7/29/08 LOGGEDIN NSL

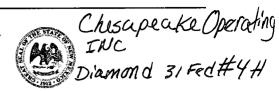
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

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



ADMINISTRATIVE APPLICATION CHECKLIST

	ation Acronym [NSL-Non-Sta [DHC-Dow [PC-Po	ndard Location] [NSP-Non-Standard Prorat nhole Commingling]	//SION LEVEL IN SANTA FE tion Unit] [SD-Simultaneous De ngling] [PLC-Pool/Lease Com ge] [OLM-Off-Lease Measure sure Maintenance Expansion] ction Pressure Increase]	edication] nmingling] ment]
[1]	TYPE OF AF	PPLICATION - Check Those Which Apply Location - Spacing Unit - Simultaneous Do NSL NSP SD Cone Only for [B] or [C]	for [A]	2008 JUL
	[B]	Injection - Disposal - Pressure Increase - E	PC OLS OLM Inhanced Oil Recovery IPI EOR PPR	CEIVE 28 PM 3
	[D]	Other: Specify		29
[2]	NOTIFICAT [A] [B] [C] [D] [E] [F]	ION REQUIRED TO: - Check Those Which Working, Royalty or Overriding Royal Working, Royalty or Overriding Royal ☐ Offset Operators, Leaseholders or Sur ☐ Application is One Which Requires P ☐ Notification and/or Concurrent Approus. Bureau of Land Management - Commissioner of Pub ☐ For all of the above, Proof of Notifical ☐ Waivers are Attached	alty Interest Owners rface Owner Published Legal Notice oval by BLM or SLO lic Lands, State Land Office	and/or,
[3]		CURATE AND COMPLETE INFORMA' ATION INDICATED ABOVE.	TION REQUIRED TO PROC	CESS THE TYPE
	al is <mark>accurate</mark> a	TION: I hereby certify that the information and complete to the best of my knowledge. I equired information and notifications are substituted in the complete to the property of the complete that the complet	also understand that no action v	
	Note	: Statement must be completed by an individual with	h managerial and/or supervisory capa	
	Munds-Dry	Ocean Wlunds-Dry	Attorney	7-28-08
Print or	Type Name	Signature 0	Title	Date
			omundsdry@hollandhar	t.com



Ocean Munds-Dry omundsdry@hollandhart.com 30-015-36337

July 28, 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. to amend Administrative Order NSL-5858 for administrative approval of an unorthodox well location for its Diamond 31 Federal Well No. 4H to be drilled from a surface location and penetration point 1670 feet from the North line and 25 feet from the East line and a bottomhole location 1670 feet from the North line and 350 feet from the West line of Section 31, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico.

Dear Mr. Fesmire:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks to amend Administrative Order NSL-5858 for administrative approval pursuant to the provisions of Division Rules 104 and 111 for an unorthodox well location for its Diamond 31 Federal Well No. 4H. This well is located in Section 31, Township 24 South, Range 29 East, N.M.P.M., Eddy County, New Mexico and will be drilled in the Bone Spring formation, Willow Lake Bone Spring Pool, from an unorthodox surface location and penetration point 1670 feet from the North line and 25 feet from the East line to a standard bottomhole location 1670 feet from the North line and 350 feet from the West line of said Section 31, Eddy County, New Mexico. A 160-acre project area has been dedicated to this horizontal well comprised of the S/2 N/2 of Section 31.

This location is unorthodox because the Bone Spring 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 peentrates the Bone Spring formation at a point 25 feet from the East line of Section 31.

In its original application, Chesapeake stated that the surface location and penetration point of the well would be 2200 feet from the North line and 150 feet from the East line

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and a bottomhole location 2200 feet from the North line and 1650 feet from the West line of Section 31, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico. However, the correct location of the well will be at a surface location and penetration point 1670 feet from the North line and 25 feet from the East line and a bottomhole location 1670 feet from the North line and 350 feet from the West line of Section 31.

A copy of this application was mailed to Nearburg Exploration 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
Ocean Munds-Dry

Attorney for Chesapeake Operating, Inc.

Enclosures

cc: OCD/Artesia, District 2