



New Mexico Energy, Minerals and Natural Resources Department

**Susana Martinez**  
Governor

**John H. Bemis**  
Cabinet Secretary

**Brett F. Woods, Ph.D.**  
Deputy Cabinet Secretary

Division Director

**Jami Bailey**  
Oil Conservation Division



March 7, 2012

Chesapeake Operating, Inc.  
c/o Adam Rankin, Attorney

**Administrative Order NSL-6495-A**

**Re: Chesapeake Operating, Inc.**  
**PLU Big Sinks 15 25 30 USA Well No. 1H (API No. 30-015-39693)**  
**SHL: 10 FNL 1980 FWL of Section 22, T25S, R30E**  
**PP: 10 FSL 1980 FWL of Section 15, T25S, R30E**  
**BHL: 100 FNL 1980 FWL of Section 15, T25S, R30E**  
**Project Area: E/2 W/2 of Section 15, T25S, R30E**  
**Eddy County, New Mexico**

Dear Mr. Rankin:

This Order supersedes Order NSL-6495.

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW12-06664516**) 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 March 6, 2012, and

(b) the Division's records pertinent to this request, including the file relating to Administrative Order NSL-6495.

Chesapeake has requested to drill the above-referenced well as a horizontal well in the Lower Avalon ("target") member of 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 E/2 W/2 of Section 15 will be dedicated to the proposed well to form a project area comprising four standard 40-acre spacing units in the Wildcat; Bone Spring Pool. This pool 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



portions of the completed interval will be 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.

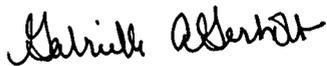
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2) [19.15.4.12.A(2) NMAC], in all adjoining units towards which the proposed location encroaches. We further understand that Bass Operating and Production Company, whose waiver of objection you have submitted, is the only person affected by the amendment to Order NSL-6495.

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,



for JAMI BAILEY  
Director

JB/wvj

cc: Oil Conservation Division – Artesia  
Bureau of Land Management