



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Daniel Sanchez
Acting Division Director
Oil Conservation Division



Harrison H. Schmitt
Cabinet Secretary-Designate

January 11, 2011

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

Administrative Order NSL-6317

Re: Chesapeake Operating, Inc.
PLU Big Sinks 27 Federal Com. Well No. 1H
API No. 30-015-38319
215 feet FSL & 400 feet FEL
Unit P, Section 27-24S-30E, NMPM
Eddy County, New Mexico

Dear Ms Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW10-35633940**) 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 21, 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: 215 feet from the South line and 400 feet from the East line
(Unit P) of Section 27, Township 24 South, Range 30 East, NMPM,
Eddy County, New Mexico

Point of Penetration: same as surface location

Terminus 330 feet from the North line and 400 feet from the East line
(Unit A) of said section

Oil Conservation Division

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The E/2 E/2 of Section 27 will be dedicated to the proposed well to form a project area comprising four standard, 40-acre wildcat oil spacing and proration units in the Bone Spring formation. This location 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 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, in order to maximize the portion of the target horizon that the lateral portion of the wellbore will penetrate.

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 "Daniel Sanchez", with a long, sweeping horizontal line extending to the right.

Daniel Sanchez
Acting Director

DS/db

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