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February 6, 2012

VIA HAND DELIVERY

Jami Bailey, Director
Oil Conservation Division
New Mexico Department of Energy
Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 14825

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**Re: Application of Chesapeake Operating, Inc. for an Unorthodox Well
Location, Eddy County, New Mexico.**

Dear Ms. Bailey:

Enclosed please find the Application for Chesapeake Operating, Inc., as well as a copy of the legal advertisements. Applicant requests that this matter be placed on the docket for April 26, 2012, examiner hearing.

Sincerely,

Michael H. Feldewert

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**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CON**

**IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE OPERATING, INC. FOR
APPROVAL OF AN UNORTHODOX WELL
LOCATION, EDDY COUNTY, NEW MEXICO.**

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CASE NO. 14825

APPLICATION

CHESAPEAKE OPERATING, INC. ("Chesapeake") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to Rule 19.15.15.13 NMAC for an order, after hearing and notice, approving an unorthodox well location for its Big Sinks 2-24-30 USA Well No. 1H (API No. 30-015-39246) located in Section 2, Township 24 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. In support of this application Chesapeake states:

1. On August 30, 2011, under Order NSL-6458, the Division approved an unorthodox location for the terminus of the Big Sinks 2-24-30 USA Well No. 1H (the "subject well") as a horizontal wildcat well in the Bone Spring formation.
2. On December 29, 2011, under Order NSL-6458-A, the Division amended its approval to reflect the "as drilled" terminus location of the subject well, which is 1972 feet from the North line and 93 feet from the East line.
3. As noted in Order NSL-6458-A, the last perforation in the lateral of the subject well is 128 feet from the East line of Section 2 rather than 330 feet.

4. It has since come to Chesapeake's attention that Devon Energy Corporation ("Devon"), an offset operator in Section 1 to the East of the terminus of the subject well, mistakenly did not receive notice of either the initial application for a non-standard location or the amended application for a non-standard location culminating in Order NSL6458-A.

5. Devon has informed Chesapeake that it objects to the unorthodox location, which encroaches upon Devon's lease in Section 1 to the East, and the parties have been unable to reach an accommodation.

6. Accordingly, Chesapeake seeks to bring this matter to hearing before the Division for approval of the unorthodox well location and has provided Devon with notice of this application.

7. The subject well is currently completed and capable of producing in paying quantities, but is shut-in awaiting connection to a pipeline.

WHEREFORE, Chesapeake requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 26, 2012, and, after notice and hearing as required by law, the Division enter an order approving the unorthodox location of the subject well.

Respectfully submitted,

HOLLAND & HART LLP

By: 

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ATTORNEYS FOR CHESAPEAKE OPERATING, INC.

CASE 14823: **Application of Chesapeake Operating, Inc. for approval of an unorthodox well location, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order approving an unorthodox well location for its Big Sinks 2-24-30 USA Well No. 1H (API No. 30-015-39246) located in Section 2, Township 24 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. The subject well is currently completed and awaiting production as a wildcat well in the Bone Spring formation at a total depth of 14,209 feet. The surface location and penetration point for this well is 1980 feet from the North line and 200 feet from the West line with a terminus location 1972 feet from the North line and 93 feet from the East line of Section 2. A frac plug is set at 14,200 feet and the perforations extend to 128 feet from the East line of Section 2. This well is located approximately 13 miles Southeast of Loving, New Mexico.

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