



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Daniel Sanchez
Acting Division Director
Oil Conservation Division

Harrison H. Schmitt
Cabinet Secretary-Designate



HOBBS OCD

JAN 28 2013

RECEIVED

February 7, 2011

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

Administrative Order NSL-6334

**Re: Chesapeake Operating, Inc.
Livestock 9 Federal Well No. 2
API No. 30-025-36583
1450 feet FNL and 1950 FEL
Unit G, Section 9-22S-33E
Lea County, New Mexico**

Dear Ms Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW11-02557134**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chesapeake Operating, Inc. [OGRID 147179] (Chesapeake), on January 25, 2011, and

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

Chesapeake has requested to re-complete the above-referenced well at an unorthodox oil well location, described above in the caption of this letter. The SW/4 NE/4 of Section 9 will be dedicated to this well in order to form a standard 40-acre spacing unit in the undesignated East Red Tank Bone Spring Pool (51687). This pool is governed by statewide Rule 15.9.A, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the northern unit boundary.

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

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



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It is our understanding that you are seeking this location in order to utilize an existing wellbore.

It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

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.

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

Sincerely,

Daniel Sanchez
Acting Director

DS/db

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