



New Mexico Energy, Minerals and Natural Resources Department

**Bill Richardson**  
Governor

**Jon Goldstein**  
Cabinet Secretary

**Jim Noel**  
Deputy Cabinet Secretary

**Mark Fesmire**  
Division Director  
Oil Conservation Division



January 20, 2010

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

**Administrative Order NSL-6136**

**Re: Chesapeake Operating, Inc.  
PLU Pierce Canyon 12 Federal Well No. 1H  
API No. 30-015  
Section 12-24S-29E  
Eddy County, New Mexico**

Dear Ms Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW09-36354190**) 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 December 29, 2009, and

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

Chesapeake has requested to drill the above-referenced well as a horizontal well in the Bone Spring formation, at a location that will be unorthodox under Division Rule 16.14.B(2). The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 250 feet from the South line and 217 feet from the East line (Unit P) of Section 12, Township 24-S, Range 29E, NMPM Eddy County, New Mexico

Point of Penetration: same as surface location

Terminus 330 feet from the North line and 2310 feet from the East line (Unit B) of said section



The NW/4 NE/4, S/2 NE/4 and E/2 SE/4 of Section 12 will be dedicated to the proposed well to form a project area comprising five adjacent, standard 40-acre spacing units in the undesignated Nash Draw-Delaware/Bone Spring (Avalon Sand) Pool (47545) or the undesignated East Pierce Crossing-Bone Spring Pool (96473). These pools are governed by statewide Rule 15.9, 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 producing interval will be less than 330 feet from outer boundaries of the project area, and therefore outside the producing area.

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

It is our understanding that you are seeking this location for geologic reasons.

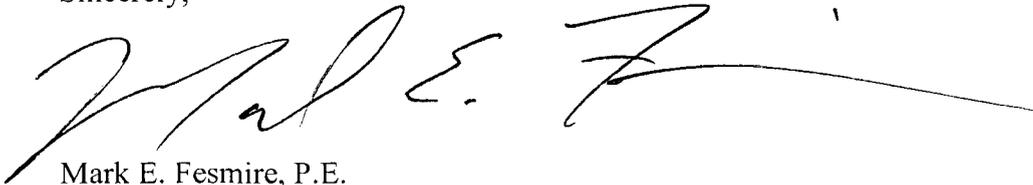
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

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.

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 'Mark E. Fesmire', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.  
Director

MEF/db

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