

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



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.



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.

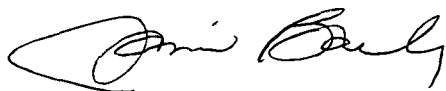
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

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". The signature is fluid and cursive, with a large initial "J" and a stylized "B".

Jami Bailey
Director

JB/db

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