

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD Artesia

FORM APPROVED
OMB NO 1004-0135
Expires: July 31, 2010**SUNDRY NOTICES AND REPORTS ON WELLS****Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.****SUBMIT IN TRIPLICATE - Other instructions on reverse side.**

1 Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No NMLC069514B
2. Name of Operator CHESAPEAKE OPERATING INC		6 If Indian, Allottee or Tribe Name
Contact LYNDEE SONGER E-Mail: lyndee.songer@chk.com		7. If Unit or CA/Agreement, Name and/or No. 891000303X
3a. Address OKLAHOMA CITY, OK 73154-0496	3b. Phone No. (include area code) Ph: 405-935-2411	8 Well Name and No. PLU PHANTOM BANKS 4-26-31 USA 1H
4 Location of Well (Footage, Sec, T, R, M., or Survey Description) Sec 4 T26S R31E SESW Lot N 300FSL 2180FWL		9 API Well No. 30-015-39847-00-X1
		10. Field and Pool, or Exploratory UNKNOWN
		11 County or Parish, and State EDDY COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Change to Original APD
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13 Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

CHEESAPEAKE REQUESTS PERMISSION TO CHANGE THE BOTTOM HOLE LOCATION ON THE ABOVE WELL. THE NEW LOCATION WILL BE 100' FNL & 1980' FWL 4-26S-31E.

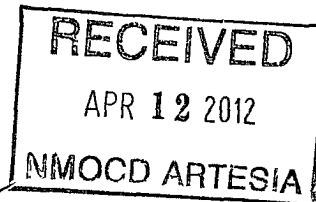
THE NSL WAS APPROVED BY THE OCD ON 4/2/12. ATTACHED IS THE APPROVAL LETTER AND THE NEW PLAT.

(CHK PN 641197)

BLM BOND ESB000159

Accepted for record
NMOCD

TC 4/13/2012



14 I hereby certify that the foregoing is true and correct Electronic Submission #134586 verified by the BLM Well Information System For CHESAPEAKE OPERATING INC, sent to the Carlsbad Committed to AFMSS for processing by KURT SIMMONS on 04/04/2012 (12KMS1497SE)	
Name (Printed/Typed) LYNDEE SONGER	Title REGULATORY COMPLIANCE ANALYST
Signature (Electronic Submission)	Date 04/03/2012

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By CHRISTOPHER WALLS	Title PETROLEUM ENGINEER	Date 04/06/2012
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.		Office Carlsbad

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

**** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ****

DISTRICT I
1825 N. French Dr., Hobbs, NM 88240
Phone (575) 393-5161 Fax: (575) 393-0720

DISTRICT II
811 S. First St., Artesia, NM 86210
Phone (575) 748-1283 Fax: (575) 748-9720

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 334-6178 Fax: (505) 334-6170

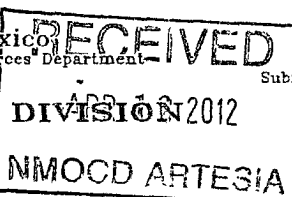
DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 478-3460 Fax: (505) 478-3462

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised August 1, 2011

Submit one copy to appropriate
District Office

OIL CONSERVATION



NMOOD ARTESIA

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-39847	Pool Code 97860	Pool Name Jennings; Bone Spring, West
Property Code 39032	Property Name PLU PHANTOM BANKS 4 26 31 USA	Well Number 1H
OGRU No. 147179	Operator Name CHESAPEAKE OPERATING CO.	Elevation 3277'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	4	26 S	31 E		300	SOUTH	2180	WEST	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
C	4	26 S	31 E		100	NORTH	1980	WEST	EDDY
Dedicated Acres 162.81	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

	PROPOSED BOTTOM HOLE LOCATION Lot - N 32.079128513 Long - W 103.785394885 NMSPCE- N 392955.122 E 711046.981 (NAD-83) Lot - N 32.079003800 Long - W 103.784918286 NMSPCE- N 392897.425 E 669860.954 (NAD-27)	OPERATOR CERTIFICATION 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. 02/22/2012 Signature _____ Date _____ Printed Name Bryan Arrant Email Address bryan.arrant@chk.com
	SURVEYOR CERTIFICATION 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. Date Surveyed _____ Signature & Seal of Professional Surveyor _____ Certificate No. Gary L. Jones 7977 BASIN SURVEYS 24762	



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



April 2, 2011

Chesapeake Operating, Inc.
c/o Holland & Hart LLP
Attn: Mr. Adam G. Rankin

Administrative Order NSL-6488-A
Administrative Application Reference No. pTWG12-06647018

This order supersedes Order NSL6488, issued on October 14, 2011, in its entirety.

Chesapeake Operating, Inc.
OGRID 147179
PLU Phantom Banks 4 26 31 USA Well No. 1H
API No. 30-015

Proposed Location:

	Footages	Unit	Sec.	Township	Range	County
Surface	300 FSL & 2180 FWL	N	4	26S	31E	Eddy
Penetration Point	330 FSL & 2180 FWL	N	4	26S	31E	Eddy
Terminus	100 FNL & 1980 FWL	C	4	26S	31E	Eddy

Proposed Project Area:

Description	Acres	Pool	Pool Code
E/2 W/2 of Section 4	162.81	undesignated West Jennings; Bone Spring	97860

Reference is made to your application received on March 5, 2012.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by statewide Rule 15.9.A [19.15.15.9.A NMAC], which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary, and Rule 15.16.14.B(2) [19.15.16.14.B(2) NMAC] concerning directional wells in designated project areas. This location is unorthodox because portions of the proposed producing interval are less than 330 feet from an outer boundary of the project area.

Oil Conservation Division
1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD



Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

It is our understanding that you are seeking this location for engineering reasons, in order to penetrate the maximum amount of the target zone within the producing area with the wellbore lateral.

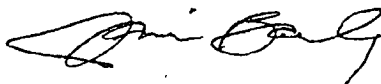
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9 [19.15.5.9 NMAC].

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey", is written over a horizontal line.

Jami Bailey
Director

JB/db

cc: New Mexico Oil Conservation Division – Artesia
United States Bureau of Land Management

DATE IN 3.6.12	SUSPENSE	ENGINEER DB	LOGGED IN 3.6.12	TYPE NSL	APP NO 1206647018
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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 147179

PLU Phantom Bank 47631 USA #14

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.

Adam G. Rankin

[Signature]

Attorney

3/5/12

Print or Type Name

Signature

Title

Date

agr@hollandhart.com

e-mail Address

RECEIVED 000
2012 MAR - 20 11:16

N-4-26531/E

Amend-
NSL 6488

West Jennings B.S.
#6403-?

6488-A

HOLLAND & HART



Adam G. Rankin

Associate

Phone 505-954-7294

Fax 505-983-6043

agrarkin@hollandhart.com

March 5, 2012

VIA HAND DELIVERY

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

RECEIVED OGD
MAR - 5 P 4: 16

Re: Application of Chesapeake Operating, Inc. for Amendment to Administrative Order NSL-6488 Approving An Unorthodox Well Location for the PLU Phantom Banks 4 26 31 USA Well No. 1H in Section 4, Township 26 South, Range 31 East, NMPM, Eddy County, New Mexico.

Dear Ms. Bailey:

By Administrative Order NSL-6488, dated October 14, 2011, the Division approved an unorthodox well location for Chesapeake Operating, Inc.'s ("Chesapeake") PLU Phantom Banks 4 26 31 USA Well No. 1H located in Section 4, Township 21 South, Range 31 East, N.M.P.M., Eddy County, New Mexico. Under the NSL Order, the well is to be drilled in the Bone Spring formation at a surface location and a penetration point 300 feet from the South line and 1980 feet from the West line with a terminus location 350 feet from the North line and 1980 feet from the West line of Section 4. Notice was provided to the affected parties and no objection was received by the Division prior to issuance of Order NSL-6488.

As reflected on the attached amended C-102 report, Chesapeake now seeks to drill the well to a terminus location 100 feet from the North line of Section 4 in order to maximize the length of the completion interval within the target zone. Included with this cover letter is a letter from Bass Operating and Production Company, the only affected interest, waiving any objections to Chesapeake's request for such an amendment.

Accordingly, Chesapeake respectfully requests that Administrative Order NSL-6488 be amended to reflect approval of a terminus location 100 feet instead of 350 feet from the North line of Section 4.

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

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

HOLLAND & HART^{LLP}



PLU Phantom Banks 4 26 31 USA Well No. 1H
March 5, 2012
Page 2


Your attention to this application is appreciated.

Sincerely,

Adam G. Rankin
ATTORNEY FOR CHESAPEAKE OPERATING, INC.

Enclosures
AGR

cc: David K. Brooks
Monty Montgomery, BOPCO
Teresa Long, Chesapeake Operating, Inc. w/o encls.



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jamí Bailey
Division Director
Oil Conservation Division



October 14, 2011

Chesapeake Operating, Inc.
c/o Holland & Hart LLP
Attn: Ms. Ocean Munds-Dry

Administrative Order NSL-6488
Administrative Application Reference No. pTWG11-25857209

Chesapeake Operating, Inc.
OGRID 147179
PLU Phantom Banks 4 26 31 USA Well No. 1H
API No. 30-015

Proposed Location:

	Footages	Unit	Sec.	Township	Range	County
Surface	300 FSL & 2180 FWL	N	4	26S	31E	Eddy
Penetration Point	same as surface location					
Terminus	350 FNL & 1980 FWL	C	4	26S	31E	Eddy

Proposed Project Area:

Description	Acres	Pool	Pool Code
E/2 W/2 of Section 4	160	undesignated West Jennings; Bone Spring	

Reference is made to your application received on September 14, 2011.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by statewide Rule 15.9.A [19.15.15.9.A NMAC], which provides for 40-acre units; with wells located at least 330 feet from a unit outer boundary, and Rule 15.16.14.B(2) [19.15.16.14.B(2) NMAC] concerning directional wells in designated project areas. This location is unorthodox because portions of the proposed producing interval are less than 330 feet from an outer boundary of the project area.

Oil Conservation Division
1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/ OCD



Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

It is our understanding that you are seeking this location for engineering reasons, in order to penetrate the maximum amount of the target zone within the producing area with the wellbore lateral.

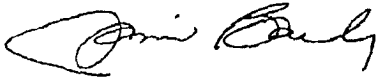
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9 [19.15.5.9 NMAC].

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey", is written over a horizontal line.

Jami Bailey
Director

JB/db

cc: New Mexico Oil Conservation Division -- Artesia
United States Bureau of Land Management

DATE IN 9.15.11	SUSPENSE	ENGINEER DB	LOGGED IN	TYPE NSL	APP NO. 1125857209
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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

PLU Phantom Lake 47631 #517

ADMINISTRATIVE APPLICATION CHECKLIST

#1/H

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

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[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]

RECEIVED OGD
SEP 14 P 3:36

6498

Eddy Fed

[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 Monks-Dry

Print or Type Name

Ocean Monks-Dry Attorney

Signature

Title

9-14-11

Date

omundsdry@hollandhart.com

e-mail Address

September 14, 2011

HAND-DELIVERED

Jami Bailey, 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 Phantom Banks 4 26 31 USA Well No. 1H to be drilled from a surface location and penetration point 300 feet from the South line and 2180 feet from the West line and a bottomhole location 350 feet from the North line and 1980 feet from the West line of Section 4, Township 26 South, Range 31 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 PLU Pierce Canyon 4 26 31 USA Well No. 1H. This wildcat well is located in Section 4, Township 26 South, Range 31 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 300 feet from the South line and 2180 feet from the West line and a bottomhole location 350 feet from the North line and 1980 feet from the West line of Section 4, Eddy County, New Mexico. A 160-acre project area has been dedicated to this horizontal well comprised of the E/2 W/2 of Section 4.

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 300 feet from the South line of Section 4 and 50 feet south of the producing area; it is, therefore, closer than allowed by Division rules.

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



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 Lower Avalon at approximately 8,710 feet (TVD). 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 to the south of Section 4. This location is within the Poker Lake Unit which is operated by BOPCo. A copy of this application with all attachments was mailed to BOPCo. and ConocoPhillips and they 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. BOPCo. was 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,

A handwritten signature in dark ink that reads "Ocean Munds-Dry". The signature is written in a cursive, flowing style.

Ocean Munds-Dry
ATTORNEY FOR
CHESAPEAKE OPERATING, INC.

Enclosures

cc: OCD District Office - Artesia

DISTRICT I
1820 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 V. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Drazos Rd., Aztec, NM 87410

DISTRICT IV
1820 E. St. Francis Dr., Santa Fe, NM 87503

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised July 18, 2010

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	Pool Code 96403	Pool Name <i>West Jennings B5</i> WILDCAT, BONE SPRING
Property Code	Property Name PLU PHANTOM BANKS 4 26 31 USA	Well Number 1H
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING CO.	Elevation 3277'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	4	26 S	31 E		300	SOUTH	2180	WEST	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
C	4	26 S	31 E		350	NORTH	1980	WEST	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

	PROPOSED BOTTOM HOLE LOCATION Lot - N 32.07844149' Long - W 103.7853988' NMSPC - N 392705.192 E 711047.685 (NAD-83) Lot - H 32.07831877' Long - W 103.78492021' NMSPC - N 392847.501 E 689861.829 (NAD-83)	OPERATOR CERTIFICATION 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. <i>Bryan Arant</i> 08/25/2011 Signature Date Printed Name bryan.arant@chkm.com Email Address
	Penetration Point & SURFACE LOCATION Lot - N 32.06558211' Long - W 103.78477756' NMSPC - N 388026.191 E 711263.836 (NAD-83) Lot - N 32.06545727' Long - W 103.78478970' NMSPC - N 387930.668	SURVEYOR CERTIFICATION 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. Date Surveyed Signature of Seal of Professional Surveyor W.C. PROPOSED 2011 Certificate No. Gary L. Jones 7977 BASIN SURVEYS 24762

EXHIBIT
B

Exhibit C
Chesapeake's NSL Application
PLU Pierce Canyon 4 26 31 USA Well No. 1H

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

ConocoPhillips
3300 N. A Street
Building 6-100
Midland, Texas 79705



HOLLAND & HART



Adam G. Rankin
Phone 505-988-4421
Fax 505-983-6043
agrarkin@hollandhart.com

February 29, 2012

VIA E-MAIL AND
UPS OVERNIGHT DELIVERY

BEPCO *

Attn.: Monty Montgomery
201 Main Street, Suite 3100
Fort Worth, Texas 76102

Re: Application of Chesapeake Operating, Inc. to Amend NSL-6488.

Dear Mr. Montgomery:

Chesapeake Operating, Inc. intends to submit the above-referenced application to the New Mexico Oil Conservation Division to amend NSL-6488, see attached, to change the approved bottom-hole location. NSL-6488 provides for a bottom-hole location 350 feet from the North line of Section 4, Township 26 South, Range 31 East, N.M. P.M., Eddy County, New Mexico. Chesapeake Operating, Inc. is seeking to change the bottom-hole location to an unorthodox location 100 feet from the North line of said Section 4.

Division Rules provide that an application may be approved sooner if the applicant obtains waivers from affected parties. We therefore request your waiver of objection to this administrative application. We respectfully request you that you sign this letter and return it by e-mail delivery to me (agrarkin@hollandhart.com) as soon as possible.

Thank you for your consideration of this matter. Should you wish to discuss please feel free to call Teresa Long at (405) 935-9175.

Sincerely,

Adam G. Rankin

BEPCO* agrees to waive objection to Chesapeake Operating, Inc.'s application for an unorthodox well location for its PLU Phantom Banks 4 26 31 USA 1H well.

By:

Name & Title

W. Frank McCreight, Sr. Vice President

Date: 3-5-2012

*now known as BOPCO, L.P.

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

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

DISTRICT I
1825 N. French Dr., Hobbs, NM 88240
Phone (875) 383-0101 Fax: (875) 383-0220

DISTRICT II
111 S. First St., Artesia, NM 88210
Phone (875) 716-1803 Fax: (875) 716-9210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone (805) 334-8178 Fax: (805) 334-8170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone (805) 478-5480 Fax: (805) 478-5480

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised August 1, 2011

Submit one copy to appropriate
District Office

OIL CONSERVATION DIVISION

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-39847	Pool Code 97860	Pool Name Jennings, Bone Spring, West
Property Code 39032	Property Name PLU PHANTOM BANKS 4 26 31 USA	Well Number 1H
OGHD No. 147179	Operator Name CHESAPEAKE OPERATING CO.	Elevation 3277'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	4	26 S	31 E		300	SOUTH	2180.	WEST	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
C	4	26 S	31 E		100	NORTH	1980	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
162.81			

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OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>Project Area</p> <p>Producing Area</p> <p>Projected Penetration Point 330' FSL & 2180' FWL</p> <p>3276.0'</p> <p>3278.0'</p> <p>3267.0'</p> <p>3267.9'</p>	<p>PROPOSED BOTTOM HOLE LOCATION</p> <p>Lat - N 32.078128513 Long - W 103.785394885 NMSPC- N 392955.122 E 711046.981 (NAD-83)</p> <p>Lat - N 32.078003800 Long - W 103.784918286 NMSPC- N 392897.425 E 669860.954 (NAD-27)</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 undivided 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><i>Bryan Arrant</i> 02/22/2012 Signature Date Printed Name Bryan Arrant Email Address bryan.arrant@chk.com</p>
	<p>SURFACE LOCATION</p> <p>Lat - N 32.085582111 Long - W 103.7847756 NMSPC- N 388028.181 E 711263.836 (NAD-83)</p> <p>Lat - N 32.06545727 Long - W 103.78429570 NMSPC- N 387870.608 E 670077.627 (NAD-27)</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 02/22/2012 Signature of Seal of Professional Surveyor W.C. Professional Seal</p> <p>Certificate No. Gary L. Jones 7977 BASIN SURVEYS 24762</p>