

6-29-05 DATE IN	7-19-05 SUSPENSE	STONER ENGINEER	6-30-05 LOGGED IN	NSL TYPE	PCMO518129362 APP NO.
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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



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

2005 JUN 29 PM 2 01

[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 Attorney 6-29-05
 Print or Type Name Signature Title Date
 omundsdry@hollandhart.com
 e-mail Address



June 29, 2005

HAND DELIVERY

Mr. Mark Fesmire, 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 Stanolind Operating Corp., as operator, and Stanolind Oil and Gas Corporation, as a leasehold owner, for administrative approval of an unorthodox well location for its Berry Hobbs Unit 17 Well No. 1 (**API No. 30-025-36657**), to be plugged back and re-completed to the Wolfcamp (Oil) formation at its existing surface location; 2490 feet from the South line and 1850 feet from the East line of Section 17, Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Fesmire:

Stanolind Operating Corp. ("Stanolind") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4), of an unorthodox well location in the North Shoe Bar-Wolfcamp Pool for its Berry Hobbs Unit 17 Well No. 1 located 2490 feet from the South line and 1850 feet from the East line of Section 17 (Unit J), Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico. An unorthodox location for this well was previously approved in the Morrow (Gas) & Strawn (Oil) formations by Division Order R-12124, dated March 30, 2004. The well did not yield economic volumes by virtue of the completion in the Morrow formation and was deemed non-productive (wet) as based on log and DST results as to the Strawn formation. Stanolind now seeks approval to plug the well back in the Wolfcamp formation at the existing surface location.

This proposed plug back to the Wolfcamp formation as to the existing surface location is unorthodox because it is governed by Special Pool Rules and Regulations for the North Shoe Bar-Wolfcamp Pool which provides for wells on 160-acre spacing units to be located within 150 feet of the center of a governmental quarter-quarter section or lot.

HOLLAND & HART^{LLP}



The proposed unorthodox Wolfcamp well location is only 150 feet from the northern boundary of the NW/4 SE/4 (Unit J) and therefore encroaches on the NE/4 of Section 17. A standard 160-acre spacing unit and proration unit comprised of the SE/4 of Section 17 will be dedicated to the well.

Exhibit A is a plat that shows the subject area, the 160-acre proposed spacing unit comprised of the SE/4 of Section 17 and the existing unorthodox well location.

Exhibit B is the C-102 originally filed for the well that shows the surveyed location of the well.

Exhibit C is a letter agreement dated October 1, 2003, between Chesapeake Energy Corporation and Permian Resources Holdings, Inc. (prior operator and leasehold owner to Stanolind Operating Corp.), whereby Chesapeake waived objection to any unorthodox Wolfcamp location proposed by Permian in said Section 17. The proposed unorthodox well location is adjacent to and directly offsetting Chesapeake Energy Corporation's 160 acre, NE/4 Sec 17, proration unit which is dedicated to its Berry Hobbs # 1 well located in the NE/4 NE/4 (Unit A) which is currently producing from the Wolfcamp interval 10,357' to 10,375'. A copy of this application has been sent to Chesapeake, the only party affected by the application, advising it that if it has an objection to this application it must be filed in writing with the Division's Santa Fe office within twenty days from the date this notice was sent.

Exhibit D is a waiver of objection to the unorthodox well location signed by Chesapeake.

Also enclosed is a proposed administrative order prepared by Stanolind on behalf of the Division.

Your attention to this application is appreciated.

Very truly yours,

Ocean Munds-Dry

Ocean Munds-Dry
ATTORNEY FOR STANOLIND OPERATING
CORP. & STANOLIND OIL & GAS CORP.

Enclosures

cc: William L. Porter
Stanolind Operating Corp.



June 29, 2005

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Lynda F. Townsend, CPL/ESA
Chesapeake Energy Corporation
6100 N. Western Avenue
Oklahoma City, Oklahoma 73118

Re: Application of Stanolind Oil and Gas Corporation for administrative approval of an unorthodox well location for its Berry Hobbs Unit 17 Well No. 1 (API No. 30-025-36657), to be re-entered and re-completed from a surface location 2490 feet from the South line and 1850 feet from the East line of Section 17, Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico.

Dear Ms. Townsend:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date by Stanolind Oil and Gas Corporation for administrative approval of an unorthodox well location for its Berry Hobbs Unit 17 Well No. 1, to be re-entered and re-completed up hole to the Wolfcamp formation, North Shoe Bar-Wolfcamp Gas Pool, at a location 2490 feet from the South line and 1850 feet from the East line of Section 17, Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico.

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.

Very truly yours,

Ocean Munds-Dry

ATTORNEY FOR STANOLIND OPERATING
CORP. & STANOLIND OIL & GAS CORP.

Enclosures



Lynda F. Townsend, CPL/ESA
Landman

October 8, 2003

VIA FACSIMILE (432) 685-3621

Mr. William L. Porter
Permian Resources, Inc.
P. O. Box 590
Midland, TX 79702

Re: W/2 Section 13-16S-35E,
All Section 17-16S-36E,
Lea County, New Mexico

Dear Mr. Porter:

This letter, when executed by both parties will set out the general terms of an agreement between Permian Resources Holdings, Inc. and Chesapeake Exploration Limited Partnership concerning the captioned areas.

Permian and Chesapeake agree to the following:

1. Permian will assign all of its right, title and interest in and to the W/2 of Section 13-16S-35E to Chesapeake, save and except the wellbores and production from the Hilburn #1, #2, #3 and Wiser #1 wells.
2. Chesapeake will assign all of its right, title and interest in and to Section 17-16S-36E to Permian.
3. TMBR/Sharp Drilling Co. will agree to farmout all of its right, title and interest in and to the W/2 of Section 13-16S-35E, save and except the wellbore and production from the Hilburn #3 well, reserving an overriding royalty interest equal to the difference between outstanding lease burdens and 25%, proportionately reduced. Upon 100% payout of the well, TMBR/Sharp shall have the option to convert said override to a 25% working interest, proportionately reduced. In addition, Chesapeake will pay TMBR/Sharp a bonus consideration of \$100.00/acre.
4. Playtime, Inc., Thomas C. Brown, Quimex International, Rudd Family Trust and the Piyush V. Patel and Meena Patel Family Trust agree to farmout their interests under the same terms as outlined in item 3, with the exception that they are to receive a \$200.00/acre bonus consideration.

5. Chesapeake will agree, as an offset operator, to waive any objections to any unorthodox Strawn and/or Wolfcamp locations proposed by Permian in Section 17-16S-36E.
6. Chesapeake and Permian will agree to exchange all well data from new wells drilled by the parties in the W/2 of Section 13-16S-35E and Section 17-16S-36E. All such data to be sent to the other party concurrently as received.
7. Chesapeake agrees to sell its final stacked migrated 3D seismic covering the N/2 of Section 19 and the N/2 of Section 20-16S-36E to Permian for \$7,000.00 per square mile.
8. Chesapeake agrees to support Permian in its current application at the NMOCD to change the field rules for the Shoe Bar North (Strawn) Pool from 160 acre proration units to 80 acre proration units with distance from lease lines at 330' and distance between wells at 1020'.
9. Chesapeake agrees to take TMBR/Sharp's bid to drill the McCormick 1-13 well to be located in the W/2 of Section 13-16S-35E and if competitive, will give Rig #23 every consideration.

The above trade is contingent upon the execution of applicable, mutually acceptable agreements. Please let me know should you have any questions or additions concerning same.

Very truly yours,



Lynda F. Townsend

AGREED AND ACCEPTED THIS _____ DAY OF OCTOBER 2003.

PERMIAN RESOURCES HOLDINGS, INC.

BY: _____

TITLE: _____

CEO.

STANOLIND OIL AND GAS CORP.

May 27, 2005

Lynda F. Townsend, CPL/ESA
Chesapeake Energy Corporation
6100 N. Western Ave.
Oklahoma City, OK 73118

Re: **Request for Waiver of Objection to an unorthodox well location in the North Shoe Bar-Wolfcamp Pool Berry Hobbs Unit 17 Well No. 1 SE/4 Section 17, T-16-S, R-36-E Lea County, New Mexico.**

Dear Lynda:

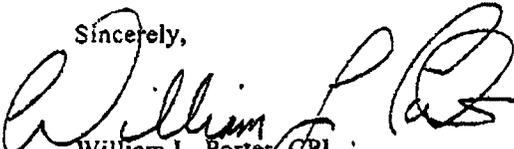
Stanolind Oil and Gas Corporation, successor to Permian Resources Inc., and through its operating entity Stanolind Operating Corp., operates the Berry Hobbs Unit 17 Well No. 1 at a location of 2490' FSL and 1850' FEL in the SE/4 (Unit J) of Section 17, T-16-S, R-36-E. This well has not been successful in the Morrow (gas) and the Strawn interval appears non-productive by virtue of log analysis. Accordingly, Stanolind would like to re-complete this well in the Wolfcamp formation and intends to apply with the New Mexico Oil Conservation Division for approval of an unorthodox well location in the North Shoe Bar-Wolfcamp Pool.

The special pool rules for the North Shoe Bar-Wolfcamp Pool require all wells to be located within 150 feet of the center of all governmental 1/4 1/4 sections. Accordingly, this proposed re-completion encroaches upon the NE/4 spacing and proration unit dedicated to your Berry Hobbs #1 Wolfcamp well in Unit B of this Section.

Pursuant to the October 8, 2003, letter agreement between Chesapeake and Permian (enclosed), please consider this letter a formal request for a waiver of this unorthodox well location. Stanolind requests that you sign in the space provided below and return the executed letter to me by email or facsimile so that it may be presented to the Division as an indication of Chesapeake's waiver of objection to this re-complete effort.

Stanolind appreciates your cooperation in this matter.

Sincerely,



William L. Porter, CPL
Vice President / Land Manager

P. O. Box 1311
MIDLAND, TEXAS 79702
432.688.4250

550 W. TEXAS, SUITE 900
MIDLAND, TEXAS 79701
FAX 432.688.0057

EXHIBIT D

Page 2
Lynda F. Townsend
Chesapeake Energy Corporation
May 27, 2005
Unorthodox Well Location
Berry Hobbs Unit 17 No. 1
Lea County, New Mexico

Chesapeake Exploration L.P. HEREBY WAIVES OBJECTION to the unorthodox well location noted herein.

CHESAPEAKE EXPLORATION L.P.

By: C. Michael P.
Its: Permian Prod. Mgr.
Dated: 5-27-05