



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

February 11, 2007

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

Administrative Order NSL-5783

**Re: Chesapeake Operating, Inc.
Diamond 31 Federal Well No. 2H
API No. 30-015-36022
Unit J, Section 31-24S-29E
Eddy County**

Dear Ms Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR-0801840696**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chesapeake Operating, Inc. (Chesapeake), on January 17, 2008, 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 Delaware formation, at a location that will be unorthodox under Division Rule 111. The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 1722 feet from the South line and 1542 feet from the East line
(Unit J) of Section 31, Township 24S, Range 29E, NMPM
Eddy County, New Mexico

Point of Penetration: 1722 feet from the South line and 1542 feet from the East line
(Unit J) of said section.

Terminus 1650 feet from the South line and 1650 feet from the West line
(Unit K) of said section.

The NW/4 SE/4 and the NE/4 SW/4 of Section 31 will be dedicated to the proposed well to form a project area comprising two standard, 40-acre oil spacing units in the Willow Lake-Delaware Pool (64453). This pool is governed by statewide Rule 104.B(1), 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 eastern boundary of the project area, and therefore outside the producing area.

Your application on behalf of Chesapeake has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location to comply with United States Bureau of Land Management surface siting requirements.

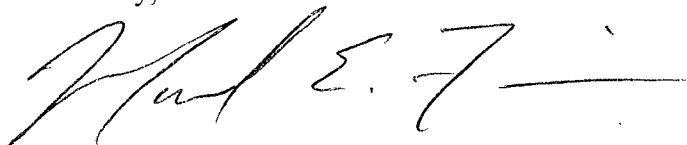
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 1210.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 104.F(2), 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 40.

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 'Mark E. Fesmire', followed by a horizontal line.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
 New Mexico State Land Office - Santa Fe
 United States Bureau of Land Management - Carlsbad