

9-15-11 DATE IN	SUSPENSE	ENGINEER	DB	LOGGED IN	9.16.11	TYPE	NSL	APP NO.	1125927852
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PTGed
1125927852

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



Chesapeake
Paloma 30 Fed #2

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]

5231-A

- [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.

Print or Type Name	Signature	Title	Date

e-mail Address			

September 15, 2011

VIA HAND DELIVERY

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

RECEIVED OGD
2011 SEP 15 P 3:31

**Re: Application of Chesapeake Operating Inc. to amend Administrative Order
NSL-5231 to include additional potentially productive formations.**

Dear Ms. Bailey:

Chesapeake Operating Inc. ("Chesapeake") hereby seeks an amendment to Administrative Order NSL-5231 to include all potentially productive formations, including the Wolfcamp Formation, for its existing Paloma "30" Federal Well No. 2 (API No. 30-025-37413). This well is located 2430 feet from the South line and 2420 feet from the East line (Unit J) of Section 30, Township 23 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

Administrative Order NSL-5231 was issued in July of 2006 and approved completion of the subject well at an unorthodox location for the Atoka/Morrow formations. This well was completed in the Bell Lake Atoka Gas Pool in 2006, but since 2007 has been essentially shut-in. Efforts to add additional perforations in 2009 to bring this well back to production were not successful. Chesapeake now intends to move uphole and re-complete this well as a Wildcat oil well in the Wolfcamp formation in an effort to bring this well back to beneficial use.¹

Chesapeake's efforts to re-complete this well in the Wolfcamp formation, or other potentially productive shallower zones, will likewise involve unorthodox locations. The Division's Statewide Rules provides that oil wells shall be located no closer than

330 feet to the outer boundary of the 40-acre spacing unit. This well is only 210 feet from the northern boundary and 220 feet from the western boundary of Unit J.

¹ In August of 2009, Chesapeake filed a Sundry Notice with the BLM identifying proposed perforations in the Bones Spring formation, but that effort was not commenced.



As noted in Administrative Order NSL-5231, all of Section 30 is subject to a single federal lease (NM 68821) and Chesapeake is the leasehold operator. Under an exploration agreement, Devon Energy Production Company, L.P. and Chesapeake share a 50% interest in this acreage and the affected 40 acre spacing units. Accordingly, there are no affected parties as defined in NMAC 19.15.4.12(A)(2).

Amending Administrative Order NSL-5231 to include all potentially productive formations, including the Wolfcamp formation, will provide Chesapeake with an opportunity to bring this well back to beneficial use, and is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

Your attention to this application is appreciated.

Sincerely,

Michael H. Feldewert

MHF



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Chesapeake Operating, Inc.

c/o W. Thomas Kellahin

P. O. Box 2265

Santa Fe, New Mexico 87504

July 6, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Administrative Order NSL-5231

Dear Mr. Kellahin:

Reference is made to the following: (i) your application (*administrative application reference No. pSEM0-518128343*) filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 28, 2005 on behalf of the operator, Chesapeake Operating, Inc. ("Chesapeake"); and (ii) the Division's records in Santa Fe and Hobbs: all considering Chesapeake's request for an unorthodox gas well location in both the Atoka and Morrow formations for its proposed Paloma "30" Federal Well No. 2 to be drilled 2430 feet from the South line and 2420 feet from the East line (Unit J) of Section 30, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico.

Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of Section 30, being a standard 317.03-acre lay-down gas spacing unit for both the Undesignated and designated Bell Lake-Atoka Gas Pool (71720) and Undesignated Mid Bell Lake-Morrow Gas Pool (72000), is to be dedicated to this well.

This application has been duly filed under the provisions of Division Rule 104.F.

The geologic interpretation submitted with this application, based on 3-D seismic, indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within both the Atoka and Morrow formations than a well drilled at a location considered to be standard within the subject 317.03-acre unit.

It is the Division's understanding after reviewing your application and our records that all of Section 30 is a single Federal lease issued by the U. S. Bureau of Land Management (*U. S. Government lease No. NM-68821*) with common mineral interest in which Chesapeake is the leasehold operator.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox gas well location for Chesapeake's proposed Paloma "30" Federal Well No. 2 in both the Atoka and Morrow formations within this 317.03-acre unit comprising the S/2 equivalent of Section 30 is hereby approved.

Sincerely,

Mark E. Fesmire, P. E.

Director

MEF/mes

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I
1625 N. FRENCH DR., HOBBES, NM 88240

DISTRICT II
1801 W. GRAND AVENUE, ARTESIA, NM 88210

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

DISTRICT IV
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

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

Form C-102
Revised JUNE 10, 2003
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 <i>Bell Lake BS</i>	<input type="checkbox"/> AMENDED REPORT
Property Code	Property Name PALOMA 30 FEDERAL		Well Number 2
OGRID No.	Operator Name CHESAPEAKE OPERATING, INC.		Elevation 3608'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	30	23-S	34-E		2430	SOUTH	2420	EAST	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

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

LOT 1 38.30 AC	<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=464709.6 N X=755099.6 E</p> <p>LAT.=32°16'29.66" N LONG.=103°30'28.65" W</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</p>
LOT 2 38.39 AC		<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>JUNE 2, 2005</p> <p>Date Surveyed _____ JR</p> <p>Signature & Seal of Professional Surveyor _____</p>
LOT 3 38.47 AC		<p>05.11.0850</p>
LOT 4 38.56 AC	<p>EXHIBIT A</p>	<p>Certificate No. GARY KIDSON 12841</p>