

DATE IN 8/27	SUSPENSE	ENGINEER Brooks	LOGGED IN 8/28	TYPE NSL	REC'D 8/27 2:49	FILE NO 0924028982
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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



RECEIVED
 Chesapeake
 8/27 (147179)
 2:49

6080

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 8-27-09
 Print or Type Name Signature Title Date
 omundsdry@hallandhart.com
 e-mail Address

RECEIVED OCD
AUG 27 P 2:49

August 27, 2009

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 PLU Pierce Canyon "17" Federal Well No. 1H drilled from a surface location 350 feet from the South and East lines, a penetration point 232 feet from the South line and 494 feet from the East line and a bottomhole location 368 feet from the North line and 401 feet from the East line of Section 17, Township 25 South, Range 30 East, NMPM, Eddy County, New Mexico.

Dear Mr. Fesmire:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks administrative approval pursuant to the provisions of Division Rules 19.15.15.13 and 19.15.16.14 for an unorthodox well location for its PLU Pierce Canyon "17" Federal Well No. 1H. This well is located in Section 17, Township 25 South, Range 30 East, N.M.P.M., Eddy County, New Mexico and was drilled in the Bone Spring formation at a surface location 350 feet from the South and East lines, a penetration point 232 feet from the South line and 494 feet from the East line and a bottomhole location 368 feet from the North line and 401 feet from the East line of Section 17, Eddy County, New Mexico. A 160-acre project area has been dedicated to this horizontal well comprised of the E/2 E/2 of Section 17.

This well was drilled and completed at a standard oil well location in the Bone Spring formation. The Division then changed the pool classification for this well to a Wildcat Bone Spring Gas Pool, making the location unorthodox. 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 160-acre spacing units to be located no closer than 660 feet to the outer boundary of the spacing unit. Division Rule 19.15.16.14 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 (97748)

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 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 LLP



Bone Spring formation at a point 232 feet from the South line and 494 feet from the East line of Section 17 and is therefore closer than allowed by Division rules. The bottomhole location is 368 feet from the North line and 401 feet from the East line and is also closer than allowed by Division rules.

Exhibit A is a plat showing the location of the well. This location is within the Poker Lake Unit which is operated by BEPCo., LP. Chesapeake is drilling this well pursuant to a contract with BEPCo., LP. **Exhibit B** is the C-102 for this well.

A copy of this application with all attachments was mailed to BEPCo., LP who is the operator of the Unit and Delbasin Corporation, as shown on **Exhibit C**. BEPCo. and Delbasin were 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.

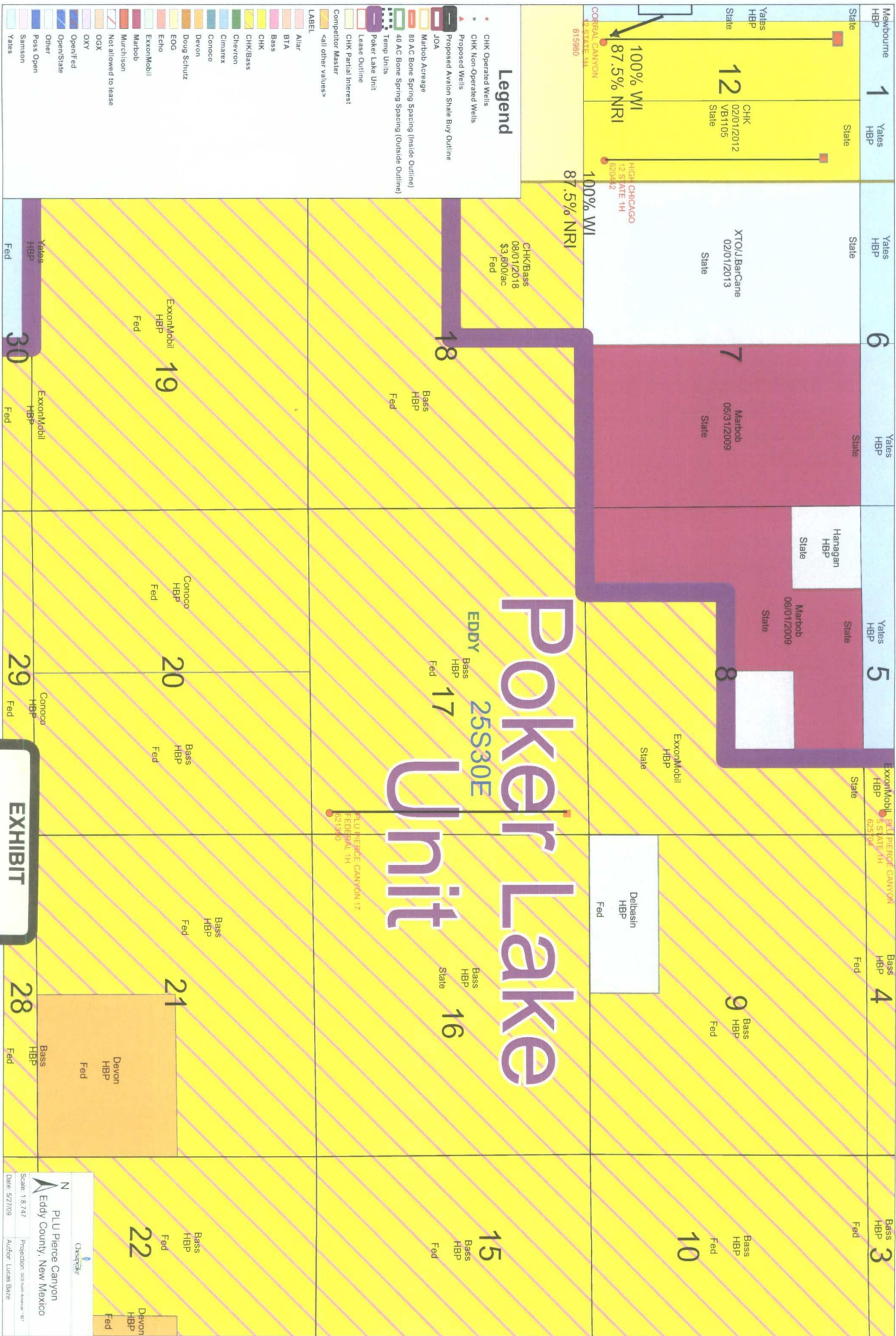
Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry
Attorney for Chesapeake Operating, Inc.

Enclosures

cc: OCD/Artesia, District 2



Poker Lake Unit

EXHIBIT

A

DISTRICT I
1825 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

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-36635	Pool Code 96403 97748	Pool Name MC Bone Spring
Property Code	Property Name PLU PIERCE CANYON "17" FEDERAL	Well Number 1H
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING CO.	Elevation 3233'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	17	25 S	30 E		350	SOUTH	350	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
A	17	25 S	30 E		368'	NORTH	401'	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

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>BOTTOM HOLE LOCATION 368' FNL 401' FEL</p>	<p>Project Area</p>	<p>Producing Area</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained 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 pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Bryan Arrant</i> Signature 4-08-09 Date</p> <p><i>Bryan Arrant</i> Printed Name</p>
			<p>SURVEYOR CERTIFICATION</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>DATE SURVEYED 4-8-08 Signature of Professional Surveyor Professional Surveyor Certificate No. Gary L. Jones 7977</p>
<p>SURFACE LOCATION Lat - N32°07'26.19" Long - W103°53'45.34" SPC- N.: 409099.610 E.: 676748.311 (NAD-83)</p>			<p>3232.7' 3240.2' 3501' 3224.1' 3232.2'</p>



← 144

118'

Exhibit C

BEPCo., LP
201 W. Main Street Suite 3100
Fort Worth, Texas 76102

Delbasin Corporation
201 Main Street Suite 2600
Forth Worth, Texas 76102-3105

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Wednesday, September 02, 2009 10:17 AM
To: 'Ocean Munds-Dry'
Subject: Chesapeake- Pierce Canyon 17 Fed #1H; NSL Application

Dear Ocean

This application indicates that the surface well location is 350 feet from the South and East lines, and the point of penetration is 232 FSL and 494 FEL.

Since the lateral proceeds in a northerly direction from surface location to terminus, it seemed odd that the point of penetration would be further south than the surface location. Also, your letter indicates that this was a standard oil well location before it was re-classified as a gas well. That would not be the case if the point of penetration is only 232 from the section line.

For both these reasons, I am asking that you confirm whether or not the stated calls for the point of penetration are, in fact, the correct ones.

Sincerely

David

Brooks, David K., EMNRD

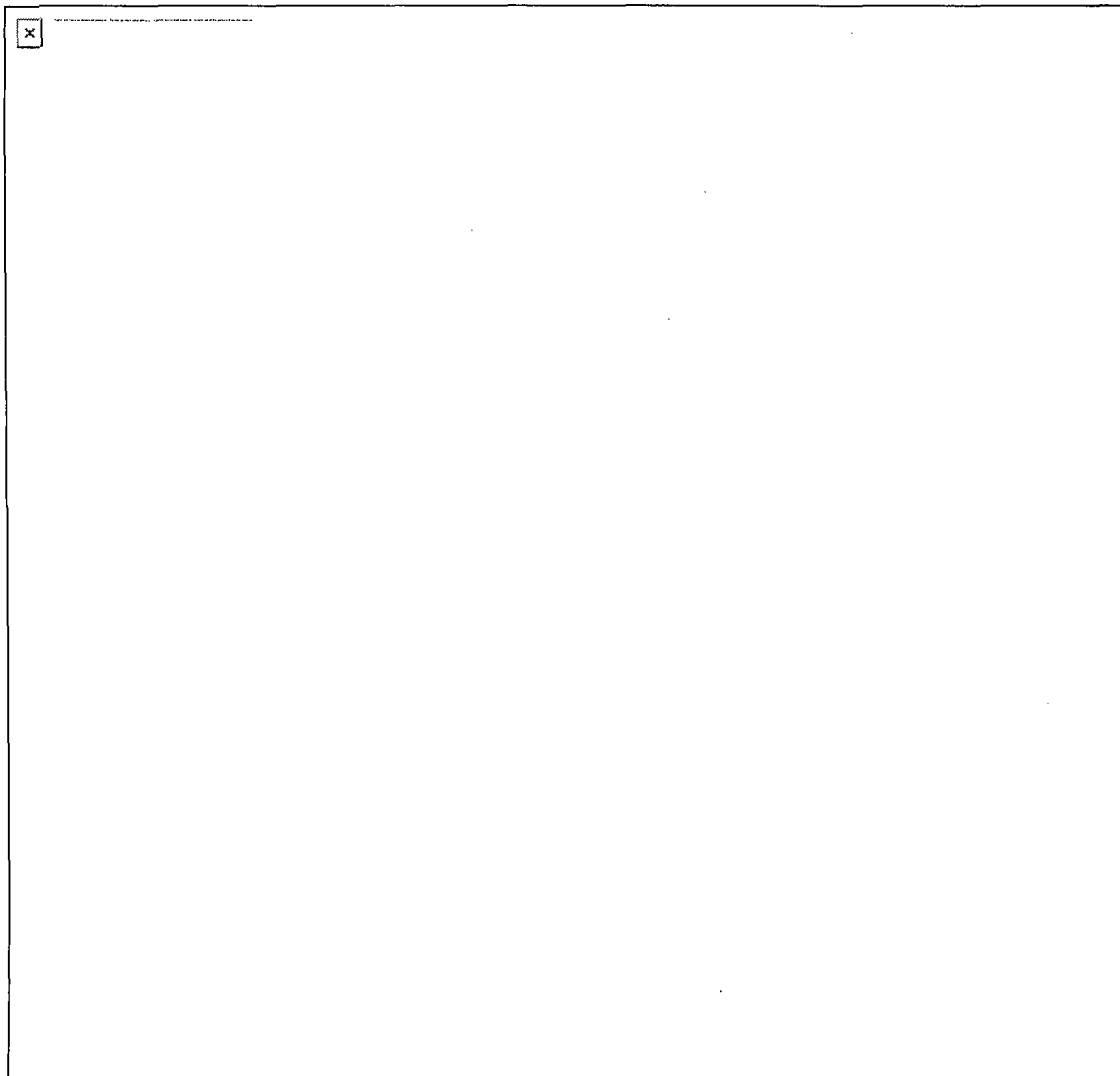
From: Ocean Munds-Dry [Omundsdry@hollandhart.com]
Sent: Thursday, September 10, 2009 8:36 AM
To: Brooks, David K., EMNRD
Subject: RE: Chesapeake- Pierce Canyon 17 Fed #1H; NSL Application

David:

I confirmed with the Chesapeake geologist that the penetration point is 232 FSL and 494 FEL. The pilot hole (vertical) drifted to the SSW so that the vertical wellbore path of the pilot was closer to the section line than the surface location. By the time Chesapeake kicked off from the vertical it was not underneath the surface location. This is depicted in the diagram below. Also, I have learned that although the penetration point is non-standard (for both oil and gas, as you point out), the top perforation in the well is located 713 feet FSL and 494 feet FEL.

Let me know if you need any further information.

Thanks,
Ocean



From: Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]
Sent: Wednesday, September 02, 2009 10:17 AM
To: Ocean Munds-Dry
Subject: Chesapeake- Pierce Canyon 17 Fed #1H; NSL Application

Dear Ocean

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Sincerely

David

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