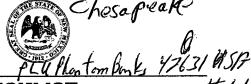
						PI	23-140	
DATE IN 9,15,11 SUS	SPENSE	ENGINEER D	B	LOGGED IN	TYPE NSL	APP NO.	112585	7209

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 CHE 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] Location - Spacing Unit - Simultaneous Dedication NSL NSP SD Eddy Fed Check One Only for [B] or [C] Commingling - Storage - Measurement [B]□ DHC □ CTB □ PLC □ PC OLS [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery □ WFX □ PMX □ SWD □ IPI □ EOR □ PPR [D]Other: Specify **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or □ Does Not Apply [2] Working, Royalty or Overriding Royalty Interest Owners [A]Offset Operators, Leaseholders or Surface Owner [B] Application is One Which Requires Published Legal Notice [C] [D]Notification and/or Concurrent Approval by BLM or SLO U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office For all of the above, Proof of Notification or Publication is Attached, and/or, [E][F] Waivers are Attached SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE [3] 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. Title Date omundsdrychollardhart.com e-mail Address



September 14, 2011

### **HAND-DELIVERED**

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

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Phantom Banks 4 26 31 USA Well No. 1H to be drilled from a surface location and penetration point 300 feet from the South line and 2180 feet from the West line and a bottomhole location 350 feet from the North line and 1980 feet from the West line of Section 4, Township 26 South, Range 31 East, NMPM, Eddy County, New

Dear Ms. Bailey:

Mexico.

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks administrative approval pursuant to the provisions of Division Rules 19.15.15.13 and 19.15.16.14 for an unorthodox well location for its PLU Pierce Canyon 4 26 31 USA Well No. 1H. This wildcat well is located in Section 4, Township 26 South, Range 31 East, N.M.P.M., Eddy County, New Mexico and is to be drilled in the Bone Spring formation at a surface location and a penetration point 300 feet from the South line and 2180 feet from the West line and a bottomhole location 350 feet from the North line and 1980 feet from the West line of Section 4, Eddy County, New Mexico. A 160-acre project area has been dedicated to this horizontal well comprised of the E/2 W/2 of Section 4.

This location is unorthodox because the Bone Spring 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 19.15.16.14 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 Bone Spring formation at a point 300 feet from the South line of Section 4 and 50 feet south of the producing area; it is, therefore, closer than allowed by Division rules.

# HOLLAND&HART.

Although the wellbore penetrates the top of the Bone Spring at an unorthodox location, the well will be at a standard location at the producing interval. Chesapeake is targeting the Lower Avalon at approximately 8,710 feet (TVD). Therefore, once Chesapeake reaches the targeted formation, it will be at a standard location.

**Exhibit A** is a plat showing the location of the well. This location is encroaching to the south of Section 4. This location is within the Poker Lake Unit which is operated by BOPCo. A copy of this application with all attachments was mailed to BOPCo. and ConocoPhillips and they were 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. BOPCo. was also advised that if no objections were received by the Division within twenty days, the Division Director could approve the application.

Exhibit B is the C-102 for this well.

Exhibit C is the notice list.

Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry

ATTORNEY FOR

CHESAPEAKE OPERATING, INC.

Enclosures

cc: OCD District Office - Artesia

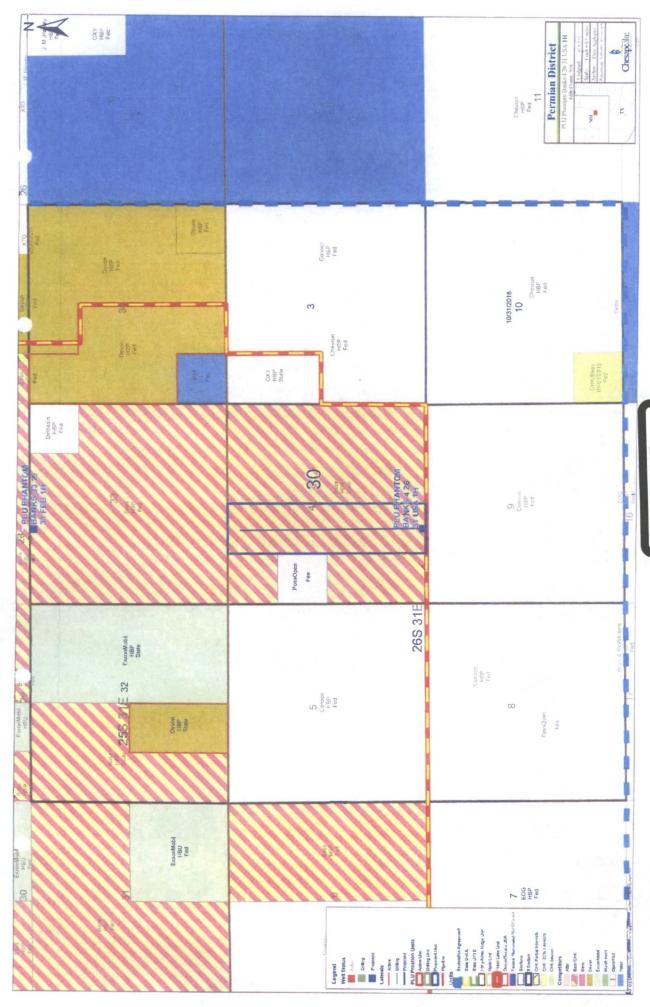


EXHIBIT PAPPIES.

DISTRICT I 1625 N. French Dr., Hobbs, NM 68240 DISTRICT II

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102 Revised July 16, 2010

Submit one copy to appropriate District Office

## 1301 W. Grand Avenue, Artesia, NM 68310

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

#### OIL CONSERVATION DIVISION 1220 South St. Francis Dr. Santa Fe, New Mexico 87505

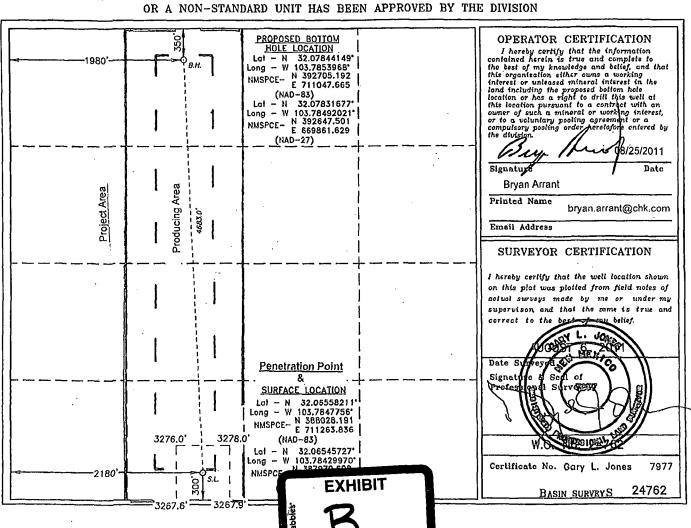
DISTRICT IV 1220 S. St. Francis Dr., Santa Fe, NU 57505

AMENDED REPORT

	WELL LOCATION AND A	CREAGE DEDICATION PLAT	LI AMENDED REPORT
API Number	Paol Code 96403	Pool Name 9/ W <del>ILDCAT, BONE SPR</del>	lest ferning B.
Property Code	— · · · · · · · · · · · · · · · · · · ·	ty Name NKS 4 26 31 USA	Well Number 1H
OGRID No. 147179	•	OF Name OPERATING CO.	Blevation 3277'

#### Surface Location North/South line Feet from the East/West line UL or lot No. Township Range Lot Idn Feet from the County Section SOUTH 300 2180 WEST **EDDY** 4 26 S 31 E N Bottom Hole Location If Different From Surface North/South line East/West line Feet from' the UL or lot No. Section Township Range Lot Idn Feet from the County WEST **NORTH** 1980 **EDDY** 4 26 S 31 E 350 Dedicated Acres Joint or Infill Consolidation Code Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED



### Exhibit C

Chesapeake's NSL Application
PLU Pierce Canyon 4 26 31 USA Well No. 1H

BOPCo., LP 201 W. Main Street Suite 3100 Fort Worth, Texas 76102

ConocoPhillips 3300 N. A Street Building 6-100 Midland, Texas 79705

