179) hereby seeks administrative approval pursuant to the provisions of Division Rule 19.15.15.13 NMAC for an unorthodox well location for its Los Medanos 36 23 30 State 1H Well to be located in Section 36, Township 23 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. The proposed well is to be drilled at a surface location 150 feet from the North line and 660 feet from the West line of Section 36. The first perforations in the well will be at a point 330 feet from the North line and 660 feet from the West line of the project area. The bottom-hole location will be 100 feet from the South line and 660 feet from the West line of Section 36. A 162.53-acre project area has been dedicated to this horizontal well comprised of the W/2 W/2 of Section 36. The target for this well is the Bone Spring Shale formation underlying this acreage.

Exhibit A is a land plat for Section 36 and surrounding sections that shows the proposed non-standard location of the Los Medanos 36 23 30 State 1H Well in relation to adjoining units and existing wells. This location is unorthodox because the Bone Spring Shale 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. The bottom hole location will be 100 feet from the South line of Section 36 for engineering reasons, and, therefore, closer to the section line than allowed by Division rules.

Exhibit B is the Well Location and Acreage Dedication Plat (Form C-102), which shows that the proposed Los Medanos 36 23 30 State 1H Well encroaches on the spacing and proration unit to South. This acreage is operated by Devon Energy Corporation and a copy of this application with all attachments has been mailed to this affected party.

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address: P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ☎

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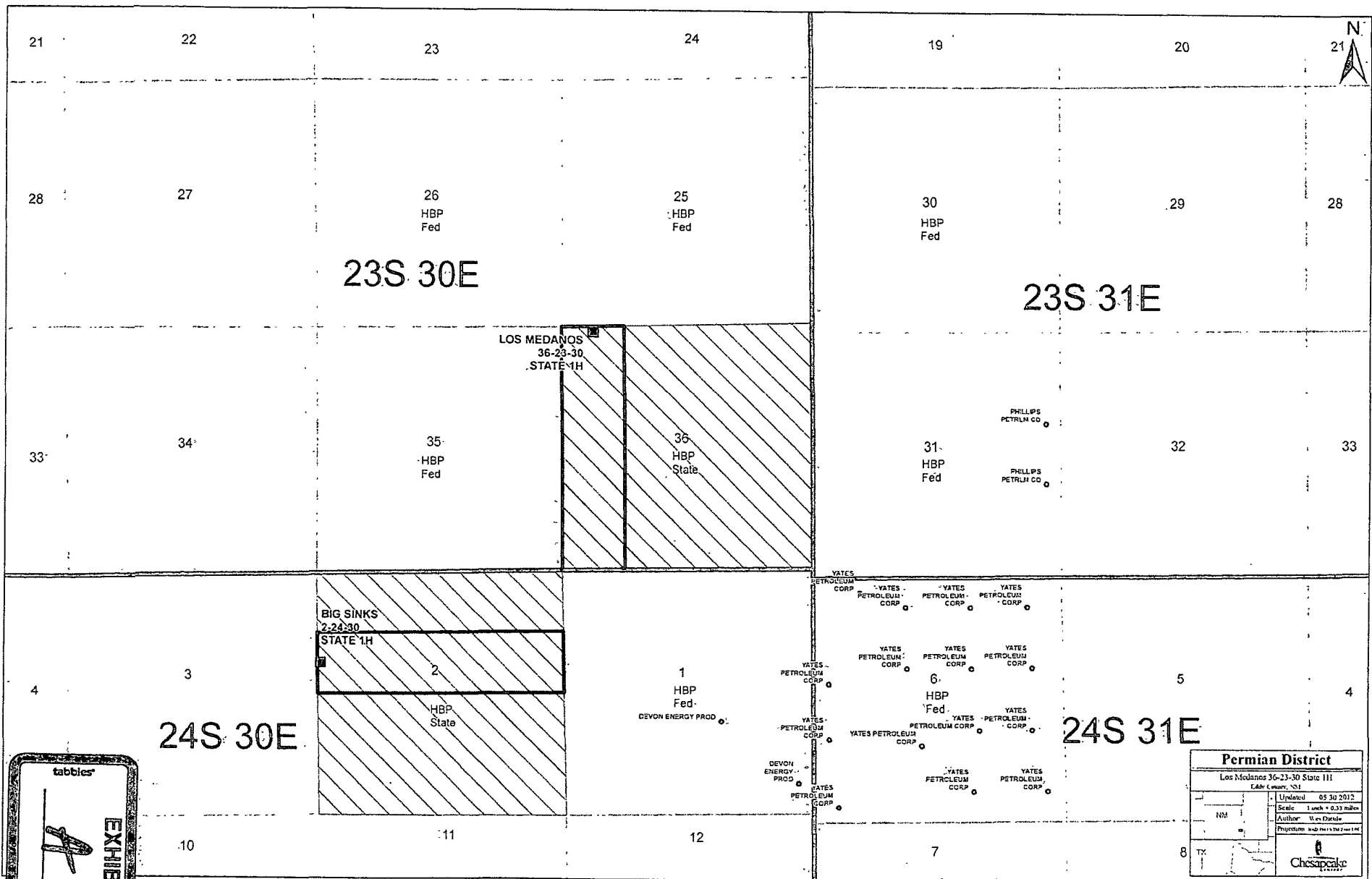
Chesapeake Operating, Co./Los
Medanos 36 23 30 State 1H
May 30, 2012
Page 2

Your attention to this application is appreciated.

Sincerely,

Michael H. Feldewert

ATTORNEY FOR CHESAPEAKE OPERATING CO.



Permian District	
Los Medanos 36-23-30 State 1H	
Eads County, NM	
	Updated 05 30 2012
	Scale 1 inch = 0.531 miles
	Author: M. J. Dittala
	Prepared by: M. J. Dittala
Chesapeake	

RECEIVED

JUN 07 2012

NMOCD ARTESIA

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (505) 393-6161 Fax: (505) 393-0720
District II
411 S. First St., Artesia, NM 88210
Phone: (505) 748-1283 Fax: (505) 748-0720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6174 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3160 Fax: (505) 476-3162

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code		3 Pool Name WC-015 G-06 S233036D;BONE SPRING	
4 Property Code		5 Property Name LOS MEDANOS 36 23 30 STATE			6 Well Number III
7 OGRID No. 147179		8 Operator Name CHESAPEAKE OPERATING, INC.			9 Elevation 3350'

" Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	36	23S	30E		150'	NORTH	660'	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
M	36	23S	30E		100'	SOUTH	660'	WEST	EDDY
10 Dedicated Acres 162.53		11 Joint or Infill		12 Consolidation Code		13 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.

LOS MEDANOS 36 23 30 STATE NO. 147179

X= 652,374 NAD 27
Y= 461,620
LAT. 32.268147
LONG. 103.840358
ELEVATION +3350' NAD 83

PROPOSED BOTTOM HOLE LOCATION

X= 652,408 NAD 27
Y= 456,686
LAT. 32.254311
LONG. 103.840322
ELEVATION +3350' NAD 83

Producing Area
162.53 ACRES

Project Area

Projected First Perforations
330' FNL & 660' FWL

Projected Bottom Hole Location
S 00° 23' 21" E 5033.39'

" OPERATOR CERTIFICATION

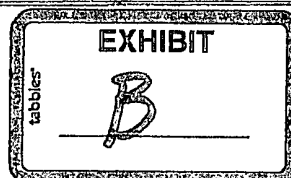
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or an undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well in this location pursuant to a contract with the owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Bryan Arrant 05/17/2012
Signature Date
Bryan Arrant
Printed Name
bryan.arrant@chk.com
E-mail Address

" 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.

May 16 2012
Date of Survey
[Signature]
Signature and Seal of Professional Surveyor
NEW MEXICO
15078
REGISTERED PROFESSIONAL SURVEYOR



HOLLAND & HART^{LLP}



Adam G. Rankin
Phone 505-988-4421
Fax 505-983-6043
agrarkin@hollandhart.com

May 30, 2012

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Devon Energy Corp.
333 W. Sheridan
Oklahoma City, OK 73102
Attn. Sam McCurdy

Re: Application of Chesapeake Operating Co. for administrative approval of an unorthodox well location for its Los Medanos 36 23 30 State 1H well in Section 36, Township 23 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 Los Medanos 36 23 30 State 1H well. The proposed well is to be drilled at a surface location 150 feet from the North line and 660 feet from the West line of Section 36. The first perforations in the well will be at a point 330 feet from the North line and 660 feet from the West line of the project area. The bottom-hole location will be 100 feet from the South line and 660 feet from the West line of Section 36. A 162.53-acre project area has been dedicated to this horizontal well comprised of the W/2 W/2 of Section 36. The target for this well is the Bone Spring Shale formation underlying this acreage.

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,

Adam G. Rankin
ATTORNEY FOR CHESAPEAKE OPERATING CO.

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C.

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	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



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.

Adam Rankin

Print or Type Name

[Signature]

Signature

Attorney

Title

5/30/12

Date

agrankin@hollandhart.com

e-mail Address