



New Mexico Energy, Minerals and Natural Resources Department

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Division Director
Oil Conservation Division



November 7, 2011

Ocean Munds-Dry, Esq.
P.O. Box 2208
Santa Fe, NM 87504

Administrative Order NSL-6494

Re: Chesapeake Operating, Inc.
PLU Big Sinks 24 24 30 USA Well No. 1H (API No. 30-015-NA)
SHL/PP: 10 FNL 1980 FEL (BHL: 350 FSL 1980 FEL)
Project Area: Units B, G, J, O of Section 24, T24S, R30E
Eddy County, New Mexico

Dear Ms. Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW11-27028004**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chesapeake Operating, Inc. (Chesapeake) [OGRID 147179], on September 26, 2011, 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 First Bone Spring Shale member of the Bone Spring formation, at a location that will be unorthodox under Division Rule 16.14.B(2) [19.15.16.14.B(2) NMAC].

The W/2 E/2 of Section 24 will be dedicated to the proposed well to form a project area comprising four standard 40-acre spacing units in the Wildcat; Bone Spring Pool. This pool is governed by statewide Rule 15.9 [19.15.15.9 NMAC], which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is unorthodox because it penetrates the pool at less than 330 feet from the northern portion of the project area.

The point of penetration of the top of the Bone Spring formation which is the top of the Wildcat; Bone Spring Pool is the same as the above referenced SHL. However, it is our



understanding that the well will be orthodox at the point of penetration of the target member of the Bone Spring formation.

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 for engineering reasons, in order to penetrate the maximum amount of the target zone within the producing area.

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) [19.15.4.12.A(2) NMAC], in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B [19.15.15.13.B NMAC], 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/wvj

cc: Oil Conservation Division – Artesia
Bureau of Land Management – Carlsbad