



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor

Jim Noel

Cabinet Secretary

Karen W. Garcia

Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division

November 9, 2010

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

Administrative Order NSL-6294

Re: Chesapeake Operating, Inc.
PLU Pierce Canyon 8 State Well No. 1H
API No. 30-015-37937
145 feet FNL & 400 feet FEL
Unit A, Section 8-25S-30E
Eddy County, New Mexico

Dear Ms/ Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW10-28852703**) 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 October 15, 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: 145 feet from the North line and 400 feet from the East line
(Unit A) of Section 8, Township 25S, Range 30E, NMPM,
Eddy County, New Mexico

Point of Penetration: same as surface location

Terminus 330 feet from the South line and 400 feet from the East line
(Unit P) of said section

Oil Conservation Division

1220 South St. Francis Drive • Santa Fe, New Mexico 87505

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The E/2 E/2 of Section 8 will be dedicated to the proposed well to form a project area comprising four standard 40-acre spacing units in the undesignated East Pierce Crossing Bone Spring Pool (96473). This pool 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 feet from the northern boundary of the project area, and therefore outside the producing area.

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

It is our understanding that Chesapeake is seeking this location for engineering reasons.

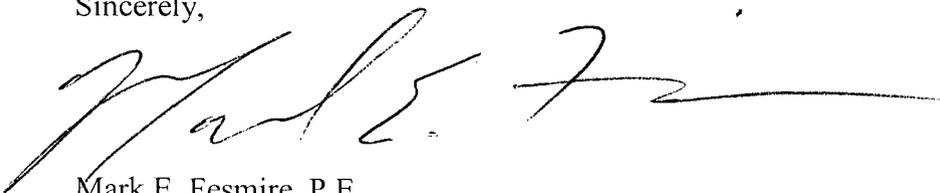
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

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
New Mexico State Land Office - Santa Fe