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|-----------------|----------|-------------|-------------------|----------|--------------------|
| DATE IN 9-26-11 | SUSPENSE | ENGINEER DB | LOGGED IN 9.27.11 | TYPE NSL | APP NO. 1127028004 |
|-----------------|----------|-------------|-------------------|----------|--------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

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



Chesapeake
PLU Big Simbo 24 24 30
USA #1H

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 Munds-Dry Ocean Munds-Dry a Horney 9-22-11
 Print or Type Name Signature Title Date
 omundsdry@hollandhart.com
 e-mail Address

RECEIVED OOD
 2011 SEP 26 P 4:08



September 22, 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 Big Sinks 24 24 30 USA Well No. 1H to be drilled from a surface location and penetration point 10 feet from the North line and 1980 feet from the East line and a bottomhole location 350 feet from the South line and 1980 feet from the East line of Section 24, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico.

Dear Ms. Bailey:

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 Big Sinks 24 24 30 USA Well No. 1H. This wildcat well is located in Section 24, Township 24 South, Range 30 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 10 feet from the North line and 1980 feet from the East line and a bottomhole location 350 feet from the South and 1980 feet from the East line of Section 24, Eddy County, New Mexico. A 160-acre project area has been dedicated to this horizontal well comprised of the W/2 E/2 of Section 24.

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 10 feet from the North line of Section 24; it is, therefore, closer than allowed by Division rules.



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 First Bone Spring Shale at approximately 9,192 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 north of Section 24. 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 OGX 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. and OGX were 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,

A handwritten signature in black ink that reads "Ocean Munds-Dry".

Ocean Munds-Dry
ATTORNEY FOR
CHESAPEAKE OPERATING, INC.

Enclosures

cc: OCD District Office - Artesia

DISTRICT I

1625 N. French Dr., Hobbs, NM 88240

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 July 16, 2010

Submit one copy to appropriate
District Office

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

| | | |
|---------------------|---|-------------------------------------|
| API Number | Pool Code 96403 | Pool Name WILDCAT; BONE SPRING ✓ |
| Property Code | Property Name PLU BIG SINKS 24 24 30 USA | Well Number 1H |
| OGRID No. 147179 | Operator Name CHESAPEAKE OPERATING CO. | Elevation 3472' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Ida | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| B | 24 | 24 S | 30 E | | 10 | NORTH | 1980 | EAST | EDDY |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| O | 24 | 24 S | 30 E | | 350 | SOUTH | 1980 | EAST | EDDY |

| Dedicated Acres | Joint or Infill | Consolidation Code | Order No. |
|-----------------|-----------------|--------------------|-----------|
| 160 | | | |

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

Penetration Point STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

& 3475.0' 3476.9'

| | | |
|---|---|--|
| <p>SURFACE LOCATION</p> <p>Lat - N 32.21059824° Long - W 103.8320815° NMSPC- N 440711.188 E 696364.254 (NAD-83)</p> <p>Lat - N 32.21047487° Long - W 103.83159728° NMSPC- N 440652.381 E 655180.036 (NAD-27)</p> | <p>1980'</p> <p>3467.7'</p> <p>3468.6'</p> <p>10'</p> <p>4921.6'</p> <p>350'</p> <p>1980'</p> | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained 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 a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Bryan Arrant</i> 09/16/2011 Signature Date Bryan Arrant Printed Name bryan.arrant@chk.com Email Address</p> <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>ANDREY L. JONES Date Surveyed 9-20-2011 Signature & Seal of Professional Surveyor W.O. 24759 Certificate No. Gary L. Jones 7977 DASIN SURVEYS 24759</p> |
|---|---|--|

EXHIBIT

B

tabbles

Exhibit C
Chesapeake's NSL Application
PLU Big Sinks 24 24 30 USA Well No. 1H

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

OGX
Post Office Box 2064
Idland, Texas 79702
Attention: Richard Coats

