



July 1, 2008

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

30-015-36001

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its Mosaic 34 Federal Well No. 3H to be drilled from a surface location and penetration point 1670 feet from the South line and 25 feet from the East line and a bottomhole location 1670 feet from the South line and 350 feet from the West line of Section 34, Township 24 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 104 and 111 for an unorthodox well location for its Mosaic 34 Federal Well No. 3H. This well is located in Section 34, Township 24 South, Range 28 East, N.M.P.M., Eddy County, New Mexico and will be drilled in the Delaware formation, Willow Lake-Delaware Pool, from an unorthodox surface location and penetration point 1670 feet from the South line and 25 feet from the East line to a standard bottomhole location 1670 feet from the South line and 350 feet from the West line of said Section 34, Eddy County, New Mexico. A 160-acre project area has been dedicated to this horizontal well comprised of the N/2 S/2 of Section 34.

This location is unorthodox because the Delaware 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 111 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 peentrates the Delaware formation at a point 25 feet from the East line of Section 34 and is therefore 305 feet closer than allowed by Division rules.

HOLLAND&HART

Although the wellbore penetrates the top of the Delaware at an unorthodox location, the well will be at a standard location at the producing interval. Chesapeake penetrates the top of the Delaware at approximately 4905 feet (MD) in the vertical portion of the well. Chesapeake is targeting the Cherry Canyon Willow Lake Zone which is estimated at 4922-36 feet (MD). Therefore, once Chesapeake reaches the target formation, it will be at a standard location.

Exhibit A is a copy of the C-102 filed for this well. **Exhibit B** is a plat which shows the subject area and the 160-acre horizontal well project area for this well comprised of the N/2 S/2 of Section 34.

A copy of this application with all attachments was mailed to Mewbourne Oil Company who is the offset operator in the adjoining spacing unit towards which Chesapeake is encroaching. The affected party 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.

Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry

Attorney for Chesapeake Operating, Inc.

Enclosures

cc: OCD/Artesia, District 2

State of New Mexico

DISTRICT I

Energy, Minerals and Natural Resources Department

Form C-102

Revised October 12, 2005 Submit to Appropriate District Office

State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II 1301 W. GRAND AVENUE, ARTESIA, NW 68210

DISTRICT III

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

1000 Rio Brazos Rd., Astec, NM 87410

DISTRICT IV 1280 S. ST. PRANCES DR., SANTA PE, NM 67	WELL LOCATION AND	ACREAGE DEDICATION	PLAT	AMENDED REPOR
API Number	Pool Code		Pool Name	
Property Code	Prop	erty Name		Well Number
	MOSAIC 3	34 FEDERAL		3H
OGRID No.	•	ator Name OPERATING, INC.		Elevation 2987'

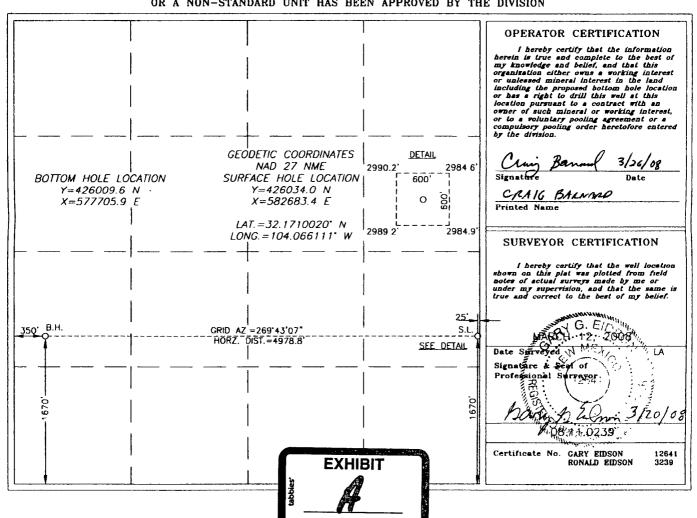
Surface Location

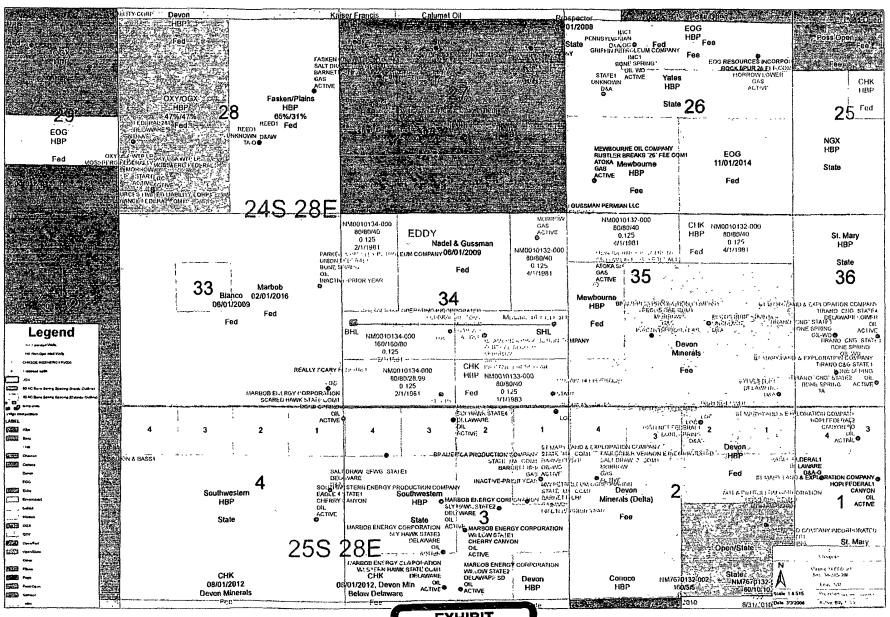
	UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
į	1	34	24-S	28-E		1670	SOUTH	25	EAST	EDDY

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
L	34	24-S	28-E		1670	. SOUTH	350	WEST	EDDY
Dedicated Acres	Joint o	r Infili Cor	solidation (ode Ore	ler 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





EXHIBIT

DATE IN SUSPENSE ENGINEER LOGGED IN TYPE - APP NO						
	DATE IN	SUSPENSE	ENGINEER	LOGGEDIN	TYPE	APP NO

NEW MEXICO OIL CONSERVATION DIVINON

- Engineering Bureau -1220 South St. Francis Drive, Santa Fe, NM 87505



		ADMINISTRATIVE APPLICATION CHECKLIST
-		ANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCÉPTIONS TO DIVISION RULES AND REGULATIONS
Appli	[DHC-Dow [PC-Pd	WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE 3: Indard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication] Inhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling] Iol Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement] INFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion] ISWD-Salt Water Disposal] [IPI-Injection Pressure Increase] Iffied Enhanced Oil Recovery Certification] [PPR-Positive Production Response]
[1]	TYPE OF AF [A]	PLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Simultaneous Dedication NSL NSP SD
	Check [B]	One Only for [B] or [C] Commingling - Storage - Measurement DHC CTB PLC PC OLS OLM
	[C]	Injection - Disposal - Pressure Increase - Enhanced Oil Recovery WFX PMX SWD IPI BOR PPR
	[D]	Other: Specify
[2]	NOTIFICAT [A]	ON REQUIRED TO: - Check Those Which Apply, or Does Not Apply 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 US 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]		CURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE ATION INDICATED ABOVE.
	oval is accurate a	FION: I hereby certify that the information submitted with this application for administrative and complete to the best of my knowledge. I also understand that no action will be taken on this quired information and notifications are submitted to the Division.
_	Λ	Statement must be completed by an individual with managerial and/or supervisory capacity.
Print	ean Mond	5-Dry Ocean Munch-Bry attorney 7-1-08 Signature Title
1 1 1111	or Type Panie	Signature Signature