



# New Mexico Energy, Minerals and Natural Resources Department

**Susana Martinez**  
Governor

**John H. Bemis**  
Cabinet Secretary

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

**Jami Bailey**  
Division Director  
Oil Conservation Division



April 2, 2012

Chesapeake Operating, Inc.  
c/o Holland & Hart LLP  
Attn: Mr. Adam G. Rankin

**Administrative Order NSL-6580**  
**Administrative Application Reference No. pTWG12-06646368**

Chesapeake Operating, Inc.  
OGRID 147179  
PLU Pierce Canyon 16 24 30 State Well No. 1H  
API No. 30-015-40126

**Proposed Location:**

	<b>Footages</b>	<b>Unit</b>	<b>Sec.</b>	<b>Township</b>	<b>Range</b>	<b>County</b>
Surface	50 FSL & 1980 FEL	O	16	24S	30E	Eddy
Penetration Point	330 FSL & 1980 FEL	O	16	24S	30E	Eddy
Terminus	100 FNL & 1980 FEL	B	16	24S	30E	Eddy

**Proposed Project Area:**

<b>Description</b>	<b>Acres</b>	<b>Pool</b>	<b>Pool Code</b>
W/2 E/2 of Section 16	160	wildcat Bone Spring	

Reference is made to your application received on March 5, 2012.

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.

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](http://www.emnrd.state.nm.us/OCD)



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 "B".

Jami Bailey  
Director

JB/db

cc: New Mexico Oil Conservation Division – Artesia  
New Mexico State Land Office