

| | | | | | |
|-----------------------|----------|---------------------|-------------------------|-----------------|------------------------------------|
| DATE IN <u>6-1-10</u> | SUSPENSE | ENGINEER <u>DB.</u> | LOGGED IN <u>6-1-10</u> | TYPE <u>NSL</u> | PTG W APP NO. <u>1015227733</u> |
|-----------------------|----------|---------------------|-------------------------|-----------------|------------------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

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



Chesapeake
(147179)

Hopkinst 23 State Com. 1H

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

6217

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 _____

2010 MAY 27 P 3:47

RECEIVED OGD

[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 Monds-Dry Ocean Monds-Dry attorney 5/28/10
 Print or Type Name Signature Title Date
omondsdry@hollandhart.com
 e-mail Address



May 28, 2010

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 Hayhurst "23" State Com Well No. 1H to be drilled from a surface location and penetration point 150 feet from the South line and 2270 feet from the East line and a bottomhole location 330 feet from the North line and 2270 feet from the East line of Section 23, Township 25 South, Range 27 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 Hayhurst "23" State Com Well No. 1H. This well is located in Section 23, Township 25 South, Range 27 East, N.M.P.M., Eddy County, New Mexico and is to be drilled in the Bone Spring formation at a surface location and a penetration point 150 feet from the South line and 2270 feet from the East line and a bottomhole location 330 feet from the North line and 2270 feet from the East line of Section 23, Eddy County, New Mexico. A 160-acre project area has been dedicated to this horizontal well comprised of the W/2 E/2 of Section 23.

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 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 Bone Spring formation at a point 150 feet from the South line of Section 23 and is therefore 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 is targeting the Upper Avalon Shale at 6263 (TVD) feet. Therefore, once Chesapeake reaches the targeted formation, it will be at a standard location.

Exhibit A is a plat showing the location of the well. This location is encroaching on the NE/4 NE/4 and NE/4 NW/4 of Section 26. Chesapeake is the lessee in Section 26 and all working interest owners are common. Therefore, no notice is required of this application.

Exhibit B is the C-102 for this well.

Your attention to this application is appreciated.

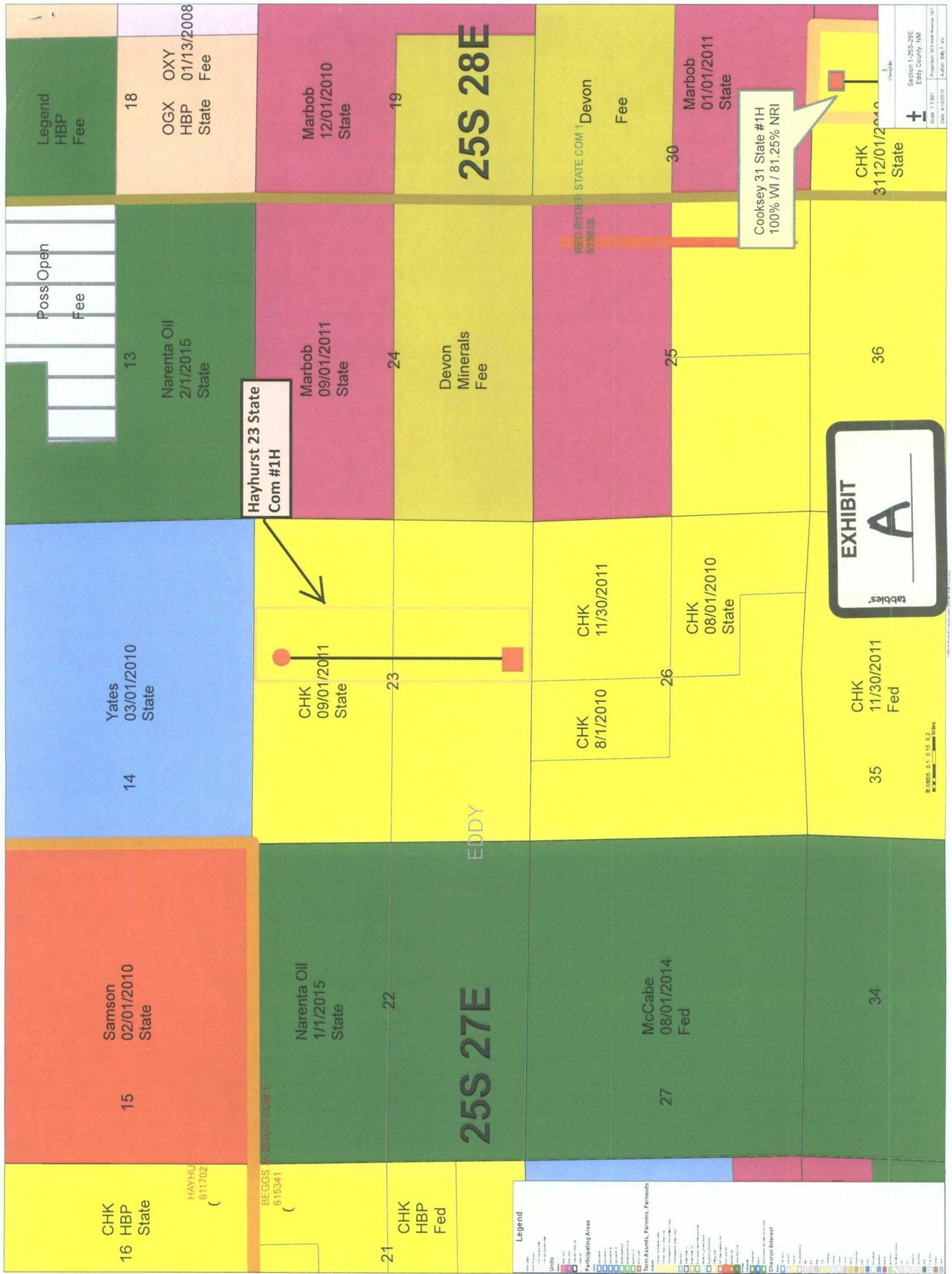
Sincerely,



Ocean Munds-Dry
ATTORNEY FOR
CHESAPEAKE OPERATING, INC.

Enclosures

cc: OCD District Office



DISTRICT I
1625 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 15, 2009

Submit one copy to appropriate
District Office

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

| | | |
|-----------------------------------|--|---|
| API Number 30-015-37804 | Pool Code | Pool Name N Hay Hollow BS (under) |
| Property Code | Property Name HAYHURST "23" STATE COM | Well Number 1H |
| OGRID No. | Operator Name CHESAPEAKE OPERATING CO. | Elevation 3063' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| O | 23 | 25 S | 27 E | | 150 | SOUTH | 2270 | 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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| B | 23 | 25 S | 27 E | | 330 | NORTH | 2270 | EAST | EDDY |

| | | | |
|-----------------|-----------------|--------------------|-----------|
| Dedicated Acres | Joint or Infill | Consolidation Code | Order No. |
|-----------------|-----------------|--------------------|-----------|

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>PROPOSED BOTTOM HOLE LOCATION Lat - N 32.12180343° Long - W 104.1597335° NMSPC - N 408086.174 E 595081.968 (NAD-83)</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 or has a right to drill this well at this 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>Signature _____ Date _____</p> <p>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 APR 15 2010</p> <p>Signature LL-15065 of Professional Surveyor</p> <p>7977</p> <p>Certificate No. Con L. Jones 7977</p> |

EXHIBIT B

tabbles

BASIN SURVEYS

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Tuesday, June 01, 2010 11:20 AM
To: 'Ocean Munds-Dry'
Subject: Chesapeake - Hayhurst 23 State Com #1H; NSL application

Dear Ocean,

In what is likely a typo, the referenced application says that the proposed location encroaches toward the NE/4 NE/4 and NE/4 NW/4 of Section 26. It seems that it should say NW/4 NE/4 and NE/4 NW/4.

Please confirm that the statement that ownership is identical applies to the NW/4 NE/4 of Section 26, as well as to the NE/4 NE/4 and NE/4 NW/4.

Sincerely

David

Brooks, David K., EMNRD

From: Ocean Munds-Dry [Omundsdry@hollandhart.com]
Sent: Friday, June 18, 2010 5:00 PM
To: Brooks, David K., EMNRD
Subject: RE: Chesapeake - Hayhurst 23 State Com #1H; NSL application

Yes, David. That was a typo. Thanks for checking.
Ocean

From: Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]
Sent: Tuesday, June 01, 2010 11:20 AM
To: Ocean Munds-Dry
Subject: Chesapeake - Hayhurst 23 State Com #1H; NSL application

Dear Ocean,

In what is likely a typo, the referenced application says that the proposed location encroaches toward the NE/4 NE/4 and NE/4 NW/4 of Section 26. It seems that it should say NW/4 NE/4 and NE/4 NW/4.

Please confirm that the statement that ownership is identical applies to the NW/4 NE/4 of Section 26, as well as to the NE/4 NE/4 and NE/4 NW/4.

Sincerely

David

Confidentiality Notice: This e-mail, including all attachments is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited unless specifically provided under the New Mexico Inspection of Public Records Act. If you are not the intended recipient, please contact the sender and destroy all copies of this message. -- This email has been scanned by the Sybari - Antigen Email System.