

03/12/2013 DATE IN	SUSPENSE	ENGINEER <u>DB</u>	03/13/13 LOGGED IN	TYPE <u>NSL</u>	APP NO. <u>PPRG 130723 3331</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



Horizontal Well
API Pending
Hayhurst 16 25 27 State #2H
Chesapeake operating

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

6792

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 _____

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2013 MAR 12 P 3:37

[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]
Signature

Attorney
Title

3/12/13
Date

agrarkin@hollandhart.com
e-mail Address



March 12, 2013

VIA HAND DELIVERY

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

RECEIVED OOD
2013 MAR 12 P 3:37

Re: Application of Chesapeake Operating, Inc., agent for Chevron USA, Inc., for administrative approval of an unorthodox well location for its Hayhurst 16 25 27 State 2H well in the Bone Spring formation in Section 16, Township 25 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

Dear Ms. Bailey:

Chesapeake Operating, Inc., (OGRID No. 147179) agent for Chevron USA, Inc. (OGRID No. 4323) hereby seeks administrative approval pursuant to the provisions of Division Rule 19.15.15.13 NMAC for an unorthodox well location for its Hayhurst 16 25 27 State 2H well to be located in Section 16, Township 25 South, Range 27 East, N.M.P.M., Eddy County, New Mexico. The proposed well is to be drilled horizontally in the Bone Spring formation at a surface location 150 feet from the North line and 1780 feet from the East line with a bottom hole location of 200 feet from the South line and 1780 feet from the East line which will be at an unorthodox location. A 160-acre project area has been dedicated to this horizontal well comprised of the W/2 E/2 of Section 16.

Exhibit A is a land plat for Section 16 and surrounding sections that shows the proposed non-standard location of the Hayhurst 16 25 27 State 2H well in relation to adjoining units and existing wells. This location is unorthodox because the 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. The last perforation in this proposed well of this well will be located approximately 200 feet from the South line of Section 16 for engineering reasons, and is, therefore, unorthodox under the Division rules.

Exhibit B is the Well Location and Acreage Dedication Plat (Form C-102), which shows that the proposed Hayhurst 16 25 27 State 2H well encroaches on the spacing and proration unit to the South.



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 on the spacing and proration unit to the South. The operator of spacing and proration unit to the South is Chevron, the applicant for this non-standard location; therefore, the affected parties under the rules are the working interest owners in the encroached-upon spacing and proration unit to the South. In this case, Chevron owns 100 percent of the working interest in the encroached-upon spacing and proration unit to the South.

Your attention to this application is appreciated.

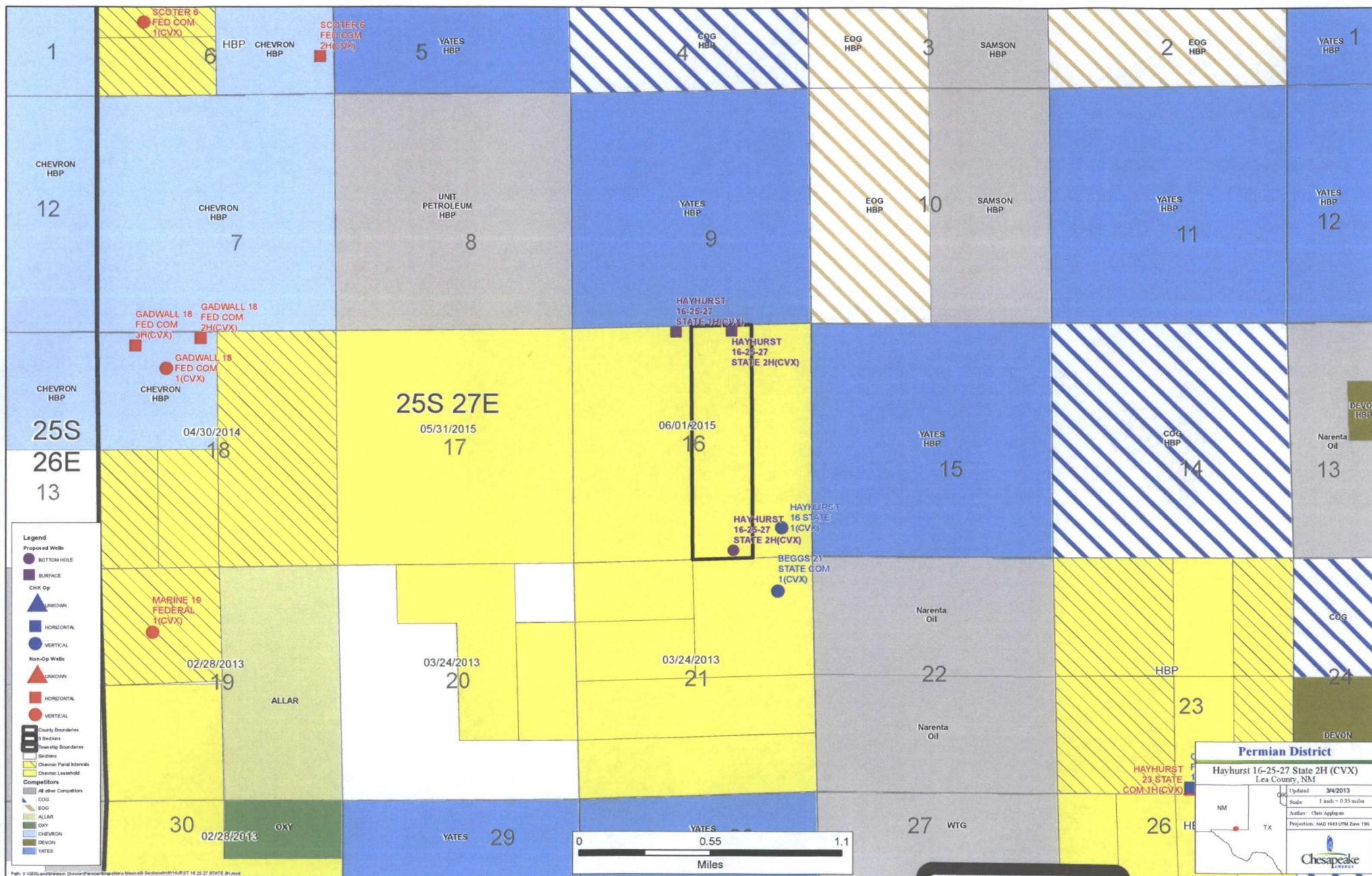
Sincerely,

A handwritten signature in black ink, appearing to read "Adam G. Rankin".

Adam G. Rankin

ATTORNEY FOR CHESAPEAKE OPERATING, INC.

Enclosures



EXHIBIT

A

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6101 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1060 Rio Brazos Road, Ariceo, 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 30-015-41121		² Pool Code 96403	³ Pool Name Wildcat, Bone Spring
⁴ Property Code	⁵ Property Name HAYHURST 16 25 27 STATE		⁶ Well Number 2H
⁷ OGRID No.	⁸ Operator Name CHEVRON U.S.A. INC.		⁹ Elevation 3201'

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
B	16	25 SOUTH	27 EAST, N.M.P.M.		150'	NORTH	1780'	EAST	EDDY

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
O	16	25 SOUTH	27 EAST, N.M.P.M.		200'	SOUTH	1780'	EAST	EDDY

¹² Dedicated Acres	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>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 undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well in 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>Signature _____ Date _____</p> <p>Printed Name _____</p> <p>E-mail 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>Date of Survey Jan 30</p> <p>Signature and Seal of Professional Surveyor: WM. J. DANIEL III</p> <p>NEW MEXICO</p> <p>REGISTERED PROFESSIONAL SURVEYOR</p> <p>15078</p> <p>Certification Number 15078</p>

EXHIBIT

B

EXHIBIT C

**Chesapeake's NSL Application
Hayhurst 16 25 27 State 2H well**

Chevron U.S.A. Inc.
P.O. Box 2100
Houston, Texas 77252
Attention: MCBU Land Manager
Fax: (713) 372-1580

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Wednesday, April 10, 2013 3:16 PM
To: agrankin@hollandhart.com
Subject: Chesapeake(Chevron) - Hayhurst 16 25 27 State #2H; NSL Application

Dear Adam

This NSL Application for a horizontal well seems to be premised on the assumption that the location is non-standard only at the bottom hole location, at the South end of this proposed North-to-South lateral. However, the surface location is non-standard at the North end of the project area, and I find no statement in your letter or the accompanying materials identifying the footage location of the beginning point of the completed interval.

Please advise us of the location of the beginning of the completed interval, so I can determine if this proposed location is non-standard to the North.

Sincerely

David K. Brooks

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Wednesday, April 10, 2013 3:27 PM
To: 'Adam Rankin'
Subject: RE: Chesapeake(Chevron) - Hayhurst 16 25 27 State #2H; NSL Application

Dear Adam

No need to file an amended C-102 for the NSL application. Just get them to give you estimated footages for the first perforation, and send me that information.

Sincerely

David K. Brooks

From: Adam Rankin [<mailto:AGRankin@hollandhart.com>]
Sent: Wednesday, April 10, 2013 3:22 PM
To: Brooks, David K., EMNRD
Subject: RE: Chesapeake(Chevron) - Hayhurst 16 25 27 State #2H; NSL Application

David,

I will check with Chesapeake to confirm. Generally, their practice is to set the surface location 150 off the line and drill the curve so the first perfs are more than 330 off, but I recognize that in this C-102 and in my letter, it does not state where the first perfs are to be located.

Do they need to file an amended C-102 or can they just take care of this issue when they file an as-drilled C-102?

From: Brooks, David K., EMNRD [<mailto:david.brooks@state.nm.us>]
Sent: Wednesday, April 10, 2013 3:16 PM
To: Adam Rankin
Subject: Chesapeake(Chevron) - Hayhurst 16 25 27 State #2H; NSL Application

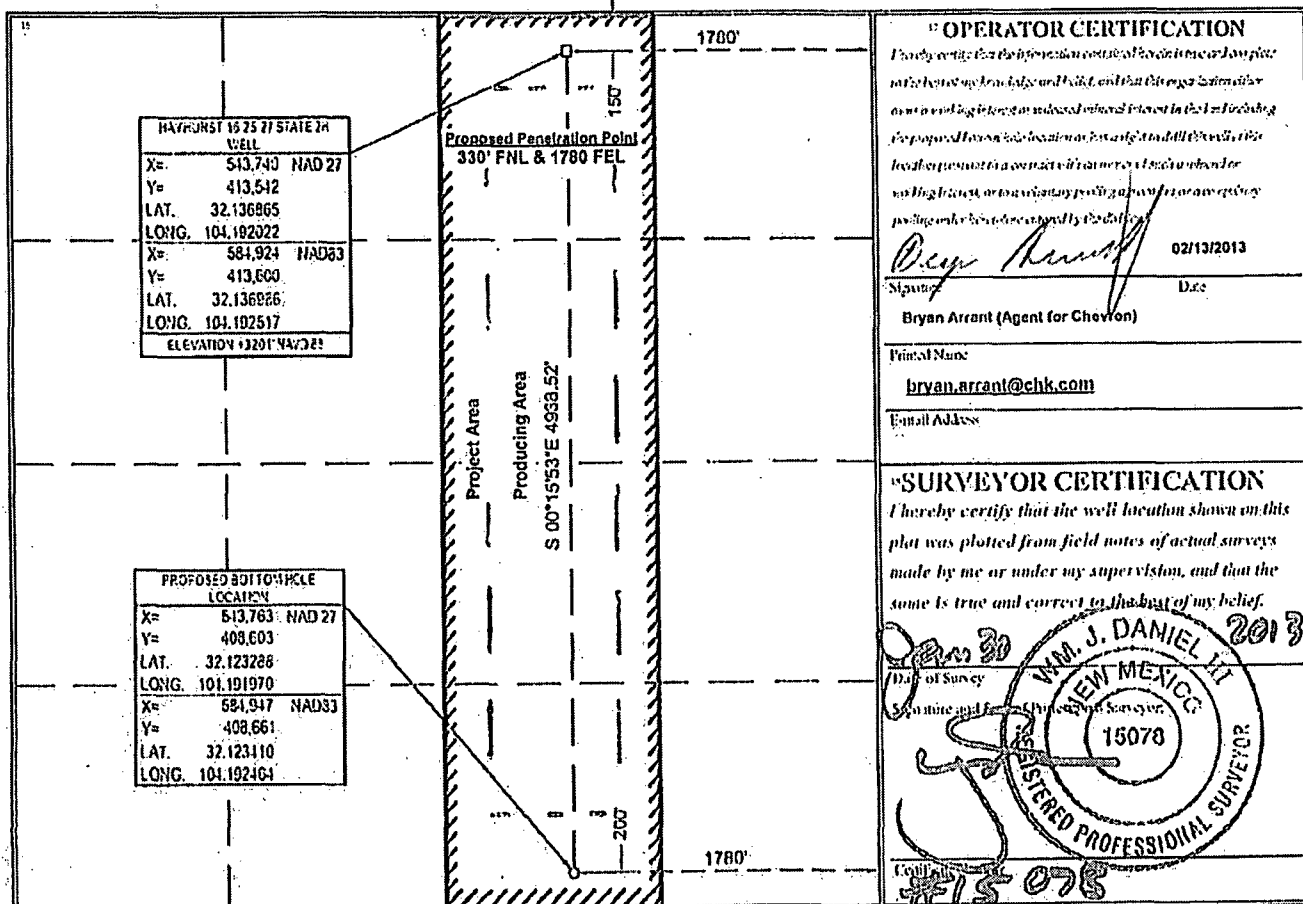
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David K. Brooks



7

Brooks, David K., EMNRD

From: Adam Rankin <AGRankin@hollandhart.com>
Sent: Thursday, April 11, 2013 10:25 AM
To: Brooks, David K., EMNRD
Subject: RE: Chesapeake(Chevron) - Hayhurst 16 25 27 State #2H; NSL Application
Attachments: C-102_2013-02-15.pdf

David,

The attached C-102 shows that the estimated first perms will be 330 off the section line and, thus, at a standard location for the 2H well.

From: Brooks, David K., EMNRD [<mailto:david.brooks@state.nm.us>]
Sent: Wednesday, April 10, 2013 3:27 PM
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