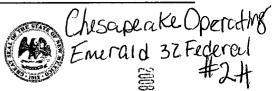
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



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	ı	ADMINISTRATIVE APPLICATION CHECKLIST	<u>C</u>
		ANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REWARD WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE	EGULATIONS FA
Applic	- [DHC-Dow PC-Pa]	8: Indard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication	ion PM 2 41
[1]	TYPE OF AF [A]	PPLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Simultaneous Dedication NSP SD	
	Check [B]	Cone Only for [B] or [C] 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]	NOTIFICAT [A]	ION REQUIRED TO: - Check Those Which Apply, or Does Not Apply 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.		
	val is accurate a	TION: I hereby certify that the information submitted with this application for adm nd complete to the best of my knowledge. I also understand that no action will be quired information and notifications are submitted to the Division.	
^ .	Α .	Statement must be completed by an individual with managerial and/or supervisory capacity.	ممان است
)A 0	an Munds	Dry Wood Wurdenby Otherney	7-11-08

e-mail Address



July 11, 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 well location for its Emerald 32 Federal Well No. 2H to be drilled from a surface location and penetration point 990 feet from the South line and 25 feet from the West line and a bottomhole location 990 feet from the South line and 2310 feet from the West line of Section 32, Township 24 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 for an unorthodox well location for its Emerald 32 Federal Well No. 2H. This well is located in Section 32, Township 24 South, Range 29 East, N.M.P.M., Eddy County, New Mexico and will be drilled in the Delaware formation, Willow Lake-Delaware Pool, from an unorthodox surface location and penetration point 990 feet from the South line and 25 feet from the West line to a standard bottomhole location 990 feet from the South line and 2310 feet from the West line of said Section 32, Eddy County, New Mexico. A 80-acre project area has been dedicated to this horizontal well comprised of the S/2 SW/4 of Section 32.

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 25 feet from the West line of Section 32 and is therefore 305 feet closer than allowed by Division rules.

HOLLAND&HART

Although the wellbore penetrates the top of the Delaware at an unorthodox location, the well will be at a standard location at the producing interval. Chesapeake penetrates the top of the Delaware at approximately 5090 feet (MD) in the vertical portion of the well. Chesapeake is targeting the Cherry Canyon Willow Lake Zone which is estimated at 5111 feet (MD). Therefore, once Chesapeake reaches the target formation, it will be at a standard location.

Exhibit A is a plat showing the location of the well and the project area dedicated to the well.

A copy of this application with all attachments was mailed to those affected parties listed on **Exhibit B** to this application. The affected parties 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
Ocean Munds-Dry

Attorney for Chesapeake Operating, Inc.

Enclosures

cc: OCD/Artesia, District 2

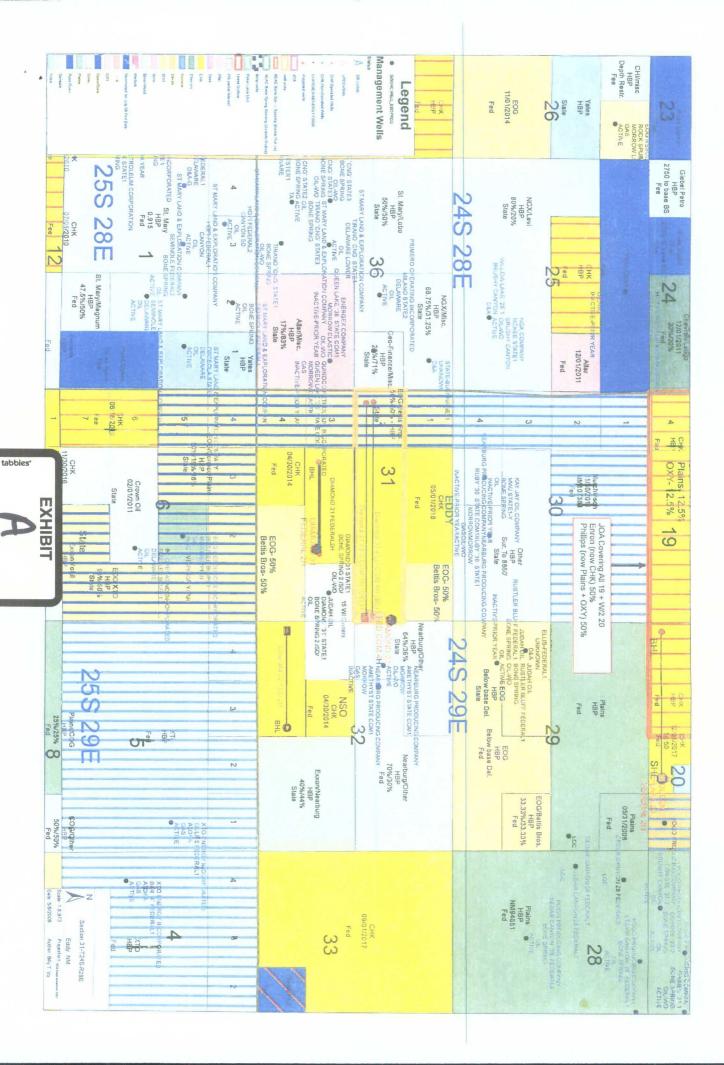


Exhibit B

Chesapeake Operating, Inc. Emerald 32 Federal Well No. 2H

Bettis Brothers, Inc. P.O. Box 1240 Graham, TX 02116

EOG Resources Post Office Box 2267 Midland, Texas 79702

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD

Sent: Tuesday, August 05, 2008 8:43 AM

To: 'Ocean Munds-Dry'

Subject: Chesapeake - Emerald 32 Fed #2H - NSL application

Dear Ocean:

I have reviewed the referenced application.

Everything seems to be in order except that the well is called the Emerald 32 <u>Federal</u>, and I am looking at the SLO database that I am reading as saying this is State land. Am I missing something?

Sincerely

David

Brooks, David K., EMNRD

From:

Ocean Munds-Dry [Omundsdry@hollandhart.com]

Sent:

Tuesday, August 05, 2008 4:00 PM

To: Subject: Brooks, David K., EMNRD Emerald 32 Federal Well 2H

Attachments:

Document.pdf



Document.pdf (2 MB)

David: I just looked on the SLO website. Please see attached. For some reason they indicate in the "land restriction" column that the oil and gas is federal rather than listing it in the sub-surface owner column. It appears this is a federal well.

Ocean

----Original Message----

From: HP 4345 MFP [mailto:DSAdmin@hollandhart.com]

Sent: Tuesday, August 05, 2008 10:50 AM

To: Ocean Munds-Dry

Subject: Scanned from the HP 4345 MFP

Please open the attached document. This document was digitally sent to you using an HP Digital Sending device.

This inbound email has been scanned by the MessageLabs Email Security System.