

HOLLAND & HART<sup>LLP</sup>



**Ocean Munds-Dry**  
omundsdry@hollandhart.com

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-D15-36001

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 penetrates 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 LLP**

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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

## DISTRICT I

1625 N. FRANCES DR., SDOBBS, NM 86240

## 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

## OIL CONSERVATION DIVISION

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

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

## WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name <b>MOSAIC 34 FEDERAL</b>	Well Number <b>3H</b>
OGRID No.	Operator Name <b>CHESAPEAKE OPERATING, INC.</b>	Elevation <b>2987'</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
I	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 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><b>BOTTOM HOLE LOCATION</b> Y=426009.6 N X=577705.9 E</p> <p><b>GEODETIC COORDINATES</b> NAD 27 NME <b>SURFACE HOLE LOCATION</b> Y=426034.0 N X=582683.4 E</p> <p>LAT.=32.1710020° N LONG.=104.066111° W</p> <p>GRID AZ =269°43'07" HORZ. DIST.=4978.8'</p> <p>350' B.H.</p> <p>1670'</p> <p>2990.2'</p> <p>2984.6'</p> <p>600'</p> <p>2989.2'</p> <p>2984.9'</p> <p>25'</p> <p>S.L.</p> <p>SEE DETAIL</p> <p>1670'</p>		<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Craig Ballard</i> 3/26/08 Signature Date</p> <p><b>CRAIG BALLARD</b> 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>MARY G. EIDSON MARCH 12, 2008 NEW MEXICO LA Date Surveyed Signature &amp; Seal of Professional Surveyor 3/20/08 08110239</p> <p>Certificate No. CARY EIDSON 12641 RONALD EIDSON 3239</p>
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EXHIBIT

tabbles

A



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



RECEIVED  
JUL 4 4:43 PM '08  
OCD-ARTESIA

## 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.

Ocean Mounds-Dry Ocean Mounds-Dry Attorney 7-1-08  
Print or Type Name Signature Title Date  
omondsdy@hollanarthart.com  
e-mail Address