

DATE IN <u>4.30.12</u>	SUSPENSE	ENGINEER <u>DB</u>	LOGGED IN <u>4.30.12</u>	TYPE <u>NSL</u>	APP NO. <u>1212128282</u>
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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



Chesapeake 117179

Mr. Clay Ranch 2-24-32 #1/H

ADMINISTRATIVE APPLICATION CHECKLIST *30-025-40551*

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 _____

N-2-24-5-32E

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[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.

Adam G. Rankin
Print or Type Name

Signature

Attorney
Title

Date

agrarkin@hollandhart.com
e-mail Address



April 27, 2012

VIA HAND DELIVERY

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

RECEIVED OOD
2012 APR 27 PM 4:35

Re: Application of Chesapeake Operating Co. for administrative approval of an unorthodox well location for its McCloy Ranch 2 24 32 State Com No. 1H well in the Section 2, Township 24 South, Range 32 East, N.M.P.M., Lea County, New Mexico.

Dear Ms. Bailey:

Chesapeake Operating Co. (OGRID No. 147179) hereby seeks administrative approval pursuant to the provisions of Division Rule 19.15.15.13 NMAC for an unorthodox well location for its McCloy Ranch 2 24 32 State Com No. 1H well to be located in Section 2, Township 24 South, Range 32 East, N.M.P.M., Lea County, New Mexico. The proposed well is to be drilled at a surface location 100 feet from the South line and 1980 feet from the West line of Section 2. The first perforations in the well will be at a point 330 feet from the South line of Section 2 and 1980 feet from the West line of the project area. The bottom-hole location will be 165 feet from the North line and 1980 feet from the West line of Section 2. A 159.86-acre project area has been dedicated to this horizontal well comprised of the E/2 W/2 of Section 2.

Exhibit A is a land plat for Section 2 and surrounding sections that shows the proposed non-standard location of the McCloy Ranch 2 24 32 State Com No. 1H well in relation to adjoining units and existing wells. This location is unorthodox because the Triste Draw-Bone Spring Pool 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. The bottom-hole location of this well will be located 165 feet from the North line of Section 2 for engineering reasons, and is, therefore, closer to the section line than allowed by Division rules.

Exhibit B is the Well Location and Acreage Dedication Plat (Form C-102), which shows that the proposed McCloy Ranch 2 24 32 State Com No. 1H well encroaches on the spacing and proration unit to North.

HOLLAND & HART^{LLP}



Exhibit C is a list of the affected parties. Pursuant to 19.15.4.12(A)(2)(c) NMAC, affected parties are those toward whom the non-standard location encroaches. Here, the proposed bottom-hole location encroaches to the North upon an unleased federal minerals. The affected party, therefore, is the Bureau of Land Management. A copy of this application with all attachments was mailed to the notice recipient.

Your attention to this application is appreciated.

Sincerely,

Adam G. Rankin

ATTORNEY FOR CHESAPEAKE OPERATING CO.

cc: David K. Brooks, Oil Conservation Division
Hobbs District Office, Oil Conservation Division
Jerris Johnson, Chesapeake Operating, Inc. (w/o enclosures)

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1293 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code 96603	³ Pool Name TRISTE DRAW; BONE SPRING
⁴ Property Code	⁵ Property Name MCCLOY RANCH 2 24 32 STATE COM		⁶ Well Number 1H
⁷ OGRID No. 147179	⁸ Operator Name CHESAPEAKE OPERATING, INC.		⁹ Elevation 3616'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	2	24 SOUTH	32 EAST, N.M.P.M.		100'	SOUTH	1980'	WEST	LEA

¹¹ 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
C	2	24 SOUTH	32 EAST, N.M.P.M.		165'	NORTH	1980'	WEST	LEA

¹² Dedicated Acres 159.86	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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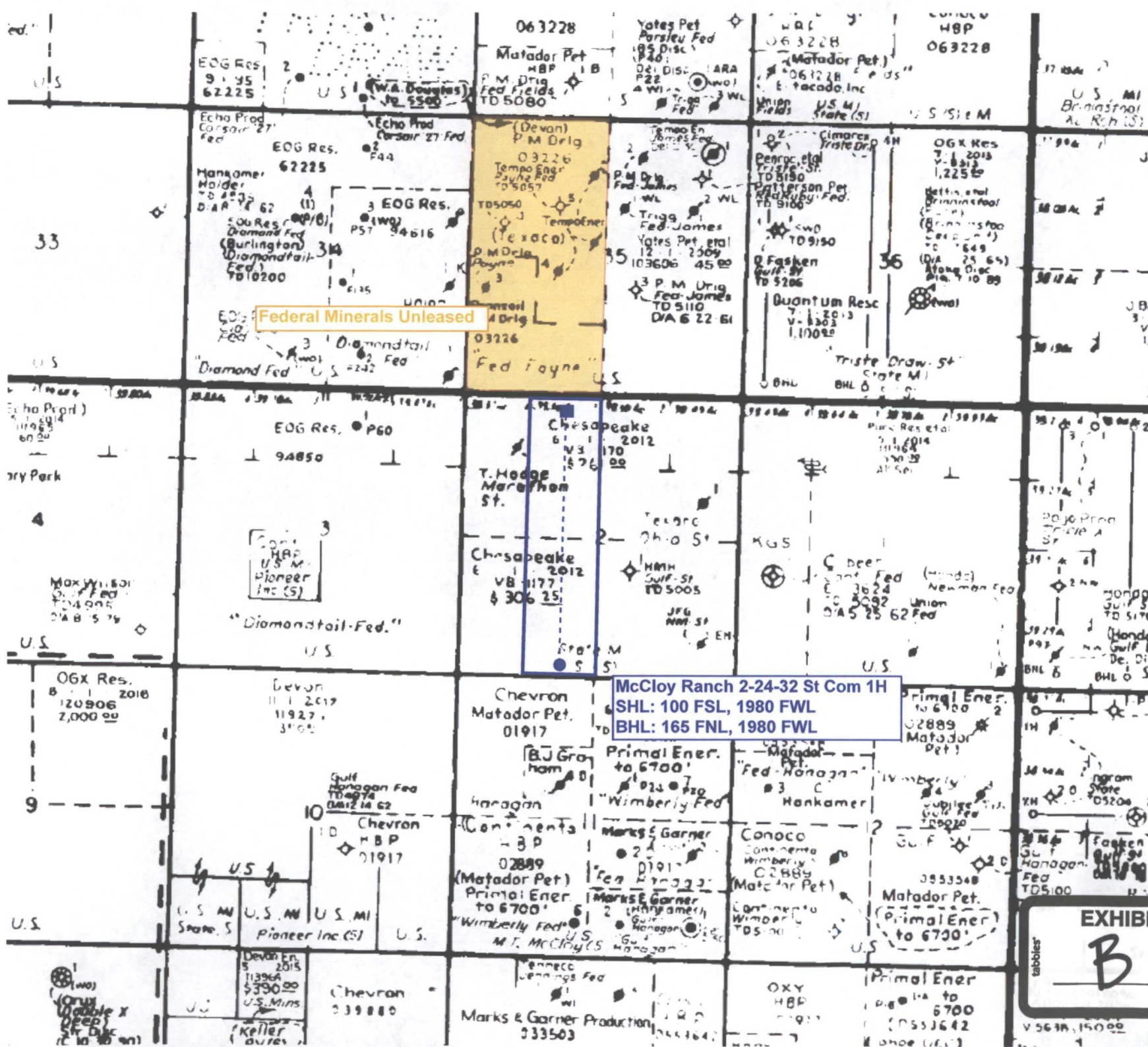
No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

<p>PROPOSED BOTTOM HOLE LOCATION</p> <p>X= 712,151 NAD 27 Y= 456,550 LAT. 32.253308 LONG. 103.647078</p> <p>X= 753,334 NAD83 Y= 456,609 LAT. 32.253431 LONG. 103.647560</p>	<p>¹¹ 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> 4/27/2012 Signature Date</p> <p>Printed Name bryan.arrant@chk.com</p> <p>E-mail Address</p>
	<p>¹² 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>April 27, 2012 Date of Survey</p> <p>Signature and Seal of Registered Professional Surveyor: <i>[Signature]</i></p> <p>Certificate Number 15078</p>

PROJECTED FIRST PERFORATIONS
330' FSL & 1980' FWL

EXHIBIT

A



EXHIBIT

B

EXHIBIT C
Chesapeake's NSL Application
McCloy Ranch 2 24 32 State Com No. 1H

Carlsbad Field Office
Bureau of Land Management
620 E. Greene St.
Carlsbad, NM 88220

HOLLAND & HART^{LLP}



Adam G. Rankin
Phone 505-988-4421
Fax 505-983-6043
agrarkin@hollandhart.com

April 27, 2012

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO AFFECTED PARTIES

Re: Application of Chesapeake Operating Co. for administrative approval of an unorthodox well location for its McCloy Ranch 2 24 32 State Com No. 1H well in the Section 2, Township 24 South, Range 32 East, N.M.P.M., Lea County, New Mexico.

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date by Chesapeake Operating Co. for administrative approval of an unorthodox well location for its McCloy Ranch 2 24 32 State Com No. 1H well. The proposed well is to be drilled at a surface location 100 feet from the South line and 1980 feet from the West line of Section 2. The first perforations in the well will be at a point 330 feet from the South line and 1980 feet from the West line of Section 2. The bottom-hole location will be 165 feet from the North line and 1980 feet from the West line of Section 2. A 159.86-acre project area has been dedicated to this horizontal well comprised of the E/2 W/2 of Section 2.

As an owner of an interest that may be affected by the proposed well, you may object to this application. Objections must be filed in writing within twenty days from this date at the Division's Santa Fe office that is located at 1220 South Saint Francis Drive, Santa Fe, New Mexico, 87505. If no objection is received within this twenty-day period, this application for an unorthodox well location may be approved.

Sincerely,

Adam G. Rankin
ATTORNEY FOR CHESAPEAKE OPERATING CO.

Enclosures

Holland & Hart^{LLP}

Phone [505] 988-4421 **Fax** [505] 983-6043 **www.hollandhart.com**

110 North Guadalupe Suite 1 Santa Fe, NM 87501 **Mailing Address** P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ♻