



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



June 30, 2010

Ms. Ocean Munds-Dry  
Holland & Hart LLP  
P.O. Box 2208  
Santa Fe, NM 87505

**Administrative Order NSL-6224**

**Re: Chesapeake Operating, Inc.  
Skeen 34 State Com. Well No. 1H  
API No. 30-015-37805  
315 feet FSL & 1670 feet FEL  
Lot 3, Section 34-26S-28E  
Eddy County, New Mexico**

Dear Ms. Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW10-16048212**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chesapeake Operating, Inc. [OGRID 14179] (Chesapeake), on June 8, 2010, 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: 315 feet from the South line and 1670 feet from the East line  
(Lot 3) of Section 34, Township 26S, Range 38E, NMPM,  
Eddy County, New Mexico

Point of Penetration: same as surface location

Terminus 330 feet from the North line and 2270 feet from the East line  
(Unit B) of Section 27 in said Township, Range and County



The W/2 E/2 of Section 27 and the W/2 E/2 of irregular Section 34 will be dedicated to the proposed well to form a 240-acre, more or less, project area comprising four standard 40-acre, more or less, wildcat spacing units in the Bone Spring formation. Spacing is 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 a portion of the producing interval will be less than 330 feet from the southern boundary 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 engineering reasons, in order to maximize the portion of the target interval that will be penetrated by the horizontal portion of the wellbore.

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 line extending to the right.

Mark E. Fesmire, P.E.  
Acting Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia  
New Mexico State Land Office - Santa Fe