

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



August 21, 2012

Chesapeake Operating, Inc.
c/o Holland & Hart LLP
Attn: Mr. Adam G. Rankin

ADMINISTRATIVE NON-STANDARD LOCATION ORDER

Administrative Order NSL-6673
Administrative Application Reference No. pUNK12-21936923

Chesapeake Operating, Inc.
OGRID 147179
Kiehne Ranch 15 26 32 USA Well No. 1H
API No. 30-025-40602

Proposed Location:

	Footages	Unit	Sec.	Twsp	Range	County
Surface	100 FSL & 400 FWL	M	15	26S	32E	Lea
Penetration Point	511FSL & 269 FWL	M	15	26S	32E	Lea
Terminus	345 FNL & 371 FWL	D	15	26S	32E	Lea

Proposed Project Area:

Description	Acres	Pool	Pool Code
W/2 W/2 of Section 15	163.6	Wildcat Bone Spring	97838

Reference is made to your application received on July 27, 2012.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is 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, and Rule 15.16.14.B(2) [19.15.16.14.B(2) NMAC] concerning directional wells in designated project areas. This location is unorthodox because portions of the proposed completed interval are less than 330 feet from an outer boundary of the project area.

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 due to an inadvertent drilling error.

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 [19.15.15.9 NMAC].

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 "Jami Bailey", written in a cursive style.

Jami Bailey
Director

JB/db

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