

NEW MEXICO OIL CONSERVATION DIVISION  
 - Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [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]

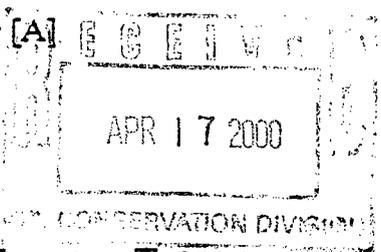
[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling  
 NSL  NSP  DD  SD

Check One Only for [B] and [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



[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

Ch esapeake has 100% of working interest in tract being encroached upon

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

W.T. KELVIN  
 Print or Type Name

*[Handwritten Signature]*  
 Signature

ATTORNEY  
 Title

4/12/00  
 Date

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

April 17, 2000

**HAND DELIVERED**

Mr. Michael E. Stogner  
Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, New Mexico 87505

Re: OXY "R-15" Well No. 1  
Administrative Application of  
Chesapeake Operating, Inc.,  
for a unorthodox subsurface location  
N/2SW/4 Section 15, T17S, R37E  
Lea County, New Mexico

Dear Mr. Stogner:

On behalf of Chesapeake Operating, Inc. and in accordance with Division Rule 104, please find enclosed the enclosed original of this application for approval to drill this well directionally to an unorthodox subsurface drilling and producing window.

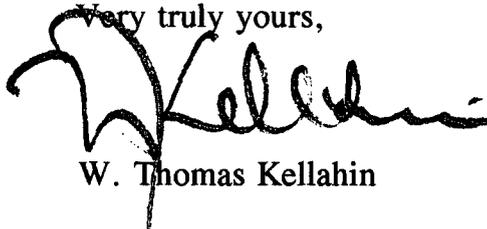
Concurrently with this application, we have filed a separate application with OCD-Hobbs requesting approval of the directional wellbore in accordance with Rule 111.

No additional notifications are required because Chesapeake owns 100% of the working interest of the NW/4 of this section towards which the well encroaches.

Subject to your approval, Chesapeake would like to commence this re-entry within 10-days.

Please call me if you have any questions.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Operating, Inc.  
Attn: Lynda Townsend

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**APPLICATION OF CHESAPEAKE OPERATING INC.  
FOR AN UNORTHODOX SUBSURFACE LOCATION  
LEA COUNTY, NEW MEXICO**

**ADMINISTRATIVE APPLICATION**

Comes now Chesapeake Operating, Inc. ("Chesapeake"), by and through its attorneys, Kellahin & Kellahin, and in accordance with Division Rule 104 applies to the New Mexico Oil Conservation Division for approval for an unorthodox subsurface well location for its OXY R-15 Well No. 1 and in support states:

(1) Chesapeake proposes to re-enter the OXY 15 Well No. 1 located in Unit L, Section 15, T17S, R37E, NMPM and directionally drill it to an unorthodox bottom hole location in the Strawn formation of the Humble City Strawn Pool and to dedicate the well to a standard 80-acre oil spacing unit consisting of the N/2SW/4 of this section. **See Exhibit 1 APD w/ C-102)**

(2) The special rules for the Humble City Strawn Pool provide for for 80-acre spacing with a standard location to be within 150 feet of the center of a quarter-quarter section.

(3) Chesapeake has conducted a geologic investigation and has concluded that the optimum bottom location for a well in the N/2SW/4 of Section 15 would be approximately 2178 feet from the South line and 935 feet from the West line of this section in order to maximize structural attitude and stratigraphic growth over any standard location in Unit L of this section. **See Exhibit 2 (3-D seismic display)**

(4) There is substantial economic savings realized by re-entry of this existing wellbore and drilling directionally rather than drilling a new vertical wellbore.

(5) This well is unorthodox in two dimensions: (i) to the east where it encroaches upon the adjoining 40-acre tract which is part of this spacing unit and (ii) to the north towards the NW/4 of this section the working interest ownership is 100% Chesapeake. See Exhibit 3 (assignment). Therefore no notifications to offsetting operators/working interest owners of this applications are required.

1980 660 (well file indicates)

(6) Accordingly, Chesapeake proposes to re-enter this well at its surface location 1986 feet from the South line and 661 feet from the West line of Section 15 and to drill this wellbore directionally to an unorthodox subsurface location at the top of the Strawn formation within 100 foot radius of a point approximately 2178 feet from the South line and 935 feet from the West line of Section 15. See Exhibit 4 (Directional Profile)

WHEREFORE, Applicant requests that this application be approved.

Respectfully submitted,

KELLAHIN & KELLAHIN



By: W. Thomas Kellahin  
Post Office Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285  
Attorneys for Applicant

District I  
PO Box 1980, Hobbs, NM 88241-1980  
District II  
PO Drawer DD, Artesia, NM 88211-0719  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
PO Box 2088  
Santa Fe, NM 87504-2088

Form C-101  
Revised February 10, 1994  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 6 Copies  
Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address: Chesapeake Operating, Inc. P. O. Box 18496, Oklahoma City, OK 73154-0496		OGRID Number 147179
		API Number 30-025-29636
Property Code	Property Name OXY R-15	Well No. 1

Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
L	15	17S	37E		1986	South	661	West	Lea

Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
L	15	17S	37E		2178	South	935	West	Lea

Proposed Pool 1 Humble City Strawn	Proposed Pool 2
---------------------------------------	-----------------

Work Type Code E	Well Type Code O	Cable/Rotary R	Lease Type Code P	Ground Level Elevation 3749'
Multiple No	Proposed Depth 11,530'	Formation Strawn	Contractor Patterson	Spud Date 03/15/99

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17-1/2"	13-3/8"	54.5 & 61#	406'	400	Surf
11"	8-5/8"	24 & 32#	4500'	2150	
7-7/8"	5-1/2"	17#	11,530'	1500	4000'

Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Chesapeake Operating, Inc. proposes to re-enter the well & drill to 11,530 TD in the Strawn formation with Patterson as the drilling contractor.

Patterson's BOP stack consists of 11" 5M# blind rams, pipe rams & annular

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Barbara J. Bale*  
Printed name: Barbara J. Bale  
Title: Regulatory Analyst  
Date: 03-01-2000  
Phone: (405)848-8000

OIL CONSERVATION DIVISION

Approved by: \_\_\_\_\_  
Title: \_\_\_\_\_  
Approval Date: \_\_\_\_\_  
Conditions of Approval: \_\_\_\_\_



DISTRICT I  
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised February 10, 1994  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

DISTRICT II  
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

DISTRICT IV  
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-29636	Pool Code	Pool Name Humble City Strawn
Property Code	Property Name OXY R-15	Well Number 1
OGRD No. 147179	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 3749'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	15	17 S	37 E		1986	SOUTH	661	WEST	LEA

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	15	17 S	37 E		2178	SOUTH	935	WEST	LEA

Dedicated Acres 80	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><u>BOTTOM HOLE</u> Y=668645 X=834488 NAD 1927 NEW MEXICO EAST</p> <p><u>LOCATION</u> Y=668454 X=834216 NAD 1927 NEW MEXICO EAST</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Barbara J. Bale</i> Signature</p> <p>Barbara J. Bale Printed Name</p> <p>Regulatory Analyst Title</p> <p>03/02/2000 Date</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>JANUARY 18, 1999 Date Surveyed</p> <p>Signature of Gary E. Eldson Professional Surveyor</p> <p><i>Gary E. Eldson</i> Professional Surveyor</p> <p>99-11-00348 Certification No. RONALD J. ELSON 2239 GARY E. ELSON 2541</p>





### NEW MEXICO STATE LAND OFFICE ASSIGNMENT OF OIL AND GAS LEASE

From Lease Number
To Lease Number

FOR VALUE RECEIVED, UPLAND CORPORATION OGRID No. 174-522  
Name (include name of spouse, if any, or type of business entity)

("Assignor" whether one or more), assigns and conveys to: CHESAPEAKE OPERATING, INC. OGRID No. 147-179

("Assignee" whether one or more), whose mailing address is P.O. Box 18496, OKLAHOMA CITY, OK  
73154-0496

the entire interest and title in and to Oil and Gas Lease No. V05510 0000 ("the Lease") initially made by the New Mexico State Land Office to:

UPLAND CORPORATION, dated APRIL 1, 1999, insofar as the Lease covers the following land in LEA

County, New Mexico: TITUS - R.37E  
SECTION 15: NW4

together with the rights incident thereto, and improvements thereon, if any.

Assignee assumes and agrees to perform all duties and obligations to the Commissioner of Public Lands including payment of rentals and royalties, and to do such other acts as are required by the Lease, to the same extent and in the same manner as if the provisions of the Lease were fully set out herein.

Assignor warrants the leasehold estate herein assigned, except as to any valid overriding royalty, production payment, operating agreement or sub-lease, if any, now of legal record, and covenants to the Assignee and the Commissioner of Public Lands that the leasehold estate assigned is valid, and that all rentals and royalties due under the Lease have been paid in full, and that all other Lease obligations presently due have been fully performed.

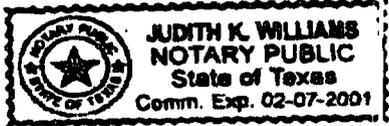
EXECUTED this 17<sup>th</sup> day of APRIL, 2000.  
UPLAND CORPORATION  
By: [Signature]  
BONNIE MICHAEL, PRESIDENT  
Spouse, if any, or title, if signing in representative capacity

#### ACKNOWLEDGMENT

STATE OF TEXAS  
COUNTY OF MIDLAND

The foregoing Assignment was acknowledged before me this 17<sup>th</sup> day of APRIL, 2000  
by BONNIE MICHAEL PRESIDENT OF UPLAND CORPORATION  
Title, if signing in representative capacity

My commission expires: 2/7/2001  
[Signature]  
Notary Public

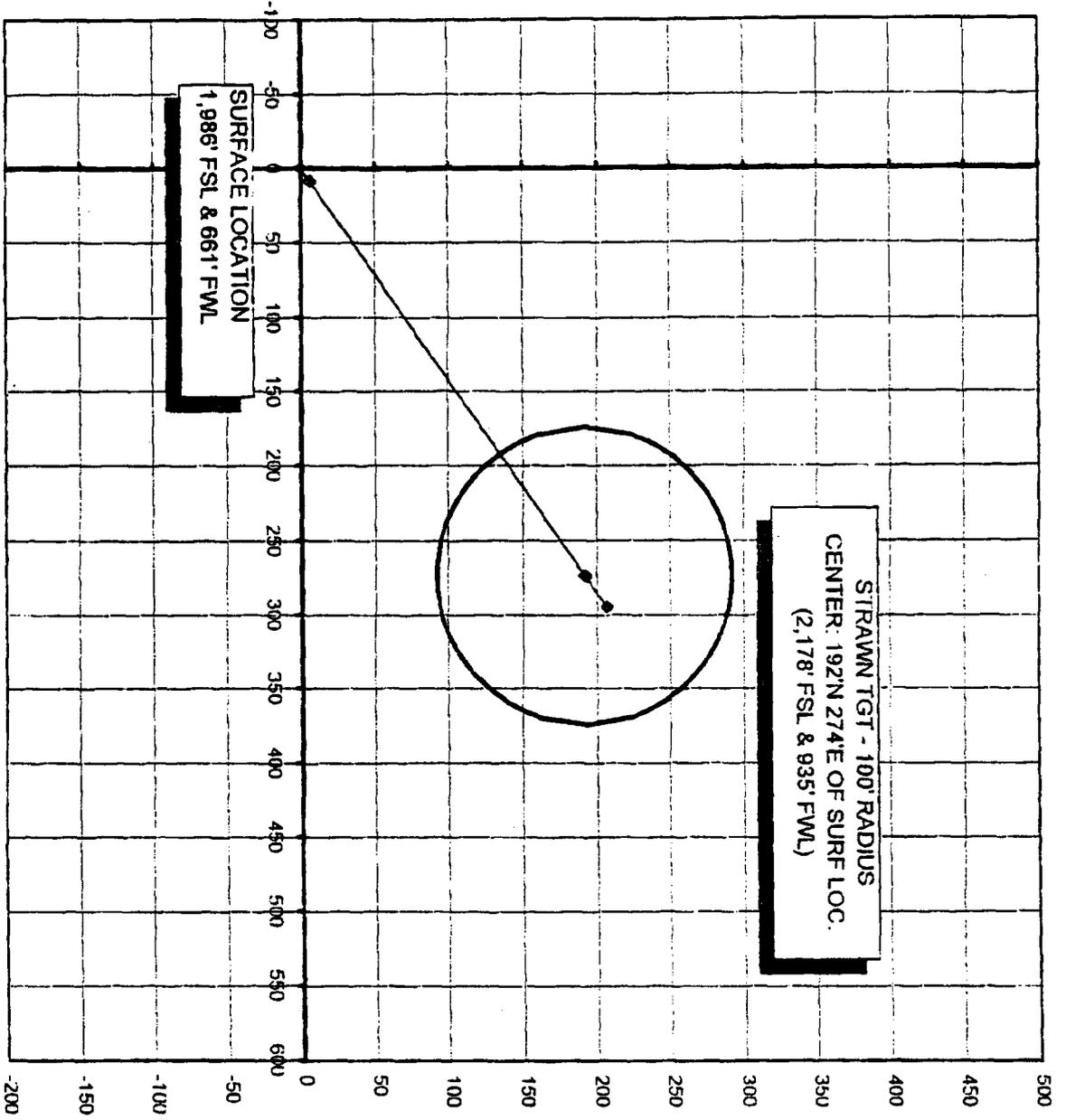


#### ASSIGNEE'S ACCEPTANCE

The undersigned Assignee named above hereby agrees to be bound by all of the terms, covenants, and conditions of the Lease and this Assignment and shall succeed to the rights and benefits under the Lease.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_  
By: \_\_\_\_\_  
Assignee  
Name of spouse, if any, or title, if signing in representative capacity



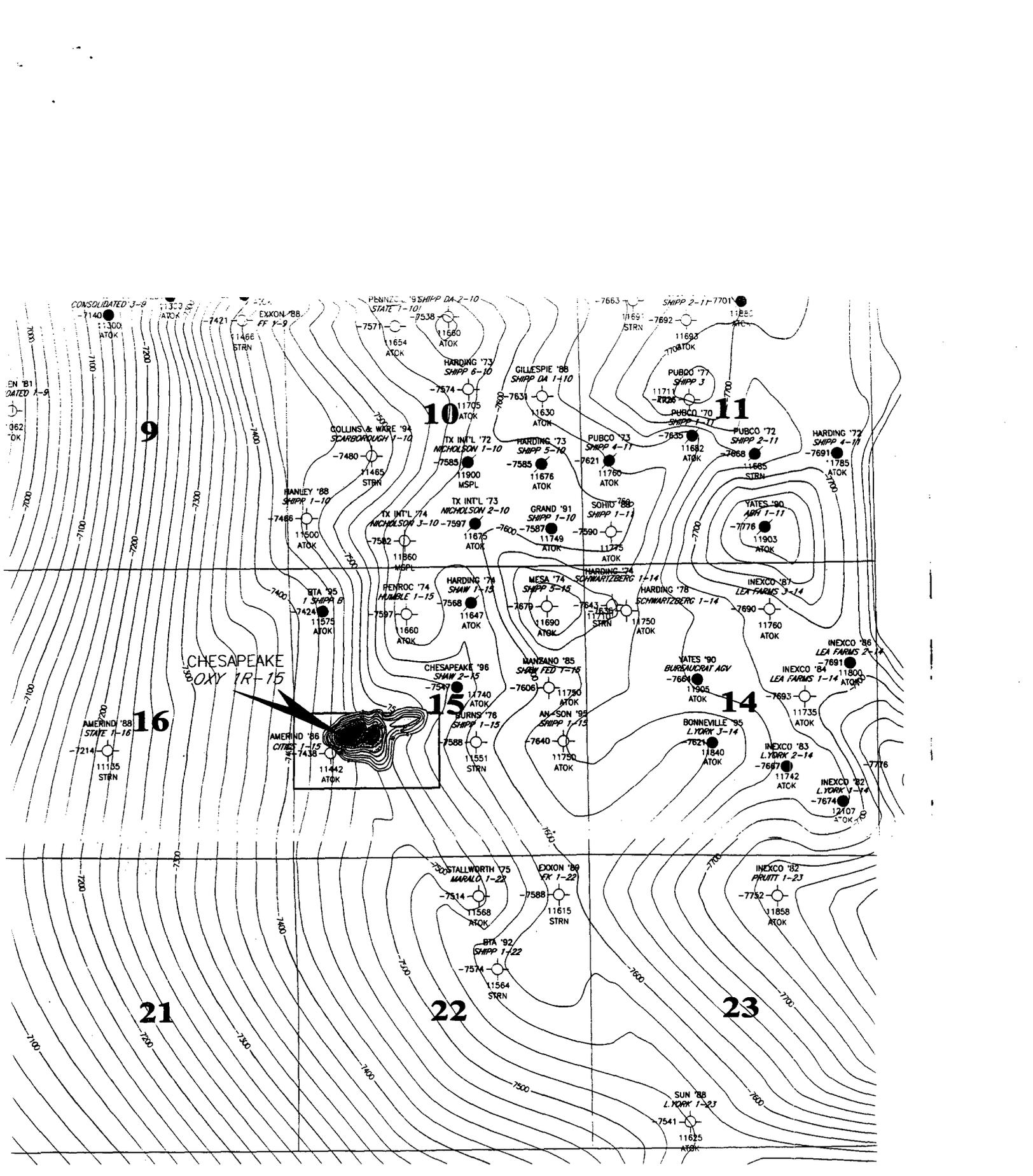


◆ Plan  
 ◆ Oxy IR-15  
 — Target  
 — Target

EXHIBIT  
4

Well Name Oxy 1R-15  
 County Lea, NM  
 Rig  
 Survey Co.

Survey	Measured Depth	Inclination	Azimuth	Course Length	TVI	North (+) South (-)	East (+) West (-)	VS	BUR	DLS	Relation to Wolfcamp	Relation to Strawn	Relation to TGT
Wolfcamp Target #1			10282.00	KBTVD	0.00	Dip(- Up)	54.98	Section Plane					
Strawn Target #2			11190.00	KBTVD	0.00	Dip(- Up)	54.98	Section Plane					
TGT Target #3			11194.00	KBTVD	0.00	Dip(- Up)	54.98	Section Plane					
The In	-	0.00	330.00	0.0	0.0	0	0.0	0.0	0.00	0.00	3682.0	4590.0	4594.0
KOP	6,600	0.00	0.00	6600.0	6600.0	0.0	0.0	0.0	1.50	0.00	3395.6	4303.6	4307.6
EOB	6,887	4.30	54.98	286.6	6886.4	6.2	8.8	10.7	0.00	0.00	-908.0	0.0	4.0
SIRAWM	11,202	4.30	54.98	4315.8	11190.0	191.8	273.8	334.3	0.00	0.00	-912.0	-4.0	0.0
TGT	11,206	4.30	54.98	4.0	11194.0	192.0	274.0	334.6	0.00	0.00	-1248.0	-340.0	-336.0
TD	11,543	4.30	54.98	336.9	11530.0	206.5	294.7	359.9	0.00	0.00			



<b>CHESAPEAKE OPERATING, INC.</b>		
<b>Howling Wolf Project OXY 1R-15 PROPOSED WELL 15-17S-37E Lea County, New Mexico</b>		
Robert A. Heiser IV	1/20/99	Lynada Townsend
CHR A. Hancock	1" = 1,000'	Randy Gossaway