



# 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

**Jami Bailey**  
Division Director  
Oil Conservation Division



June 14, 2011

Ms. Ocean Munds-Dry  
Holland & Hart, LLP  
P.O. Box 2208  
Santa Fe, NM 87504

**Administrative Order NSL-6396**

**Re: Chesapeake Operating, Inc.  
PLU Ross Ranch 32 State Well No. 1H  
API No. 30-015-37938  
175 feet FSL & 400 feet FEL  
Unit P, Section 32-25S-30E  
Eddy County, New Mexico**

Dear Ms. Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW11-13753675**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chesapeake Operating, Inc. (Chesapeake) [OGRID 147179], on May 17, 2011, and

(b) the Division's records pertinent to this request.

Chesapeake has requested to drill the above-referenced well as a horizontal well in the Bone Spring formation, at a location that will be unorthodox under Division Rule 16.14.B(2) [19.15.16.14.B(2) NMAC]. The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 175 feet from the South line and 400 feet from the East line  
(Unit P) of Section 32, Township 25 South, Range 30 East, NMPM,  
Eddy County, New Mexico

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](http://www.emnrd.state.nm.us/OCD)



Point of Penetration: same as surface location

Terminus                      350 feet from the North line and 400 feet from the East line  
                                         (Unit A) of said section

The E/2 E/2 of Section 32 will be dedicated to the proposed well to form a project area comprising four standard 40-acre wildcat oil spacing units in the Bone Spring formation. This location is governed by statewide Rule 15.9 [19.15.15.9 NMAC], which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is unorthodox because a portion of the producing interval will be less than 330 feet from the southern boundary of the project area, and therefore outside the producing area.

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 target interval as close as possible to the prescribed setback line.

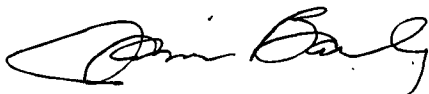
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2) [19.15.4.12.A(2) NMAC], in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B [19.15.15.13.B NMAC], 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,



Jami Bailey  
Director

JB/db

cc:     New Mexico Oil Conservation Division - Artesia  
         New Mexico State Land Office - Santa Fe