



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



June 16, 2008
Administrative Order NSL-5799-A

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

Dear Ms. Munds-Dry

Chesapeake's NSL Application: IMC 21 Federal Com Well No. 2H (API No. 30-015-36109)

SHL: 460' FNL, 410' FEL, Unit A
Penetration Point(vertical portion): 460' FNL, 410' FEL, Unit A (Non-Standard)
BHL: 330' FSL, 650' FEL, Unit P
Section 21 T23S, R29E, NMPM, Eddy County, New Mexico
120 Acre, SE/4 NE/4 and the E/2 SE/4 of Section 21 Northeast Harroun Ranch
Delaware Pool (96878)

Reference is made to the following:

(a) your application for a non-standard well location (**administrative application reference No. pKVR0813345988**) for the subject well that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 8, 2008, on behalf of Chesapeake Operating, Inc. OGRID No. 147179 ("Chesapeake"); and

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

Chesapeake requests authority to horizontally drill this well and penetrate the Delaware formation at a location that will be unorthodox under Division Rules 104 and 111. This well is to be dedicated to the SE/4 NE/4 and E/2 SE/4 of Section 21 and will form a project area comprising three entire standard spacing units in the Northeast Harroun Ranch Delaware Pool (96878). This pool has no special pool rules and is governed by Division Rule 104.B(1). The subject well is planned to penetrate the top of the Delaware Mountain Group at an unorthodox location. This location is unorthodox



because a portion of the producing interval is located outside the boundaries of the project area, and therefore outside the producing area.

Chesapeake's application stated that the unorthodox well design is needed in order to maximize that portion of the horizontal wellbore at the highest structural position, in order to recover more gas and prevent waste.

Chesapeake is the operator of the affected spacing unit to the north, but these spacing units have diverse working interest ownership. Chesapeake has provided notice of this application to the affected persons, as defined in Rule 1210.A(2) and no objections have been received.

Pursuant to the authority granted under the provisions of Division Rule 104, the above-described unorthodox penetration point for the Northeast Harroun Ranch Delaware Pool 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,

Mark E. Fesmire, P.E.
Division Director

MEF/tw

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