

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 _____

2006 MAY 17 PM 3 15

[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 Attorney 5-11-06
 Print or Type Name Signature Title Date
 e-mail Address omundsdry@hollandhart.com



May 17, 2006

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 Chesapeake Operating, Inc., for administrative approval of a non-standard well location for its Millard Deck 28 Federal Well No.1, to be drilled as a deviated well to the Strawn formation at a surface location 965 feet from the North line and 1590 feet from the East line and a bottomhole location 810 feet from the North line and 1480 feet from the East line of Section 28, Township 22 South, Range 36 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Fesmire:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4), of a non-standard well location for its Millard Deck 28 Federal Well No. 1 from a surface location 965 feet from the North line and 1590 feet from the East line and a bottomhole location in the Strawn formation at 810 feet from the North line and 1480 from the East line of Section 28 (Unit B), Township 22 South, Range 36 East, N.M.P.M., Lea County, New Mexico.

This proposed location in the Strawn formation is unorthodox because it is governed by the Division's Statewide Rules which provides for wells on 40-acre spacing units to be located no closer than 330 feet to any boundary of such unit. The proposed non-standard well surface location is only 270 feet and the bottomhole location is 160 feet from the eastern boundary of the spacing unit and therefore encroaches on the NE/4 NE/4 of Section 28. A standard 40-acre spacing unit and proration unit comprised of the NW/4 NE/4 of Section 28 will be dedicated to the well.

HOLLAND & HART^{LLP}



The non-standard location is required by geologic conditions. As shown on the attached **Exhibit A**, the proposed location is positioned to encounter the Strawn formation at the thickest point possible. Exhibit A is a composite map based upon subsurface geology and 3D seismic interpretation and shows a northwest to southeast fault that flanks the west side of the prospect. If the well were to be drilled at a standard location on the down thrown side of the fault, the well will be flat or slightly high to the Langley Deep Well No. 1, in which the Strawn formation is water-bearing. If the well were to be located to the east, in Unit A, there is a loss of porosity in the Strawn. Additionally, it should also be noted that loss of porosity can occur when drilling too high on the structure, therefore the well location should not go north of the structure. The best location for a successful Strawn test is 810 feet from the North line and 1480 feet from the East line. However, due to pipelines and electric lines the surface location is proposed at 965 feet from the North line and 1590 feet from the East line with a bottomhole location 810 feet from the North line and 1480 feet from the East line. **Exhibit B** is a Horizon Interpretation confirming the geological explanation above.

Exhibit C is a plat that shows the subject area, the 40-acre proposed spacing unit comprised of the NW/4 NE/4 of Section 28, the proposed unorthodox well location and the offsetting spacing units.

The ownership in the east offsetting unit is common with the proposed spacing unit and therefore there are no affected parties as defined in Division Rule 1210.

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

Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry
ATTORNEY FOR CHESAPEAKE
OPERATING, INC.

Enclosures

cc: Kathy Blick
Chesapeake Energy

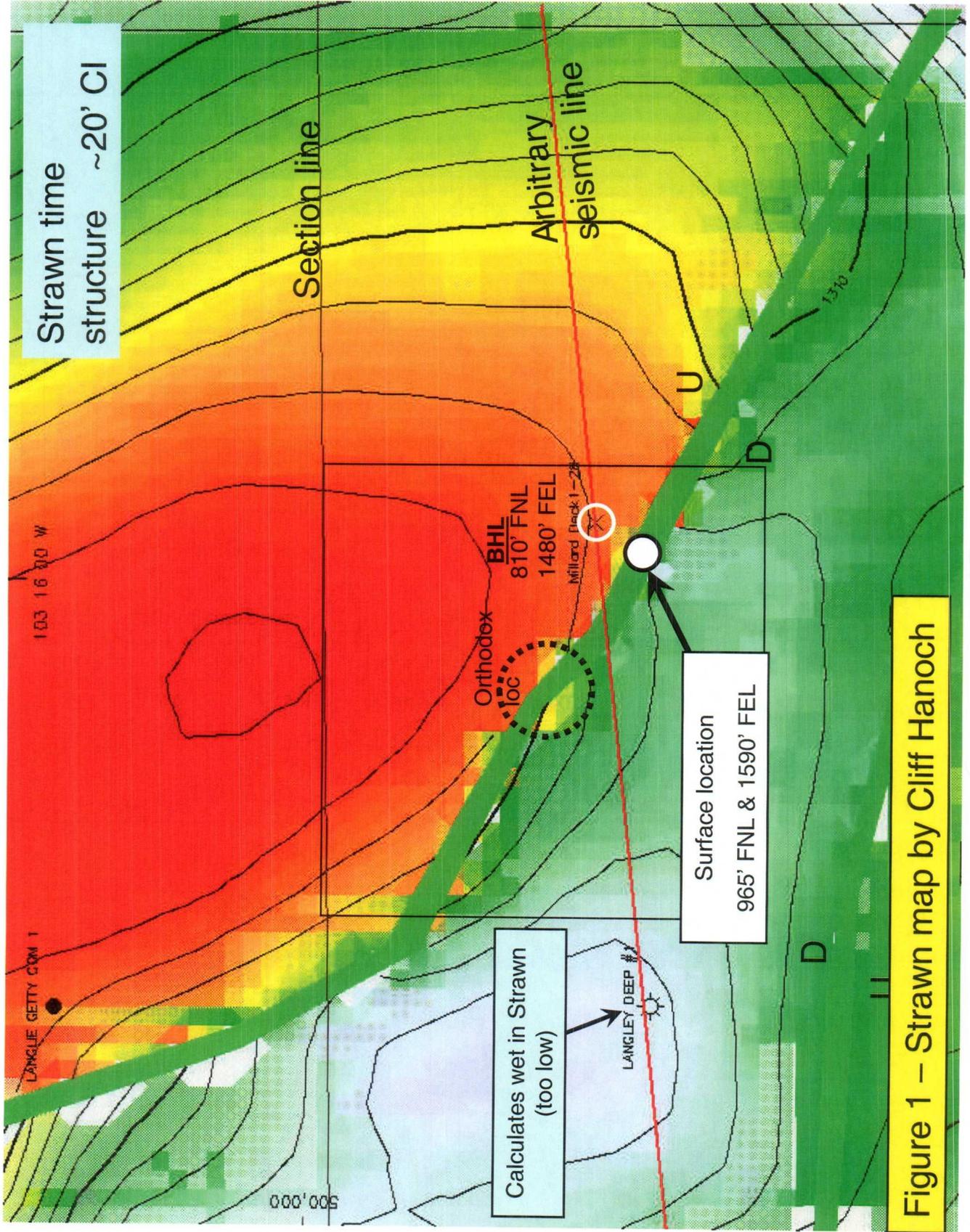
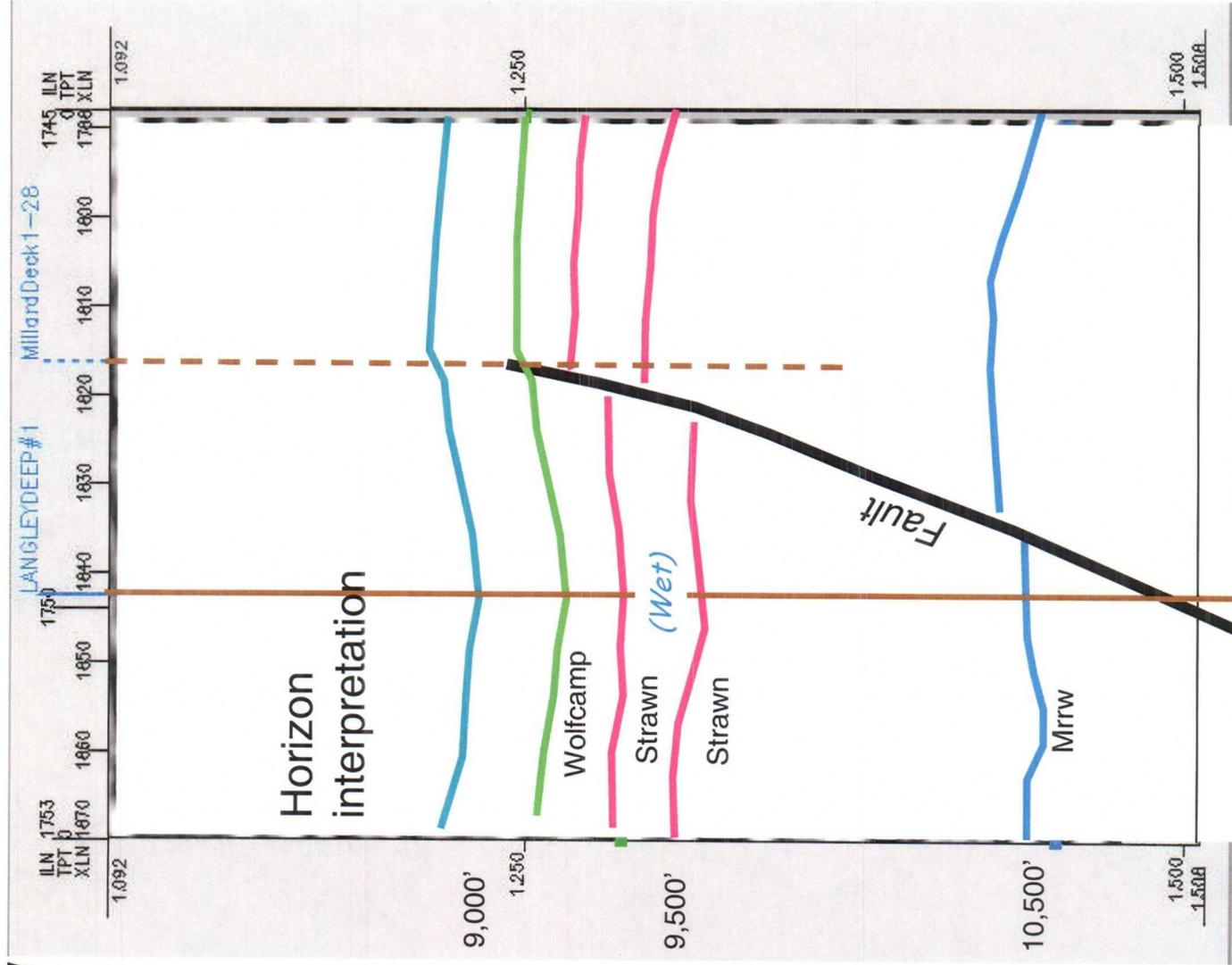


Figure 1 – Strawn map by Cliff Hanoch

NE

SW

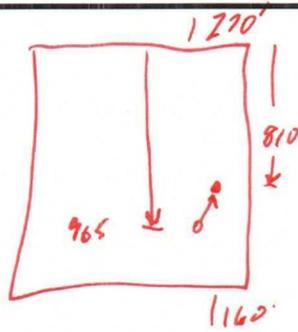


3D arbitrary line from Figure 1

Figure 2

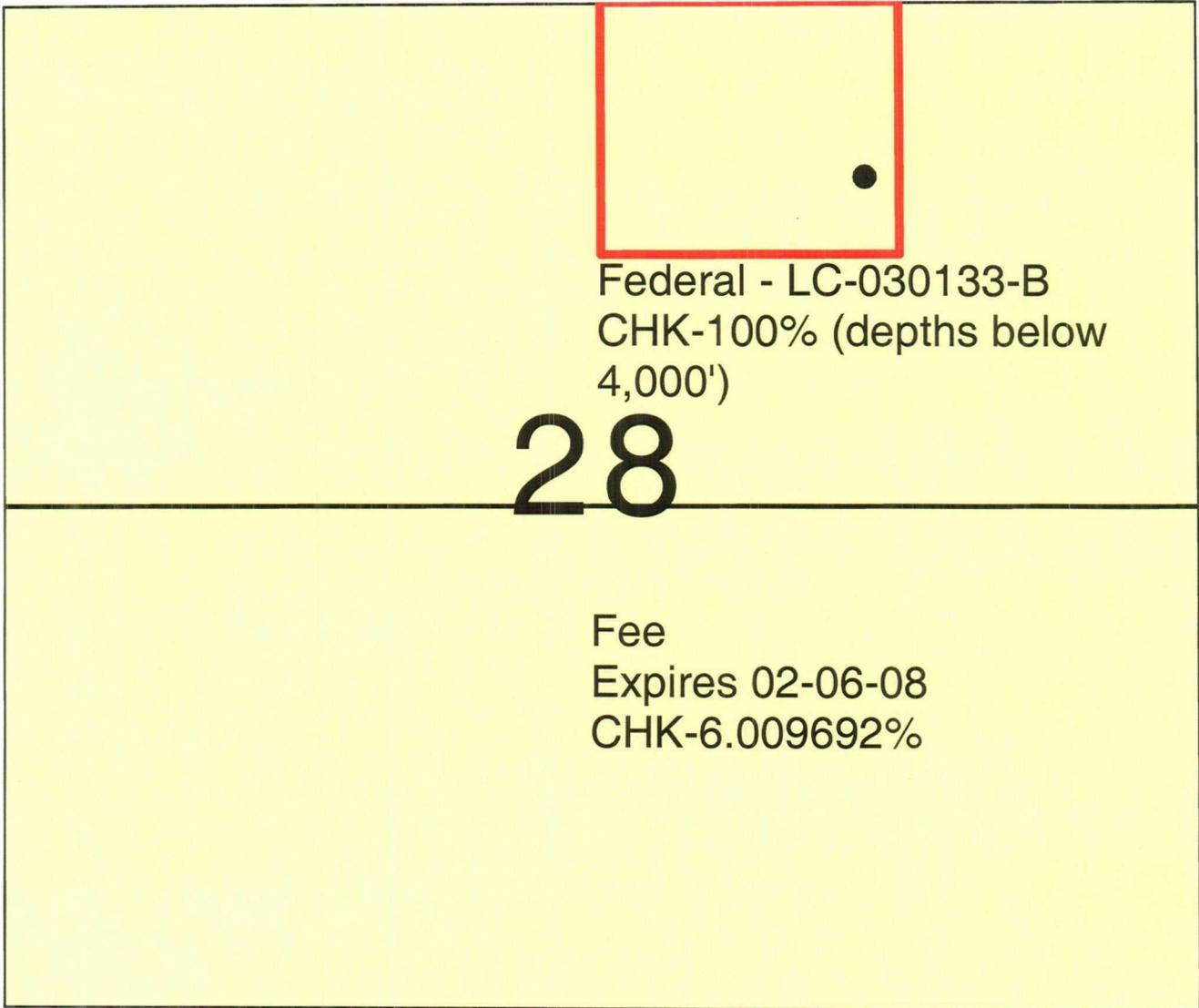
EXHIBIT B

Land Plat



SL = 965' FNL + 1590' FEL

BHL = 810' FNL + 1480' FEL



Federal - LC-030133-B
 CHK-100% (depths below
 4,000')

28

Fee
 Expires 02-06-08
 CHK-6.009692%

Standard 640-acre Section

EXHIBIT C

| Legend | |
|--------|-----------|
| ● | Wells |
| ■ | CHK Units |
| ■ | Leasehold |

| Chesapeake | |
|---------------|---|
| N ▲ | Millard Deck Estate 28 Federal 1 NW/4 NE/4 Section 28-T22S-R36E Lea County, New Mexico 810' FNL and 1,480' FEL |
| | Scale: 1:10,594 |
| Date: 4/27/06 | Projection: GCS North American 1927 Author: Daniel Hattaway |

Chesapeake Operating, Inc.

Attention: Kathy Blick

Administrative Order NSL-_____

Dear Ms. Blick:

Reference is made to your application dated May 17, 2006 for an unorthodox well location for Chesapeake Operating, Inc.'s Millard Deck 28 Well No. 1 to be drilled as a deviated well to the Strawn formation from a surface location 965 feet from the North line and 1590 from the East line and a bottomhole location 810 feet from the North line and 1480 feet from the East line of Section 28, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico.

A 40-acre spacing and proration unit in the Strawn formation comprising the NW/4 NE/4 of said Section 28 is to be dedicated to said well.

This application has been duly filed under the provisions of Rule 104.F of the General Rules of the Oil Conservation Division revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

By authority granted me under the provisions of Rule 104.F(2), the above-described unorthodox well location within this 80-acre unit in the Strawn formation is hereby approved.

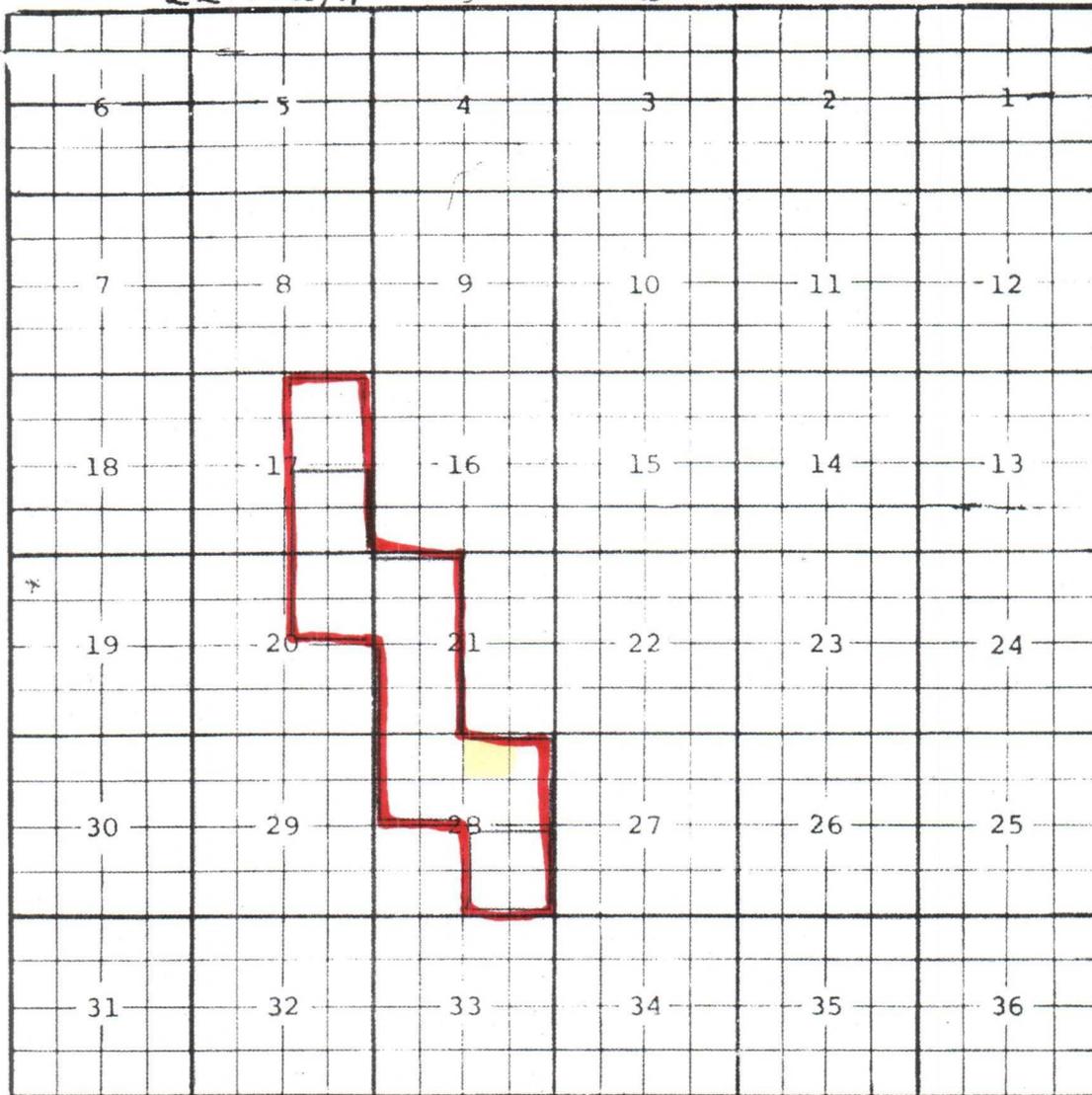
Sincerely,

Mark E. Fesmire, P.E.
Director

cc: Oil Conservation Division - Hobbs/Artesia

County Lea Pool Langley-Strawn

TOWNSHIP 22 South Range 36 East NMPM



Description: SE/4 Sec. 28 (R-7842, 3-1-89)

Ext: SE/4 Sec. 17, NE/4 Sec. 20, W/2 Sec. 21, N/2 Sec. 28 (R-8388, 1-11-82)

Ext: NE/4 Sec. 17 (R-8561 12/1/87)