



New Mexico Energy, Minerals and Natural Resources Department

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Jami Bailey
Division Director
Oil Conservation Division



October 14, 2011

Chesapeake Operating, Inc.
c/o Holland & Hart LLP
Attn: Mr. Michael H. Feldewert

Administrative Order NSL-5231-A
Administrative Application Reference No. pTWG11-25927852

Chesapeake Operating, Inc.
OGRID 147179
Paloma 30 Federal Well No. 2
API No. 30-025-37413

Proposed Location:

<u>Footages</u>	<u>Unit</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>	<u>County</u>
2430 FSL & 2420 FEL	J	30	23S	34E	Lea

Proposed Unit:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
SE/4 of Section 30	160	undesignated Bell Lake; Bone Spring	5130
NW/4 SE/4 of Section 30	40	undesignated Bell Lake; Delaware	5160
NW/4 SE/4 of Section 30	40	wildcat Wolfcamp oil other wildcat oil	

Reference is made to your application received on September 15, 2011.

You have requested to re-complete this well at an unorthodox oil well location described above, in one or more of the referenced pools or formations.

The Bell Lake Bone Spring pool is governed by the Special Rules and Regulations for the Bell Lake Bone Spring Pool, as promulgated by Order No. R-4539 issued on May 22, 1973. These rules provide for 160-acre units, with wells to be located at least 660 feet from a unit outer boundary and at least 330 feet from a quarter-quarter section line.

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This location is otherwise governed by statewide Rule 15.9.A [19.15.15.9.A NMAC], which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from a unit boundary for either a 160-acre or a 40-acre unit.

Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

It is our understanding that you are seeking this location in order to utilize an existing well.

It is also understood that notice to offsetting operators or owners is unnecessary due to common ownership.

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 [19.15.5.9 NMAC].

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

Jami Bailey
Director

JB/db

cc: New Mexico Oil Conservation Division – Hobbs
United States Bureau of Land Management