

11-16-12 DATE IN	12-6 SUSPENSE	ENGINEER	DB	11-20 LOGGED IN	NSL TYPE	PDKB1232563554 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



Chapman
McClary Ranch 2 24 32
At Corn #2H

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 _____

RECEIVED OOD
2012 NOV 16 P 5 32

[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
agrarkin@hollandhart.com
e-mail Address
11/16/12
Date



November 16, 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 OGD
2012 NOV 16 P 5 32

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its McCloy Ranch 2 24 32 State Com 2H well in Section 2, Township 24 South, Range 32 East, N.M.P.M., Lea County, New Mexico.

Dear Ms. Bailey:

Chesapeake Operating Inc. (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 Chevron USA, Inc.'s McCloy Ranch 2 24 32 State Com 2H 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 horizontally at a surface location 100 feet from the South line and 400 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 approximately 400 feet from the West line of the project area. The bottom-hole location will be 150 feet from the North line and 400 feet from the West line of Section 2. A 160-acre project area has been dedicated to this horizontal well comprised of the W/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 2H well in relation to adjoining units and existing wells. This location is unorthodox because 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 150 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 2H well encroaches on the spacing and proration unit to the 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. The affected party is United States Bureau of Land Management (BLM). Notice of this application with all attachments has been sent to the BLM at the address indicated on Exhibit C.

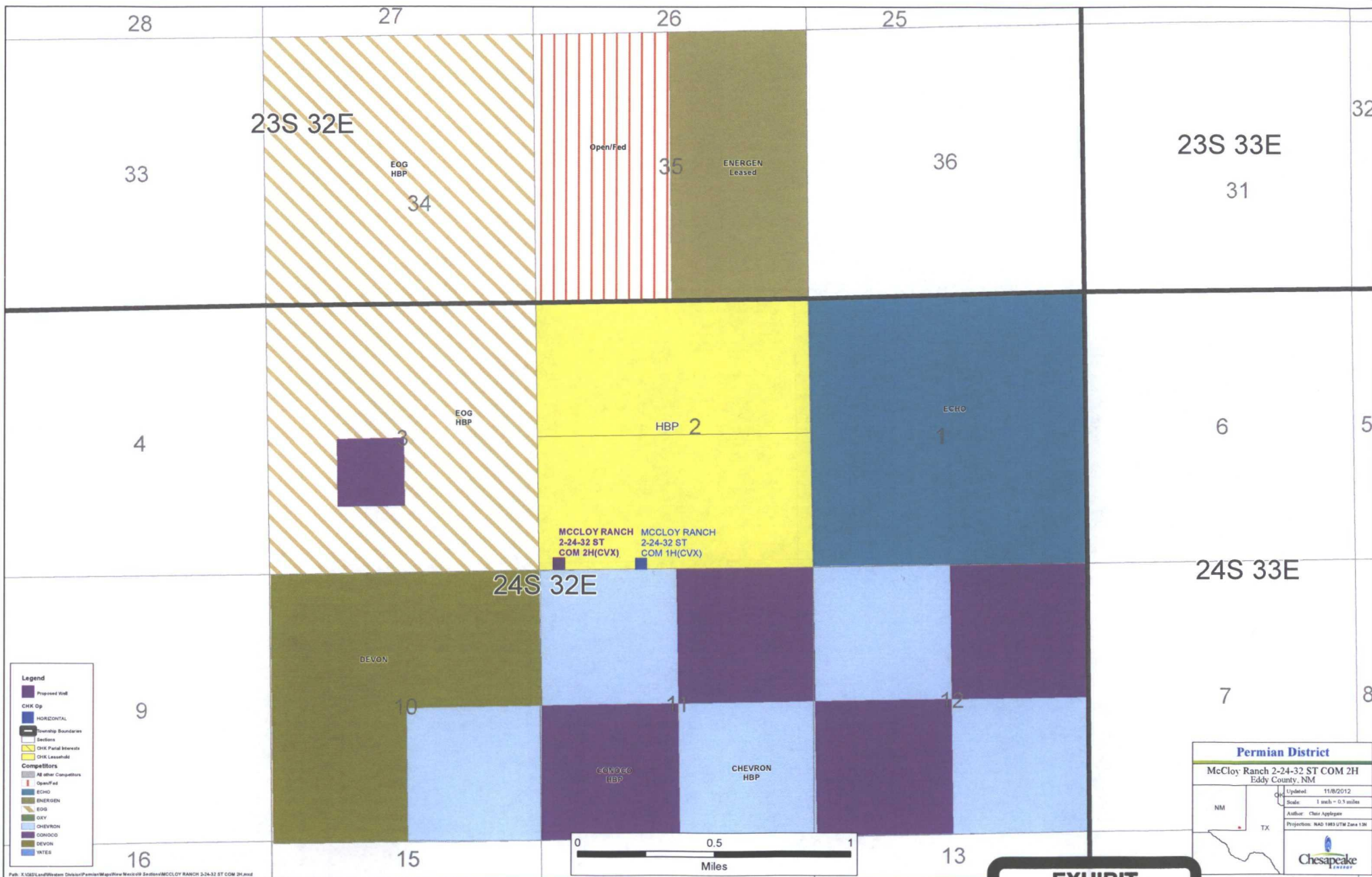
Your attention to this application is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "AG Rankin", with a large, stylized initial "A" and "G".

Adam G. Rankin

ATTORNEY FOR CHESAPEAKE OPERATING INC.



EXHIBIT

A

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (505) 393-6161 Fax: (505) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (505) 748-1283 Fax: (505) 748-9720
District III
1000 Rio Pecos 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 30-025-40860		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 2H
⁷ OGRID No. 4323	⁸ Operator Name CHEVRON USA, INC.		⁹ Elevation 3632'

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
M	2	24 SOUTH	32 EAST, N.M.P.M.		100	SOUTH	400	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
D	2	24 SOUTH	32 EAST, N.M.P.M.		150	NORTH	400	WEST	LEA

¹² Dedicated Acres 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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.

<p>400'</p> <p>150'</p> <p>N 00°23'46"W 5012.59'</p> <p>Producing Area</p> <p>Project Area</p> <p>Projected Penetration Point 330' FSL & 400' FWL</p> <p>400'</p> <p>100'</p>	<p>PROPOSED BOTTOM HOLE LOCATION</p> <p>X= 710,571 NAD 27 Y= 456,649 LAT. 32.263334 LONG. 103.652189</p> <p>X= 751,764 NAD83 Y= 456,608 LAT. 32.263457 LONG. 103.652671</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and correct to the best of my knowledge and belief, and that this organization either owns a working interest or released 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 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> 11/08/2012 Signature Date</p> <p>Bryan Arrant (Agent)</p> <p>Printed Name</p> <p>bryan.arrant@chk.com</p> <p>E-mail Address</p>
	<p>MCCLOY RANCH 2 24 32 STATE COM 2H</p> <p>X= 710,605 NAD 27 Y= 451,636 LAT. 32.230555 LONG. 103.652180</p> <p>X= 751,789 NAD83 Y= 451,595 LAT. 32.239879 LONG. 103.652681</p> <p>ELEVATION +3832' NAVD 88</p>	<p>18 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><i>Nov 8 2012</i> Date of Survey</p> <p><i>WM. J. DANIEL III</i> Signature and Seal of Professional Surveyor</p> <p>15078</p> <p>#15078 Certificate Number</p>



EXHIBIT C

**Chesapeake's NSL Application
McCloy Ranch 2 24 32 State Com 2H well**

US Dept of Interior
Bureau of Land Management
Field Manager, Jim Stovall
620 E. Greene Street
Carlsbad, NM 88220-6292

HOLLAND & HART ^{LLP}



Adam G. Rankin
Associate
Phone 505-954-7294
Fax 505-983-6043
AGRankin@hollandhart.com

November 16, 2012

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

US Dept of Interior
Bureau of Land Management
Field Manager, Jim Stovall
620 E. Greene Street
Carlsbad, NM 88220-6292

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its McCloy Ranch 2 24 32 State Com 2H well in 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 November 16, 2012 by Chesapeake Operating Co. for administrative approval of an unorthodox well location for its Chevron USA, Inc.'s McCloy Ranch 2 24 32 State Com 2H 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 horizontally at a surface location 100 feet from the South line and 400 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 approximately 400 feet from the West line of the project area. The bottom-hole location will be 150 feet from the North line and 400 feet from the West line of Section 2. A 160-acre project area has been dedicated to this horizontal well comprised of the W/2 W/2 of Section 2.

As an owner of an interest that may be affected by the well, you may object to this application. Objections must be filed in writing within twenty days from this date at the Divisions Santa Fe office that is located at 1220 South St. 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, INC.

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. ♻

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Tuesday, November 20, 2012 5:50 PM
To: agrankin@hollandhart.com
Subject: Chevron USA, Inc. - McCloy Ranch 2 24 32 State Com #2H; NSL Application

Dear Adam

It appears that the encroaching portion of this wellbore is less than 467 feet from the NW corner of the section, and therefore encroaches toward the spacing unit to the northwest, as well as the unit to the north.

Please advise concerning ownership of the unit to the northwest.

Sincerely

David K. Brooks

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Thursday, December 06, 2012 3:56 PM
To: agrankin@hollandhart.com
Subject: FW: McCloy Ranch 2 24 32 St Com 2H and 4H NSL applications

Dear Adam

I am not aware if I have received the amended C-102 on the McCloy Ranch 2 24 32 State Com #2H. If so, I cannot find it.

Sincerely

David

From: Adam Rankin [<mailto:AGRankin@hollandhart.com>]
Sent: Thursday, November 29, 2012 3:21 PM
To: Dane Maxwell; Brooks, David K., EMNRD
Subject: RE: McCloy Ranch 2 24 32 St Com 2H and 4H NSL applications

Thanks Dane – and David.

From: Dane Maxwell [<mailto:dane.maxwell@chk.com>]
Sent: Thursday, November 29, 2012 3:18 PM
To: Adam Rankin; 'Brooks, David K., EMNRD'
Subject: RE: McCloy Ranch 2 24 32 St Com 2H and 4H NSL applications

David/Adam,

Sorry for the confusion. Energen has been contacted about the McCloy Ranch 2 23 32 St Com 4H and are working to get an agreement with them. Please hold off on the withdrawal until further notice.

From: Adam Rankin [<mailto:AGRankin@hollandhart.com>]
Sent: Thursday, November 29, 2012 4:02 PM
To: Brooks, David K., EMNRD
Subject: McCloy Ranch 2 24 32 St Com 2H and 4H NSL applications

David,

Greetings.

Chesapeake hereby withdraws its application for a non-standard location for the McCloy Ranch 2 24 32 St. Com 4H, filed on November 16, 2012.

As to the application for a non-standard location for the McCloy Ranch 2 24 32 St. Com 2H, you brought to our attention the fact that under the existing C-102, this well not only encroaches upon the unleased BLM property to the north, but also upon the EOG property to the northwest. After considering this fact, Chesapeake intends to file an amended C-102 indicating that its final perforations within the completed interval will be greater than 467 feet from the northwest corner, but still closer than 330 feet from the north. Therefore, the well will no longer be encroaching on EOG to the northwest, but will still be encroaching upon the unleased BLM property to the north.

As soon as I receive a filed copy of the amended C-102, I will send it to you for your review and case file records.

Based on this alteration to the application, I presume that the original notice and filing date of November 16, 2012, will function as the start of the notice/protest clock and that this application will be ripe for approval after December 6, or 20 days from the date the application was received by the Division.

Please advise me if this understanding is correct and whether, after the time has run, the BLM has objected to the application. Also, please acknowledge for my records that the Division has withdrawn the McCloy Ranch 2 24 32 St. Com 4H NSL application.

Thank you for your attention to this matter and your continued assistance.

Very best,
Adam

Adam G. Rankin
Holland & Hart LLP
110 North Guadalupe Suite 1
P.O. Box 2208
Santa Fe, NM 87504
Office: (505) 988-4421
Direct: (505) 954-7294
Cell: (505) 570-0377
Fax (505) 983-6043
E-mail: agrarkin@hollandhart.com
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Brooks, David K., EMNRD

From: Adam Rankin <AGRankin@hollandhart.com>
Sent: Thursday, December 06, 2012 4:20 PM
To: Brooks, David K., EMNRD
Subject: RE: McCloy Ranch 2 24 32 St Com 2H and 4H NSL applications

Thanks David. I will follow up with Dane. I haven't seen one either yet.

From: Brooks, David K., EMNRD [<mailto:david.brooks@state.nm.us>]
Sent: Thursday, December 06, 2012 3:56 PM
To: Adam Rankin
Subject: FW: McCloy Ranch 2 24 32 St Com 2H and 4H NSL applications

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Thank you for your attention to this matter and your continued assistance.

Very best,
Adam

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Brooks, David K., EMNRD

From: Adam Rankin <AGRankin@hollandhart.com>
Sent: Monday, December 10, 2012 9:21 AM
To: Brooks, David K., EMNRD
Subject: RE: McCloy Ranch 2 24 32 St Com 2H and 4H NSL applications
Attachments: MCCLOY RANCH 2 24 32 STATE COM 2H (Amended Plat).pdf.pdf; NSL Waiver - McCloy Ranch 2-24-32 St Com 2H.pdf.pdf.pdf

David,

Attached is Chesapeake's amended C-102 indicating that the last perforation in the completed interval will be at a location 180 feet from the north line of the section and 400 feet from the west line. EOG has agreed to waive their objections to any locations further than 438.23 from the northwest corner. I have attached EOG's waiver again to this email for reference. Chesapeake's amended to the C-102 puts the last perforation at a location 438.63 feet from the northwest corner of the section and, thus, at a distance that complies with the terms of EOG's waiver.

With this waiver and amended C-102, I believe Chesapeake has addressed the Division's concerns regarding EOG's interests to the northwest. That leaves only the BLM to the north. Has the BLM protested the unorthodox location?

Thanks David!

Best,
Adam

Adam G. Rankin
Holland & Hart LLP
110 North Guadalupe Suite 1
P.O. Box 2208
Santa Fe, NM 87504
Office: (505) 988-4421
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Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
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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 30-025-40860		² Pool Code (96603)		³ Pool Name TRISTE DRAW; BONE SPRING	
⁴ Property Code 310784		⁵ Property Name MCCLOY RANCH 2 24 32 STATE COM			⁶ Well Number 2H
⁷ QGRID No. 4323		⁸ Operator Name CHEVRON U.S.A. INC.			⁹ Elevation 3632'

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
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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
D	2	24 SOUTH	32 EAST, N.M.P.M.		150	NORTH	400	WEST	LEA

¹² Dedicated Acres 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No. NSL-Pending
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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= 710,571 NAD 27 Y= 456,549 LAT. 32.253334 LONG. 103.652189</p> <p>X= 751,754 NAD83 Y= 456,608 LAT. 32.253457 LONG. 103.652671</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 a leased 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> 12/10/2012 Signature Date Bryan Arrant (Agent for Chevron) Printed Name bryan.arrant@chik.com E-mail Address</p>	
	<p>PROPOSED LAST PERFORATION POINT</p> <p>X= 710,571 NAD 27 Y= 456,519 LAT. 32.253251 LONG. 103.652189</p> <p>X= 751,755 NAD83 Y= 456,578 LAT. 32.253376 LONG. 103.652670</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>DEC 7 2012 Date of Survey Signature and Seal of Professional Surveyor</p>
	<p>MCCLOY RANCH 2 24 32 STATE COM 2H</p> <p>X= 710,605 NAD 27 Y= 451,536 LAT. 32.239555 LONG. 103.652180</p> <p>X= 751,769 NAD83 Y= 451,595 LAT. 32.239679 LONG. 103.652661</p> <p>ELEVATION 3632' NAD 83</p>		<p>WIM J. DANIEL III NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR 15078</p>
	<p>Penetration Point 330' FSL & 400' FVL</p>		<p>#15078 Certificate Number</p>



EOG Resources, Inc.
P. O. Box 2267
Midland, TX 79702

December 4, 2012

Chesapeake Operating, Inc.
agent for Chevron U.S.A. Inc.
6100 N. Western Avenue
Oklahoma City, OK 73118

ATTN: Dane M. Maxwell

RE: Your McCloy Ranch 2 2432 State Com 2H well
T24S, R32E, N.M.P.M.
Section 2: L-4, SWNW, W2SW (W2W2)
Lea County, NM

Gentlemen:

Reference is made for all purposes to 1) your application to the New Mexico Oil Conservation Division for an unorthodox well location for the captioned well; and 2) your Non-standard Location Waiver Letter with plat attached dated November 30, 2012 requesting a waiver of any objection EOG Resources, Inc., (hereafter "EOG") as an affected party, to said application.

Please be advised that EOG, as an offset owner, has no objection to Chesapeake Operating, Inc., agent for Chevron U.S.A. Inc. (hereafter "CHK") drilling the captioned well at the requested unorthodox location, subject to the following conditions:

- a) CHK., for itself, its successors and assigns, agrees to locate the lowermost perforation in said well at a point not closer than 438.23 feet from the northeast corner of Section 3, T24S, R32E, N.M.P.M., Lea County, NM in accordance with the plat attached hereto as Exhibit "A" and made a part hereof.
- b) In the event EOG determines at any time in the future to drill a similar unorthodox location, CHK agrees to execute a waiver in favor of EOG to allow for EOG's unorthodox location.

If you find the foregoing satisfactory, please have the appropriate authority sign and date both copies of this letter and return one copy to the attention of the undersigned at the letterhead address.

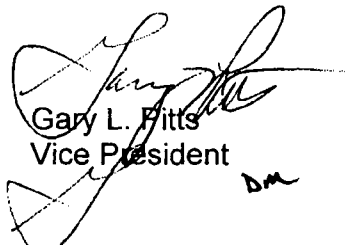
Chesapeake Operating, Inc.

December 4, 2012

page 2 of 2

Thank you in advance for your prompt attention to this matter.

Sincerely,



Gary L. Pitts
Vice President

GLP:dm
Attachment

ACCEPTED AND AGREED TO THIS ____ DAY OF DECEMBER, 2012.

CHESAPEAKE OPERATING INC.,
an Oklahoma Corporation

By:



David W. Bolton
Land Manager – Permian District

Exhibit A

Attached to that certain Letter Agreement dated December 4, 2012
Between Chesapeake Operating, Inc. and EOG Resources, Inc. for the
McCloy Ranch 2-2432 State Com 2H

