

DATE IN 7/30/08	SUSPENSE	ENGINEER BROOKS	LOGGED IN 7/30/08	TYPE NSL	APP NO. PKURO82135454/8
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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



Chesapeake Operating
 INC
 Europe 19 Feb #1H

ADMINISTRATIVE APPLICATION CHECKLIST

59/3

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]

2008 JUL 30 PM 3 26

RECEIVED

- [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
 Print or Type Name

Ocean Munds-Dry
 Signature

Attorney
 Title

7-30-08
 Date

omundsdry@hollandhart.com
 e-mail Address



July 30, 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 Europa 19 Federal Well No. 1H to be drilled from a surface location and penetration point 350 feet from the North line and 150 feet from the East line and a bottomhole location 350 feet from the North and West lines of Section 19, 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 Europa 19 Federal Well No. 1H. This well is located in Section 19, Township 24 South, Range 29 East, N.M.P.M., Eddy County, New Mexico and will be drilled in the Bone Spring formation, Pierce Crossing-Bone Spring Pool at an unorthodox surface location and penetration point 350 feet from the North line and 150 feet from the East line to a standard bottomhole location 350 feet from the North and West lines of said Section 19, Eddy County, New Mexico. A 160-acre project area has been dedicated to this horizontal well comprised of the N/2 of the N/2 of Section 19.

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 penetrates the Bone Spring formation at a point 150 feet from the East line of Section 19 and is therefore 180 feet closer than allowed by Division rules.

Although the wellbore penetrates the top of the Bone Spring at an unorthodox location, the well will be at a standard location at the producing interval. Chesapeake penetrates

HOLLAND & HART^{LLP}



the top of the Bone Spring at approximately 6513 feet (MD) in the vertical portion of the well. Chesapeake is targeting the Harkey Sand Zone which is estimated at 8910 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.

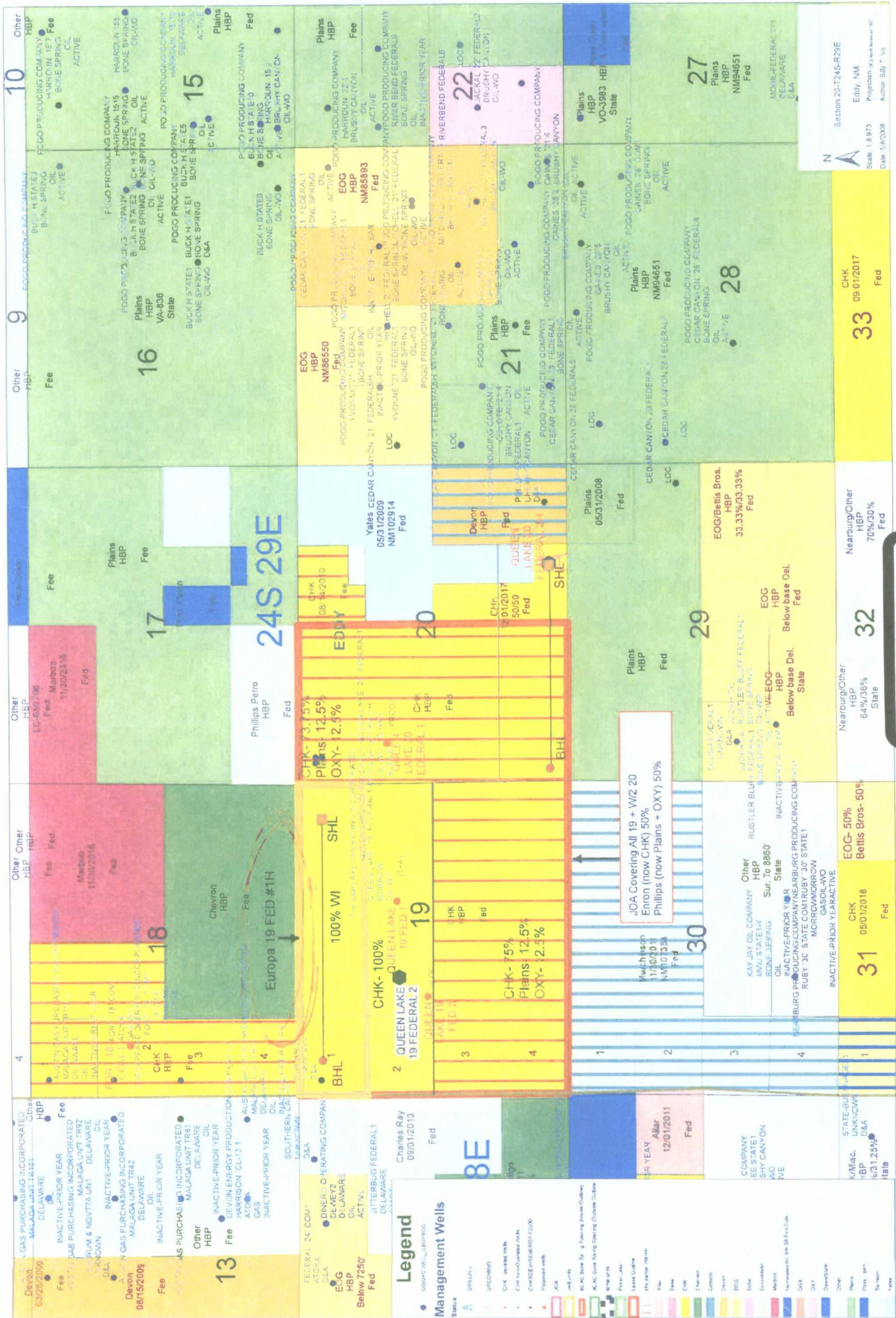
Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry
Attorney for Chesapeake Operating, Inc.

Enclosures

cc: OCD/Artesia, District 2



EXHIBIT

A

Tables

Section 20-24S-29E
Edley, NM
Payson, NM
Scale: 1:8,973
Date: 1/1/2008
Author: B. J. V.

Exhibit B

**Chesapeake Operating, Inc.
Europa 19 Federal Well No. 1H**

Plains Exploration & Production
700 Milam St. Ste 3100
Houston, Texas 77002

OXY USA Inc.
Post Office Box 50260
Midland, Texas 79710

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Monday, August 25, 2008 3:57 PM
To: 'Ocean Munds-Dry'
Subject: Samson Resources - Europa 19 Fed #1H NSL

Dear Ocean

You indicate in this application that notice has been given Plains Exploration and OXU USA Inc., but do not include an explanation of their ownership. The plat attached to the application shows that these entities own working interests in the W/2 of Section 20.

The SW/4 SW/4 of Section 17 would appear to be also affected. The plat indicates this is THIS IS PHILLIPS PETRO HBP. Presumably this is out-of date. Can you give me ownership information on this offsetting tract?

Thanks

David

8/25/2008

Brooks, David K., EMNRD

From: Ocean Munds-Dry [Omundsdry@hollandhart.com]
Sent: Thursday, September 04, 2008 1:41 PM
To: Brooks, David K., EMNRD
Subject: RE: Samson Resources - Europa 19 Fed #1H NSL

David - Thank you for your email. Chesapeake has confirmed that the SW/4 SW/4 is held by Plains Exploration.

Thanks,
Ocean

From: Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]
Sent: Monday, August 25, 2008 4:57 PM
To: Ocean Munds-Dry
Subject: Samson Resources - Europa 19 Fed #1H NSL

Dear Ocean

You indicate in this application that notice has been given Plains Exploration and OXU USA Inc., but do not include an explanation of their ownership. The plat attached to the application shows that these entities own working interests in the W/2 of Section 20.

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Thanks

David

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9/4/2008