

DATE IN 1/3/07	SUSPENSE 1/23/07	ENGINEER W. Jones	LOGGED IN 1/5/07	TYPE NSL	APP NO. PTD 50700533732
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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

- [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      1-3-07  
 Print or Type Name      Signature      Title      Date  
 omundsdry@hollandhart.com  
 e-mail Address

2007 JUN 3 PM 2 52



NSL-5559

January 29, 2007

**HAND DELIVERY**

Mr. William V. Jones  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*and completed only in the  
GRAYBURG,*

2007 JAN 29 PM 3 03

APIN: 30-025-38236

Re: Application of Chesapeake Operating, Inc., for administrative approval of an unorthodox well location for its Lou Wortham 11 Well No. 3, to be drilled to the San Andres and Grayburg formations at a location 815 feet from the North line and 1547 feet from the East line of Section 11, Township 22 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Jones:

In accordance with your requests transmitted in your e-mail communication on January 22, 2007, Chesapeake Operating, Inc. ("Chesapeake") provides the following supplemental information for your review.


~~The Special Rules and Regulations for the South Eunice-San Andres Pool require 80-acre spacing units consisting of the N/2 or the S/2 of a governmental quarter section. Rule 2. The Special Rules also require wells to be located no closer than 330 feet to a quarter-quarter section line. Chesapeake has proposed lay-down spacing unit in the N/2 of the N/4 of Section 11 but its proposed well location is closer than 330 feet to the quarter-quarter section line. Therefore, Chesapeake seeks approval of the unorthodox well location for both the San Andres and Grayburg formations.~~

*PENROSE Stelly - GRAYBURG  
(Stakeholder Rules)*

Attached as **Exhibit F** is a hand-drawn plat showing the topographic obstacles which must be avoided by the proposed wells. Please let me know if this provides sufficient justification for the well location.

Attached as **Exhibit G** are copies of the certified return receipts pursuant to your request. We have also received two waivers of objections which I have also included.

Please let me know if you have any additional questions. Thank you for your attention to this application.

Sincerely,  
  
Ocean Munds-Dry  
ATTORNEY FOR CHESAPEAKE  
OPERATING, INC.

Enclosures

Submit 3 Copies To Appropriate District Office

State of New Mexico  
Energy, Minerals and Natural Resources

Form C-103  
May 27, 2004

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Ave., Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

WELL API NO.	30-025-38236
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>	
6. State Oil & Gas Lease No.	
7. Lease Name or Unit Agreement Name Lou Wortham 11	
8. Well Number	003
9. OGRID Number	147179
10. Pool name or Wildcat <del>Eunice, San Andres, South</del>	

<b>SUNDRY NOTICES AND REPORTS ON WELLS</b> (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other	
2. Name of Operator Chesapeake Operating Inc.	
3. Address of Operator 2010 Rankin Hwy Midland, TX 79701 <i>Peruse Skelly - G B G</i>	
4. Well Location Unit Letter <u>B</u> : 990 feet from the <u>North</u> line and <u>1650</u> feet from the <u>East</u> line Section <u>11</u> Township <u>22S</u> Range <u>37E</u> NMPM County <u>Lea</u>	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3346 GR	
Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/>	
Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____	
Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____	

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐  
TEMPORARILY ABANDON ☐ CHANGE PLANS ☒  
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐  
COMMENCE DRILLING OPNS. ☐ P AND A ☐  
CASING/CEMENT JOB ☐

OTHER: Amend Footage ☒

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Chesapeake, respectfully, request the footage on this well be changed from 990 FNL, 1650 FEL to 815 FNL & 1547 FEL of Sec 11, T22S, R37E.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE *Shay Stricklin* TITLE Regulatory Tech. DATE 02/07/2007

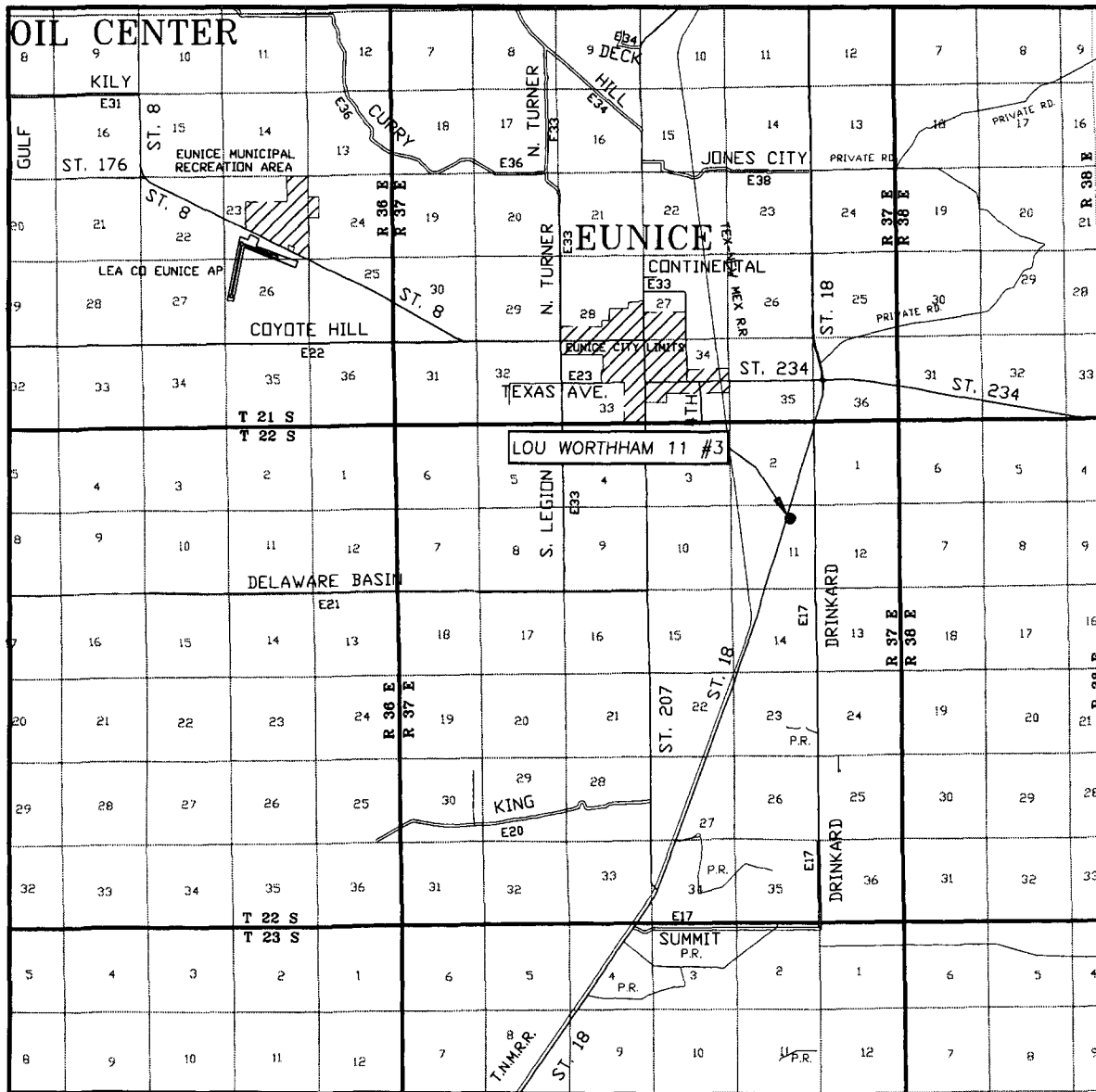
Type or print name Shay Stricklin  
**For State Use Only**

E-mail address: sstricklin@chkenergy.com Telephone No. (432)687-2992

APPROVED BY: \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_

Conditions of Approval (if any):

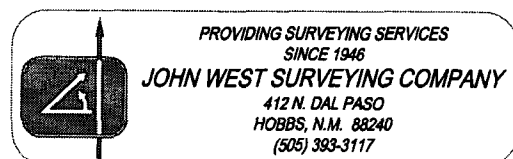
## VICINITY MAP



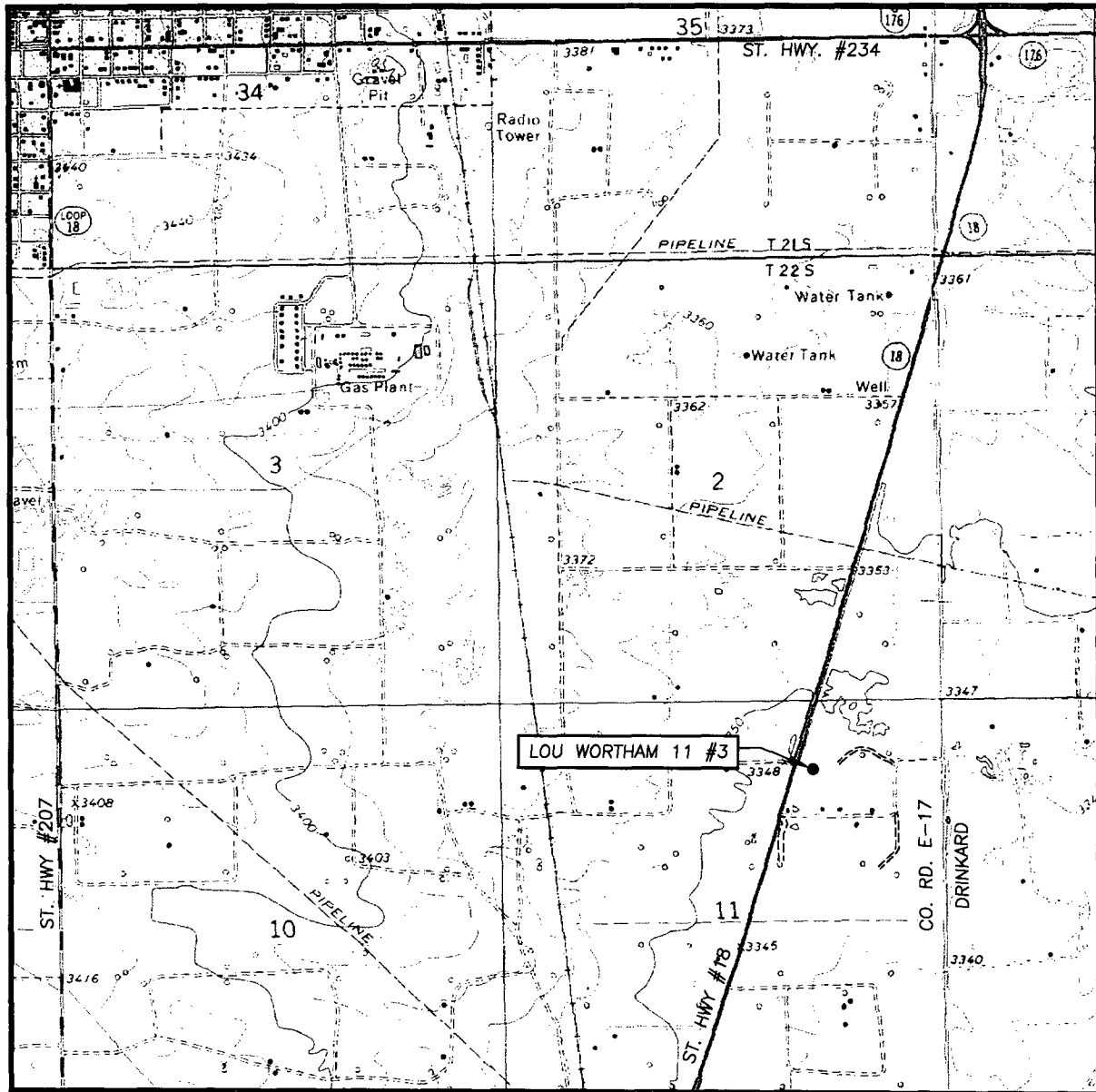
SCALE: 1" = 2 MILES

SEC. 11 TWP. 22-S RGE. 37-E  
SURVEY \_\_\_\_\_ N.M.P.M. \_\_\_\_\_  
COUNTY LEA STATE NEW MEXICO  
DESCRIPTION 815' FNL & 1547' FEL  
ELEVATION 3350'  
OPERATOR CHESAPEAKE  
OPERATING, INC.  
LEASE LOU WORTHAM 11

## EXHIBIT A



# LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:  
EUNICE, N.M. - 10'  
EUNICE NE, N.M. - 5'

SEC. 11 TWP. 22-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 815' FNL & 1547' FEL

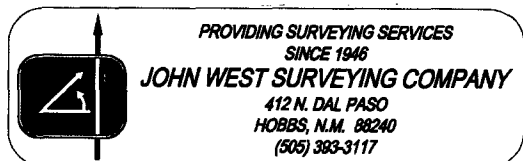
ELEVATION 3350'

OPERATOR CHESAPEAKE OPERATING, INC.

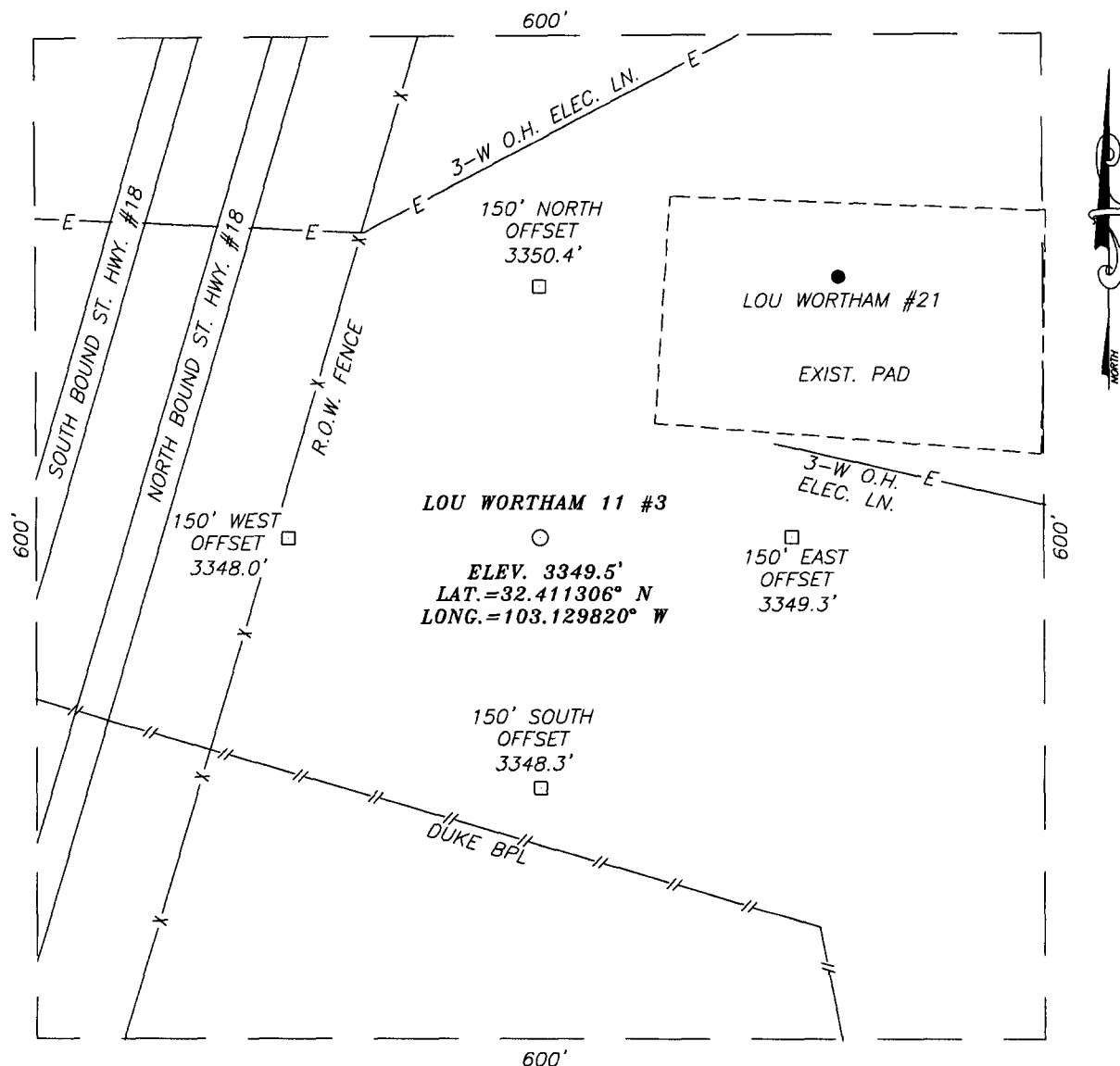
LEASE LOU WORTHAM 11

U.S.G.S. TOPOGRAPHIC MAP  
EUNICE, N.M.

## EXHIBIT B



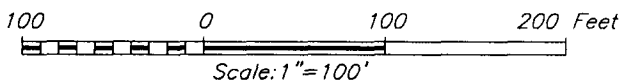
**SECTION 11, TOWNSHIP 22 SOUTH, RANGE 37 EAST, N.M.P.M.,**  
 LEA COUNTY, NEW MEXICO



**EXHIBIT C**

**DIRECTIONS TO LOCATION**

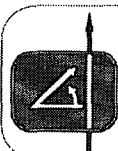
FROM THE INTERSECTION OF ST. HWY #18 AND ST. HWY. #234, GO SOUTH ON ST. HWY. #18 APPROX. 1.8 MILES. TURN LEFT AND GO EAST APPROX. 0.25 MILES. TURN LEFT AND GO NORTH APPROX. 0.1 MILE. VEER LEFT AND GO WEST APPROX. 750 FEET TO THE LOU WORTHAM #21 WELL PAD. THIS LOCATION IS APPROX. 236 FEET SOUTHWEST.



**CHESAPEAKE OPERATING, INC.**

LOU WORTHAM 11 #3 WELL  
 LOCATED 815 FEET FROM THE NORTH LINE  
 AND 1547 FEET FROM THE EAST LINE OF SECTION 11,  
 TOWNSHIP 22 SOUTH, RANGE 37 EAST, N.M.P.M.,  
 LEA COUNTY, NEW MEXICO.

Survey Date: 11/30/06	Sheet 1 of 1 Sheets
W.O. Number: 06.11.1911	Dr By: LA
Date: 12/9/06	Disk: CD#5
06111911	Scale: 1"=100'



PROVIDING SURVEYING SERVICES  
 SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL PASO  
 HOBBS, N.M. 88240  
 (505) 393-3117

DISTRICT I  
1625 N. FRENCH DR., HOBBS, NM 88240

DISTRICT II  
1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION  
1220 SOUTH ST. FRANCIS DR.  
Santa Fe, New Mexico 87505

Form C-102  
Revised October 12, 2005  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name LOU WORTHAM 11	Well Number 3
OGRID No.	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 3350'

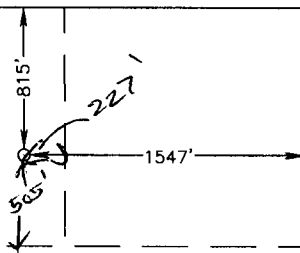
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	11	22-S	37-E		815	NORTH	1547	EAST	LEA

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
Dedicated Acres	Joint or Infill	Consolidation Code	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>GEODETTIC COORDINATES NAD 27 NME Y=515438.5 N X=871419.3 E LAT.=32.411306° N LONG.=103.129820° W</p> <p>EXHIBIT D</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information 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 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><b>SURVEYOR CERTIFICATION</b></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>NOVEMBER 30, 2006</p> <p>Date Surveyed _____ LA</p> <p>Signature &amp; Seal of Professional Surveyor</p> <p>06.11.1911</p> <p>Certificate No. GARY EIDSON 12841 CHAD HARCROW 17777</p>
---	---



**Exhibit E**  
**Chesapeake Operating, Inc.**  
**Section 11, Township 22 South, Range 37 East**  
**Lea County, New Mexico**

Roy G. Barton Jr.  
1919 N. Turner  
Hobbs, New Mexico 88240-2712

Bobbie Oleta Skelton  
P.O. Box 176  
Hobbs, New Mexico 88240

Marathon Oil Company  
P.O. Box 552  
Midland, Texas 79702

Chevron Midcontinent, L.P.  
15 Smith Road  
Midland, Texas 79705-5412

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only. No Insurance Coverage Provided)

**OFFICIAL**

Postmark Here  
FEB 3 2007  
87501

Postage	\$ 1.11
Certified Fee	2.40
Return Receipt Fee (Endorsement Required)	1.85
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$ 5.36</b>

Sent To: Roy G. Barton, Jr.  
1919 N. Turner  
Hobbs, NM 88240-2712

Street Apt. No. or PO Box No.  
City, State, ZIP+ 4

PS Form 3800, Jan 2004

75226 85556 2000 0471 1002

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only. No Insurance Coverage Provided)

**OFFICIAL**

Postmark Here  
FEB 3 2007  
87501

Postage	\$ 1.11
Certified Fee	2.40
Return Receipt Fee (Endorsement Required)	1.85
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$ 5.36</b>

Sent To: Chevron Midcontinent, L.P.  
15 Smith Road  
Midland, TX 79705-5412

Street Apt. No. or PO Box No.  
City, State, ZIP+ 4

PS Form 3800, Jan 2004

98718 85556 2000 0471 1002

EXHIBIT C

**SENDER: COMPLETE THIS SECTION**

1. Article Addressed to:  
Roy G. Barton, Jr.  
1919 N. Turner  
Hobbs, NM 88240-2712

2. Article Number: 7001 1140 0002 9558 9275  
(Transfer from ser)  
PS Form 3811, February 2004 Domestic Return Receipt

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature: Brandon Stewart ☐ Agent ☐ Addressee

B. Received by (Printed Name): Brandon Stewart C. Date of Delivery: 1-5-07

D. Is delivery address different from item 1? ☐ Yes ☐ No  
If YES, enter delivery address below:

3. Service Type: ☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

**SENDER: COMPLETE THIS SECTION**

1. Article Addressed to:  
Chevron Midcontinent, L.P.  
15 Smith Road  
Midland, TX 79705-5412

2. Article Number: 1140 0002 9558 8186  
(Transfer from ser)  
PS Form 3811, February 2004 Domestic Return Receipt

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature: Debra Johnson ☐ Agent ☐ Addressee

B. Received by (Printed Name): Debra Johnson C. Date of Delivery:

D. Is delivery address different from item 1? ☐ Yes ☐ No  
If YES, enter delivery address below:

3. Service Type: ☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

102595-02-M-1540

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)

**OFFICIAL MAIL**

Postmark Here  
FEB 3 2007  
USPS 67500

Postage	\$ 1.11
Certified Fee	2.40
Return Receipt Fee (Endorsement Required)	1.85
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$ 5.36</b>

**Sent To** Marathon Oil Company  
Street, Apt. No., or PO Box No. P. O. Box 552  
City, State, ZIP+4 Midland, TX 79702  
PS Form 3800-3E

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)

**OFFICIAL MAIL**

Postmark Here  
FEB 3 2007  
USPS 67500

Postage	\$ 1.11
Certified Fee	2.40
Return Receipt Fee (Endorsement Required)	1.85
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$ 5.36</b>

**Sent To** Bobbie Oleta Skelton  
Street, Apt. No., or PO Box No. P. O. Box 176  
City, State, ZIP Hobbs, NM 88240  
PS Form 3800-3E

**SENDER: COMPLETE THIS SECTION**

1. Article Addressed to:  
Marathon Oil Company  
P. O. Box 552  
Midland, TX 79702

2. Article Number (Transfer from 65) 7001 1140 0002 9558 9299  
PS Form 3811, February 2004 Domestic Return Receipt 102595-02-14-1540

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature *[Signature]* ☐ Agent ☐ Addressee

B. Received by (Printed Name) *[Signature]* C. Date of Delivery *11/8*

D. Is delivery address different from item 1? ☐ Yes ☐ No  
If YES, enter delivery address below:

3. Service Type ☒ Certified Mail ☐ Express Mail ☐ Return Receipt for Merchandise ☐ Registered ☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

**SENDER: COMPLETE THIS SECTION**

1. Article Addressed to:  
Bobbie Oleta Skelton  
P. O. Box 176  
Hobbs, NM 88240  
88240

2. Article Number (Transfer from 65) 7001 1140 0002 9558 9282  
PS Form 3811, February 2004 Domestic Return Receipt 102595-02-14-1540

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature *[Signature]* ☐ Agent ☐ Addressee

B. Received by (Printed Name) *[Signature]* C. Date of Delivery *12/03*

D. Is delivery address different from item 1? ☒ Yes ☐ No  
If YES, enter delivery address below:  
*Roswell, NM, AR 72811*

3. Service Type ☒ Certified Mail ☐ Express Mail ☐ Return Receipt for Merchandise ☐ Registered ☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

HOLLAND & HART



Ocean Munds-Dry  
Associate  
omundsdry@hollandhart.com

January 3, 2007

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

**AFFECTED INTEREST OWNERS**

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its proposed Lou Wortham 11 Well No. 3 to be drilled at a location 815 feet from the North line and 1547 feet from the East line of Section 11, Township 22 South, Range 37 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, Inc. for administrative approval of an unorthodox well location for its Lou Wortham 11 Well No. 3, to be drilled to the San Andres formation with a ~~secondary~~ target in the Grayburg formation from a location 815 feet from the North line and 1547 feet from the East line of Section 11, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico. A standard 40-acre spacing unit will be dedicated to the well. If Chesapeake ~~decides to abandon the San Andres formation and instead~~ completes in the Grayburg formation, a standard 40-acre spacing unit will be dedicated to the well.

As an owner of an interest that may be affected by the proposed well, you may object to this application. Chesapeake respectfully requests that you waive objection to this application by signing a copy of this letter in the space below. 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.

Holland & Hart LLP

Phone (505) 988-4421 Fax (505) 983-6043 [www.hollandhart.com](http://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.

HOLLAND & HART



Sincerely,

*Ocean Munds-Dry*

Ocean Munds-Dry  
ATTORNEY FOR CHESAPEAKE  
OPERATING, INC.

Enclosures

Bobbie O SKELTON agrees to waive objection to Chesapeake Operating, Inc.'s application for an unorthodox well location for its Lou Wortham 11 Well No. 3.

By: *Bobbie Skelton*

Date: *JAN 22, 2007*

HOLLAND & HART



Sincerely,

*Ocean Munds-Dry*

Ocean Munds-Dry  
ATTORNEY FOR CHESAPEAKE  
OPERATING, INC.

Enclosures

BARTON REV. TRUST agrees to waive objection to Chesapeake Operating, Inc.'s application for an unorthodox well location for its Lou Wortham 11 Well No. 3.

By: *Randy Barton Jr., Trust*

Date: 1/5/07