

District I  
1625 N French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy Minerals and Natural Resources

Form C-101  
June 16, 2008

Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Submit to appropriate District Office

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

<sup>1</sup> Operator Name and Address OXY USA INC. P.O. Box 50250 Midland, TX 79710		<sup>2</sup> OGRID Number 16696
		<sup>3</sup> API Number 30-015-32336
<sup>4</sup> Property Code 304890	<sup>5</sup> Property Name McMillan 24 State	<sup>6</sup> Well No. 2
<sup>9</sup> Proposed Pool 1 McMillan Wolfcamp (Gas)		<sup>10</sup> Proposed Pool 2 81285

<sup>7</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	24	20S	26E		1980	South	990	East	Eddy

<sup>8</sup> Proposed 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

Additional Well Information

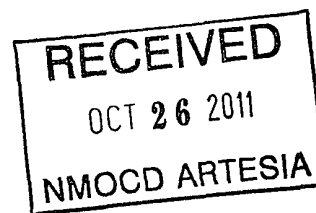
<sup>11</sup> Work Type Code P	<sup>12</sup> Well Type Code G	<sup>13</sup> Cable/Rotary N/A	<sup>14</sup> Lease Type Code S-VIA-1771	<sup>15</sup> Ground Level Elevation 3293'
<sup>16</sup> Multiple N	<sup>17</sup> Proposed Depth 110-10650 PB-8823'	<sup>18</sup> Formation Wolfcamp	<sup>19</sup> Contractor N/A	<sup>20</sup> Spud Date After Approval

<sup>21</sup> Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	48	535'	1025	Surf-Circ
12 1/4"	9 5/8"	47	2835'	1925	Surf-Circ
8 1/2"	7"	29	8950'	2810	Surf-P&S
6 1/8"	5"	18	8973-10650'	350	8873'-Circ

<sup>22</sup> Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

See Attached



<sup>23</sup> I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature.

*David Stewart*

Printed name:

David Stewart

Title:

Regulatory Advisor

E-mail Address:

david.stewart@oxy.com

Date:

10/25/11

Phone:

432-685-5717

OIL CONSERVATION DIVISION

Approved by:

*J. C. Spigard*  
60010515T

Title:

Approval Date:

OCT 27 2011

Expiration Date:

Conditions of Approval Attached ☐

McMillan 24 State #2

API No. 30-015-32336

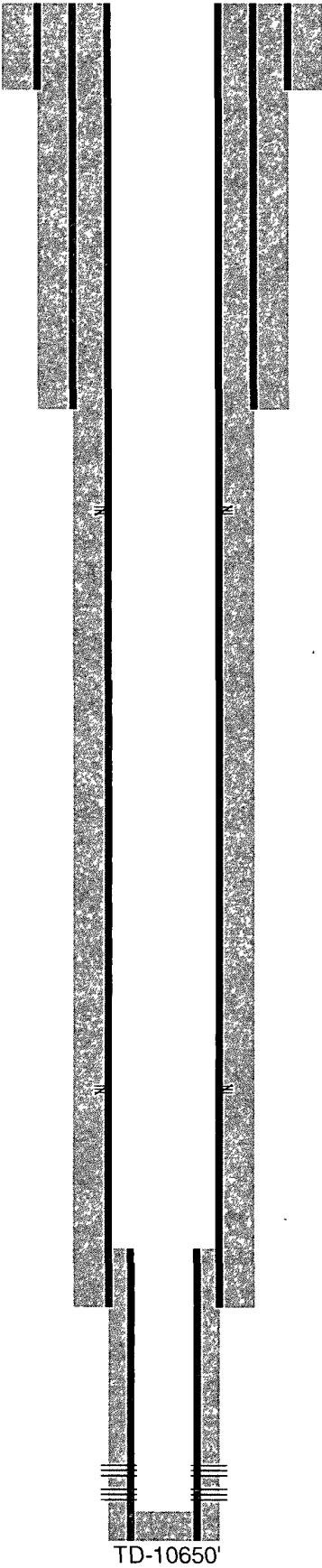
TD-10650' PBTD-10600' Perfs-10308-10478'

13-3/8" 48# csg @ 535' w/ 1025sx, 17-1/2" hole, TOC-Surf-Circ  
9-5/8" 47# csg @ 1925' w/ 1925sx, 12-1/4" hole, TOC-Surf-Circ  
7" 29# csg @ 8950' w/ 2810sx, 8-1/2" hole, TOC-Surf-Perf & Sqz  
5" 18# Liner @ 8873-10650' w/ 350sx, 6-1/8" hole, TOC-8873'-Circ

#### Procedure

- 1) POH w/ kill string
- 2) RIH & Set 5" CIBP at 10258' w/ 25sx cmt.
- 3) PUH & M&P 35sx @ 9000-8823', WOC-Tag
- 4) Perforate Wolfcamp 7890'-7920' (30'); 7944'-7954' (10'); 8004'-8022' (18'); 8076'-8090' (14') 3-3/8"gun 4 spf 60 degrees phase
- 5) RIH RTTS and straddle packer and set @ 8108' & 8058'.
- 6) Stimulate 8076'-8090' (14') with 2000 glns of 17.5%HCL with Fercheck plus 0.2% corrosion inhibitor, 0.2% surfactant and 0.4% iron control
- 7) Unset RTTS and straddle packer and @ 8038' & 7988'.
- 8) Stimulate 8004'-8022' (18') with 3000 glns of 17.5%HCL with Fercheck plus 0.2% corrosion inhibitor, 0.2% surfactant and 0.4% iron control
- 9) Unset RTTS and straddle packer and set @ 7974' & 7924'
- 10) Stimulate 7944'-7954' (10') with 2000 glns of 17.5%HCL with Fercheck plus 0.2% corrosion inhibitor, 0.2% surfactant and 0.4% iron control
- 11) Unset RTTS and straddle packer and set @ 7930' & 7880'
- 12) Stimulate 7890'-7920' (30') with 5000 glns of 17.5%HCL with Fercheck plus 0.2% corrosion inhibitor, 0.2% surfactant and 0.4% iron control
- 13) Unset RTTS and straddle packer. POH.
- 14) RIH Rod pump string.
- 15) Clean location & set anchors

OXY USA Inc. - Current  
McMillan 24 State #2  
API No. 30-015-32336



17-1/2" hole @ 535'  
13-3/8" csg @ 535'  
w/ 1025sx-TOC-Surf-Circ

12-1/4" hole @ 2835'  
9-5/8" csg @ 2835'  
w/ 1925sx-TOC-Surf-Circ

Perf @ 3670' sqz w/ 760sx, TOC-Surf-Circ

Perf @ 7600' sqz w/ 450sx, TOC-3770'-TS

8-1/2" hole @ 8950'  
7" csg @ 8950'  
w/ 1600sx-TOC-7780'-CBL

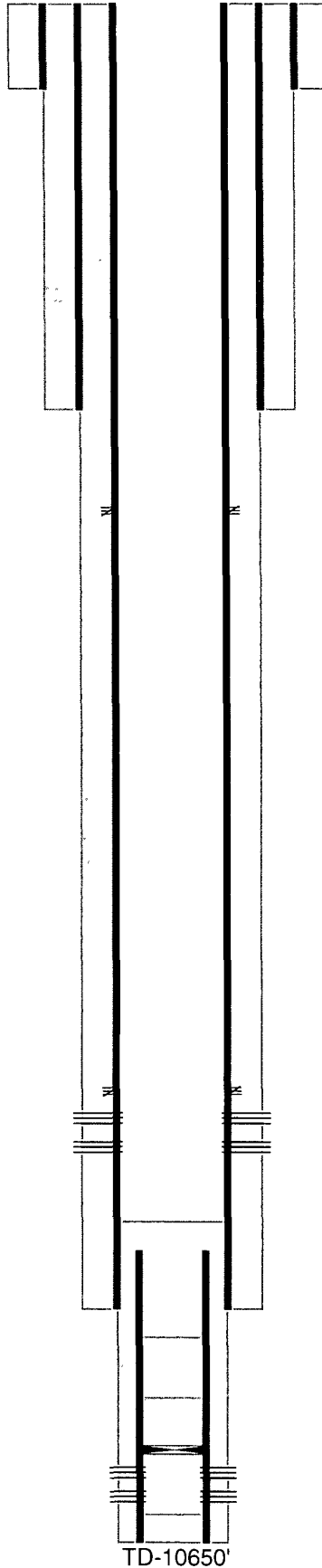
6-1/8" hole @ 10650'  
5" liner @ 8873-10650'  
w/ 350sx-TOC-8873'-Circ

Perfs @ 10308-10478'

PB-10600'

TD-10650'

OXY USA Inc. - Proposed  
McMillan 24 State #2  
API No. 30-015-32336



17-1/2" hole @ 535'  
13-3/8" csg @ 535'  
w/ 1025sx-TOC-Surf-Circ

12-1/4" hole @ 2835'  
9-5/8" csg @ 2835'  
w/ 1925sx-TOC-Surf-Circ

Perf @ 3670' sqz w/ 760sx, TOC-Surf-Circ

*Perf @ 7890-8090'*

Perf @ 7600' sqz w/ 450sx, TOC-3770'-TS

*35sx @ 9000-8823' WOC-Tag*

8-1/2" hole @ 8950'  
7" csg @ 8950'  
w/ 1600sx-TOC-7780'-CBL

*CIBP @ 10258w/ 25sx*

6-1/8" hole @ 10650'  
5" liner @ 8873-10650'  
w/ 350sx-TOC-8873'-Circ

Perfs @ 10308-10478'

PB-10600'

TD-10650'

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO
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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**

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]**

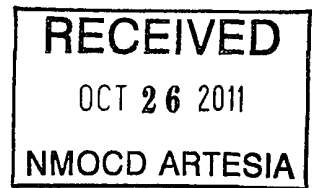
- [A] Location - Spacing Unit - Simultaneous Dedication  
☒ NSL ☐ NSP ☐ SD

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 \_\_\_\_\_



2011 OCT 24 P 4: 04  
 RECEIVED OOD

[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 A Horney 10-24-11  
 Print or Type Name Signature Title Date  
omundsdry@hollandhart.com  
 e-mail Address



October 24, 2011

**VIA HAND DELIVERY**

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

RECEIVED OOD  
2011 OCT 24 P 4:05

**Re: Application of Chesapeake Operating for administrative approval of an unorthodox well location for its Crow Flats 14 16 28 USA Well No. 2H to be drilled from a surface location and penetration point 1980 feet from the North line and 10 feet from the West line and a bottom-hole location 1980 feet from the North line and 350 feet from the East line of Section 14, Township 16 South, Range 28 East, NMPM, Eddy County, New Mexico.**

Dear Ms. Bailey:

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 Crow Flats 14 16 28 USA Well No. 2H. This well is located in Section 14, Township 16 South, Range 28 East, N.M.P.M., Eddy County, New Mexico and is to be drilled in the Wolfcamp formation at a surface location and a penetration point 1980 feet from the North line and 10 feet from the West line and a bottomhole location 1980 feet from the North line and 350 feet from the East line of Section 14, 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 14.

This location is unorthodox because the Wolfcamp (oil) 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 Wolfcamp formation at a point 10 feet from the West line of Section 14 and is therefore closer than allowed by Division rules.

Although the wellbore penetrates the top of the Wolfcamp at an unorthodox location, Chesapeake will case and cement the wellbore and will not perforate the well until it reaches a standard location within the producing area.

**Holland & Hart<sup>LLP</sup>**

Phone [505] 988-4421 Fax [505] 983-6043 [www.hollandhart.com](http://www.hollandhart.com)

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Denver Aspen Boulder Colorado Springs Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Salt Lake City Santa Fe Washington, D.C. ☎



**Exhibit A** is a plat showing the location of the well. This location is encroaching to the west of Section 14. A copy of this application with all attachments was mailed to Chase Oil Corp. and 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. They were also advised that if no objections were received by the Division within twenty days, the Division Director could approve the application.

**Exhibit B** is the C-102 for this well.

**Exhibit C** is the notice list.

Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry  
**ATTORNEY FOR**  
**CHESAPEAKE OPERATING, INC.**

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  
11885 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

Form C-102  
Revised July 16, 2010  
Submit to Appropriate  
District Office

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number	Pool Code 97102/96794	Pool Name CROW FLATS; WOLFCAMP OIL./WILDCAT; WOLFCAMP OIL.
Property Code	Property Name CROW FLATS 14 16 28 USA	Well Number 2H
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 3575'

Surface Location

UL or lot No. E	Section 14	Township 16-S	Range 28-E	Lot Idn	Feet from the 1980	North/South line NORTH	Feet from the 10	East/West line WEST	County EDDY
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Bottom Hole Location If Different From Surface

UL or lot No. H	Section 14	Township 16-S	Range 28-E	Lot Idn	Feet from the 1980	North/South line NORTH	Feet from the 350	East/West line EAST	County EDDY
Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No. NSL-Pending						

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>1980'</p> <p><b>Projected Penetration Point</b> 1980' FNL &amp; 10' FWL</p> <p>(A)</p> <p>S.I. SEE DETAIL</p> <p>10'</p>		<p>Project Area</p> <p>1980'</p>		<p><b>OPERATOR CERTIFICATION</b> I hereby certify that the information 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 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> 10/13/2011</p> <p>Signature Date</p> <p>Bryan Arrant</p> <p>Printed Name</p> <p>bryan.arrant@chk.com</p> <p>E-mail Address</p>	
<p>(B)</p> <p>Producing Area</p> <p>GRID AZ.=89°58'57"</p> <p>HORIZ. DIST.=4855.2'</p> <p>B.H.</p> <p>350'</p>		<p><b>SURVEYOR CERTIFICATION</b> 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>OCTOBER 05, 2011</p> <p>Date of Survey</p> <p>Signature of Professional Surveyor.</p> <p><i>Ronald J. Eidson</i> 10/11/2011</p> <p>Certification Number 12641</p> <p>Ronald J. Eidson 3239</p> <p>AR JWSC W.O. 11.11.2052</p>		<p>(C)</p> <p>DETAIL</p> <p>3569.3' 3577.6'</p> <p>600'</p> <p>3573.9' 3579.6'</p> <p>GEODETIC COORDINATES NAD 27 NME</p> <p>SURFACE LOCATION Y=700396.0 N X=554794.7 E</p> <p>LAT.=32.925337° N LONG.=104.154757° W</p> <p>BOTTOM HOLE LOCATION Y=700397.5 N X=559648.7 E</p> <p>SECTION, QUARTER &amp; SIXTEENTH CORNER COORDINATES</p> <p>(A) - Y=701040.7 N, X=554783.9 E</p> <p>(B) - Y=701040.6 N, X=559995.9 E</p> <p>(C) - Y=699705.9 N, X=554785.5 E</p> <p>(D) - Y=699704.2 N, X=560001.4 E</p>	

**EXHIBIT**

**B**

**Exhibit C**

Chesapeake's NSL Application  
Crow Flats 14 16 28 USA Well No. 2H

Chase Oil Corp.  
P.O. Box 1767  
11352 Lovington Hwy  
Artesia, NM 88211

HOLLAND & HART<sup>LLP</sup>



**Ocean Munds-Dry**  
Phone 505-988-4421  
Fax 505-983-6043  
omundsdry@hollandhart.com

October 24, 2011

**VIA CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Chase Oil Corporation  
Post Office Box 1767  
Artesia, New Mexico 88211

**Re: Application of Chesapeake Operating for administrative approval of an unorthodox well location for its Crow Flats 14 16 28 USA Well No. 2H to be drilled as a horizontal wellbore in Section 14, Township 16 South, Range 28 East, NMPM, Eddy County, New Mexico.**

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date by Chesapeake Operating Co. for administrative approval of an unorthodox well location for its Crow Flats 14 16 28 USA Well No. 2H. This well is located in Section 14, Township 16 South, Range 28 East, N.M.P.M., to be drilled to the Wolfcamp formation from a surface location and penetration point 1980 feet from the North line and 10 feet from the West line to a bottomhole location 1980 feet from the North line and 350 feet from the East line of Section 14, Eddy County, New Mexico.

As an owner of an interest that may be affected by the proposed well, you may object to this application. Objections must be filed in writing within twenty days from this date at the Division's Santa Fe office that is located at 1220 South Saint Francis Drive, Santa Fe, New Mexico. 87505. If no objection is received within this twenty-day period, this application for an unorthodox well location may be approved.

Sincerely,

Ocean Munds-Dry  
**ATTORNEY FOR**  
**CHESAPEAKE OPERATING, INC.**

Enclosures

**Holland & Hart LLP**

Phone [505] 988-4421 Fax [505] 983-6043 [www.hollandhart.com](http://www.hollandhart.com)

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address PO Box 2208 Santa Fe, NM 87504-2208

Denver Aspen Boulder Colorado Springs Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Salt Lake City Santa Fe Washington, D.C. ☺