



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

May 31, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Chesapeake Operating, Inc.
c/o Holland & Hart, LLP
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: Ocean Munds-Dry
omundsdry@hollandhart.com

Administrative Order NSL-5383 (BHL)

Dear Ms. Munds-Dry:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-613955643*) filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 17, 2006 on behalf of the operator, Chesapeake Operating, Inc. ("Chesapeake") of Oklahoma City, Oklahoma; and (ii) the Division's records in Santa Fe and Hobbs: all considering Chesapeake's request for a non-standard subsurface oil well location, pursuant to Division Rule 104.F, 111.A (13), and 111.C (2), within the Langley-Strawn Pool (37090) for Chesapeake's proposed Millard Deck "28" Federal Well No. 1 to be drilled from a surface location 965 feet from the North line and 1590 feet from the East line (Unit B) of Section 28, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico, to a targeted unorthodox bottomhole location 810 feet from the North line and 1480 feet from the East line (also in Unit B) of Section 28.

The NW/4 NE/4 (Unit B) of Section 28, being a standard 40-acre oil spacing and proration unit for the Langley-Strawn Pool, is to be dedicated to this well.

This application has been duly filed under the provisions of: (i) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999; (ii) Division Rule 111.C (2); and (iii) 111.C (2).

It is the Division's understanding that the N/2 of Section 28 comprises a single federal lease (*U. S. Government lease No. LC-030133-B*) with common mineral interests in which Chesapeake is the leasehold operator for depths below 4,000 feet; therefore, there are no adversely effected offsets to the subject 40-acre tract.

The geologic interpretation submitted therein indicates that a well directionally drilled to the proposed unorthodox bottomhole oil well location will be at a more favorable geologic position within the Strawn formation underlying Chesapeake's federal lease, thereby increasing the likelihood of obtaining commercial production. Furthermore, topographic conditions further restricts placement of a drilling pad in Unit "B" of Section 28.

Chesapeake Operating, Inc.

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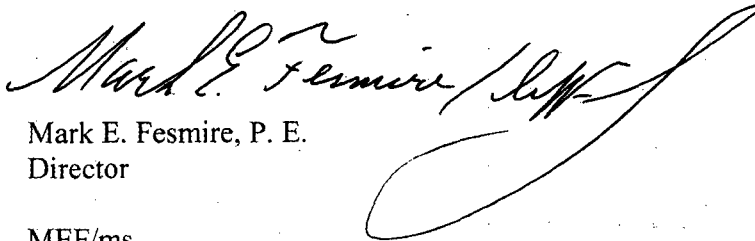
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By the authority granted me under the provisions of Division Rule 104.F (2), Chesapeake is hereby authorized to directionally drill is proposed Millard deck "28" Federal Well No. 1 as close as is reasonably possible to the proposed targeted subsurface location in Unit "B" of Section 28 as further described above.

Further, Chesapeake shall comply with all provisions of Division Rule 111 applicable in this matter.

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

Sincerely,

A handwritten signature in cursive script, reading "Mark E. Fesmire", followed by a large, sweeping flourish that extends downwards and to the right.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
U. S. Bureau of Land Management - Carlsbad
