



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Chesapeake Operating, Inc.

c/o W. Thomas Kellahin

P. O. Box 2265

Santa Fe, New Mexico 87504

July 6, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Administrative Order NSL-5231

Dear Mr. Kellahin:

Reference is made to the following: (i) your application (*administrative application reference No. pSEM0-518128343*) filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 28, 2005 on behalf of the operator, Chesapeake Operating, Inc. ("Chesapeake"); and (ii) the Division's records in Santa Fe and Hobbs: all considering Chesapeake's request for an unorthodox gas well location in both the Atoka and Morrow formations for its proposed Paloma "30" Federal Well No. 2 to be drilled 2430 feet from the South line and 2420 feet from the East line (Unit J) of Section 30, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico.

Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of Section 30, being a standard 317.03-acre lay-down gas spacing unit for both the Undesignated and designated Bell Lake-Atoka Gas Pool (71720) and Undesignated Mid Bell Lake-Morrow Gas Pool (72000), is to be dedicated to this well.

This application has been duly filed under the provisions of Division Rule 104.F.

The geologic interpretation submitted with this application, based on 3-D seismic, indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within both the Atoka and Morrow formations than a well drilled at a location considered to be standard within the subject 317.03-acre unit.

It is the Division's understanding after reviewing your application and our records that all of Section 30 is a single Federal lease issued by the U. S. Bureau of Land Management (*U. S. Government lease No. NM-68821*) with common mineral interest in which Chesapeake is the leasehold operator.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox gas well location for Chesapeake's proposed Paloma "30" Federal Well No. 2 in both the Atoka and Morrow formations within this 317.03-acre unit comprising the S/2 equivalent of Section 30 is hereby approved.

Sincerely,

Mark E. Fesmire, P. E.

Director

MEF/mes

cc: New Mexico Oil Conservation Division – Hobbs
U. S. Bureau of Land Management – Carlsbad