

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

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

Jami Bailey
Division Director
Oil Conservation Division



June 8, 2012

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

Administrative Order NSL-6495-B

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: 62 FSL 1936 FWL of Section 15, T25S, R30E
BHL: 226 FNL 1947 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-A.

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW12-16027414**) 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 June 7, 2012, and

(b) the Division's records pertinent to this request, including the files relating to Administrative Orders NSL-6495 and NSL-6495-A.

Chesapeake has drilled, and requests approval to produce, the above-referenced well as a horizontal well in the Lower Avalon ("target") member of the Bone Spring formation, at a location, described above, that is 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 are less than 330 feet from outer boundaries of the project area.

June 8, 2012

Page 2

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.

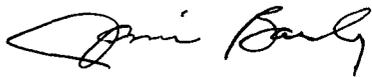
We further understand that Bass Operating and Production Company, whose waiver of objection you have submitted, is the only person affected by the amendment to Order NSL-6495-A.

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,

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: Oil Conservation Division – Artesia
United States Bureau of Land Management