

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION  
- Engineering Bureau -  
1220 South St. Francis Drive, Santa Fe, NM 87505



Chesapeake Operating  
INC  
IMC 21 Federal Com  
# 2H

**ADMINISTRATIVE APPLICATION CHECKLIST**

5799

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      2-15-08  
 Print or Type Name      Signature      Title      Date

omundsdry@hollandhart.com  
 e-mail Address

2008 FEB 15 PM 4 04  
 RECEIVED



February 15, 2008

**HAND-DELIVERED**

Mark E. Fesmire, P.E.  
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 an unorthodox penetration point for its IMC 21 Federal Well No. 2H to be drilled as a horizontal wellbore from a surface location 460 feet from the North line and 410 feet from the East line, intersecting the Delaware formation at an unorthodox penetration point 460 feet from the North line and 410 feet from the East line to a standard bottomhole location 330 feet from the South line and 650 feet from the East line of Section 21, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico.

Dear Mr. Fesmire:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks administrative approval pursuant to the provisions of Division Rules 104 and 111 of an unorthodox penetration point for its IMC 21 Federal Well No. 2H. This well is located in Section 21, Township 23 South, Range 29 East, N.M.P.M., Eddy County, New Mexico and will be drilled to test the Delaware formation, Harroun Ranch Delaware Oil Pool, from an unorthodox surface location 460 feet from the North line and 410 feet from the East line, intersecting the Delaware formation at an unorthodox penetration point 460 feet from the North line and 410 feet from the East line, and to a standard bottomhole location 330 feet from the South line and 650 feet from the East line of said Section 21, Eddy County, New Mexico. A 120-acre project area has been dedicated to this horizontal well comprised of the SE/4 NE/4 and the E/2 SE/4 of Section 21.

This location is unorthodox because the Delaware 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. Division Rule 111 defines the "Penetration Point" as "the point where the wellbore penetrates the top of the pool from which it is intended to produce." The wellbore

penetrates the Delaware formation at a point outside of the producing area and the project area.

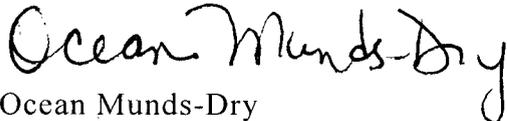
Although the wellbore penetrates the top of the Delaware Mountain Group at an unorthodox location, the well will be at a standard location at the producing interval. The surface location was chosen for topography reasons due to the salt lake being nearby. Chesapeake penetrates the top of the Delaware at approximately 2,968 feet in the vertical portion of the well and then will kick-off at approximately 3215 feet. Chesapeake is targeting the Lower Brushy Canyon interval which is estimated at 6536 feet to 6528 feet. Therefore, once Chesapeake reaches the target formation, it will be at a standard location.

Exhibit A is a copy of the C-102 filed for this well. Exhibit B is a plat which shows the subject area and the 120-acre horizontal well project area for this well comprised of the SE/4 NE/4 and the E/2 SE/4 of Section 21. The project area is comprised of federal acreage.

A copy of this application with all attachments was mailed to Devon Energy who is the offset operator in the adjoining spacing unit towards which Chesapeake is encroaching. The affected party was advised that if they have an objection to this application it must be filed in writing with the Division's Santa Fe office within twenty days from the date notice was sent. It was also advised that if no objections were received by the Division within twenty days, the Division Director could approve the application.

Your attention to this application is appreciated.

Sincerely,

  
Ocean Munds-Dry  
Attorney for Chesapeake Operating, Inc.

Enclosures

cc: OCD/Artesia, District 2

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I

1625 N. FRENCH DR., HOBBES, 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

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 <b>30-015-36109</b>	Pool Code	Pool Name <b>NE Harroun Ranch DLW</b>
Property Code	Property Name <b>IMC 21 FEDERAL COM</b>	Well Number <b>2H</b>
OGRID No.	Operator Name <b>CHESAPEAKE OPERATING INC.</b>	Elevation <b>2960'</b>

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	21	23-S	29-E		460	NORTH	410	EAST	EDDY

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
P	21	23-S	29-E		330	SOUTH	650	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	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

DETAIL

2959.8' 2956.7'

600'

600'

2956.5' 2956.2'

SEE DETAIL

450'

SURF.

410'

GRID AZ. = 182°53'55"

HORZ. DIST. = 4536.1'

AS-DRILLED B.H.

650'

330'

**OPERATOR CERTIFICATION**

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.

*Craig Barnard* 11/5/07  
Signature Date

CRAIG BARNARD  
Printed Name

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**SURVEYOR CERTIFICATION**

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.

MAY 10 2007

Date Surveyed MEXICO LA REV. 11/1/07

Signature & Seal of Professional Surveyor 3239

*Ronald J. Eidson* 11/01/07  
07:13:1588

Certificate No. GARY EIDSON 12641  
RONALD J. EIDSON 3239

NOTE: AS-DRILLED BOTTOM HOLE LOCATION PROVIDED BY CHESAPEAKE OPERATING INC.



EXHIBIT A-1



**Brooks, David K., EMNRD**

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**From:** Brooks, David K., EMNRD  
**Sent:** Tuesday, March 11, 2008 9:07 AM  
**To:** 'Ocean Munds-Dry'  
**Subject:** NSL - Chesapeake - IMC 21 Fed Com #2H

Dear Ocean

I gather that the NE/NE of Section 21, where the well is located, will not be included in the project area.

Is ownership identical between the NE/NE of 21 and the proposed project area? If not, I believe the NE/NE would be an affected unit, and notice to owners, if any other than Chesapeake, in that unit would be required.

Please advise.

Thanks

David K. Brooks  
Legal Examiner

**Brooks, David K., EMNRD**

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**From:** Ocean Munds-Dry [Omundsdry@hollandhart.com]  
**Sent:** Monday, March 17, 2008 1:19 PM  
**To:** Brooks, David K., EMNRD  
**Subject:** RE: NSL - Chesapeake - IMC 21 Fed Com #2H

David:

I have just confirmed with Chesapeake that ownership is identical in the NE/NE of Section 21.

Thanks,  
Ocean

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**From:** Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]  
**Sent:** Tuesday, March 11, 2008 10:07 AM  
**To:** Ocean Munds-Dry  
**Subject:** NSL - Chesapeake - IMC 21 Fed Com #2H

Dear Ocean

I gather that the NE/NE of Section 21, where the well is located, will not be included in the project area.

Is ownership identical between the NE/NE of 21 and the proposed project area? If not, I believe the NE/NE would be an affected unit, and notice to owners, if any other than Chesapeake, in that unit would be required.

Please advise.

Thanks

David K. Brooks  
Legal Examiner

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3/17/2008