



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

April 7, 1998

Chesapeake Operating, Inc.
P. O. Box 18496
Oklahoma City, Oklahoma 73154-0496
Attention: Mike Hazlip

Administrative Order NSL-3900-A

Dear Mr. Hazlip:

Reference is made to the following: (i) Chesapeake Operating, Inc.'s ("Chesapeake") original application to the Division, dated March 9, 1998; (ii) the Division's initial response to said application by letter from Mr. Michael E. Stogner dated March 12, 1998; (iii) your response by faxed letter dated March 18, 1998; and, (vi) the records of the Division in Santa Fe: all concerning Chesapeake's request for a non-standard oil well location within the Undesignated Townsend-Permo Upper Pennsylvanian Pool for the existing Watson "6" Well No. 1 (API No. 30-025-34197), located 2857 feet from the South line and 1417 feet from the West line (Lot 14/Unit N) of irregular Section 6, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico.

It is our understanding that Chesapeake drilled the Watson "6" Well No. 1 late last year to a total depth of 11,900 in order to test the Undesignated Northeast Shoe Bar-Strawn Pool at an unorthodox oil well location within a standard 76.65-acre oil spacing and proration unit comprising Lots 13 and 14 of said Section 6 (see Division Administrative Order NSL-3900, dated November 17, 1997).

It is further understood that the Strawn interval tested dry and Chesapeake at this time is proposing to properly plug back and abandon the Strawn interval in said wellbore and recomplete up-hole to the Undesignated Townsend-Permo Upper Pennsylvanian Pool. Pursuant to Rule 104.C(1) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division") this location in the Undesignated Townsend-Permo Upper Pennsylvanian Pool is also considered to be unorthodox.

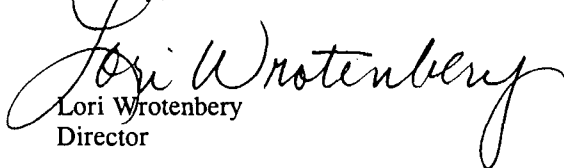
Lot 14 of said Section 6 is to be dedicated to said well in order to form a standard 40-acre oil spacing and proration unit for said Undesignated Townsend-Permo Upper Pennsylvanian Pool.

This application has been duly filed under the provisions of Division General Rule 104.F.

By the authority granted me under the provisions of Division General Rule 104.F(2) the above-described unorthodox Permo/Upper Pennsylvanian oil well location is hereby approved.

Said original Division Administrative Order NSL-3900, shall be placed in abeyance until further notice.

Sincerely,



Lori Wrotenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
File: NSL-3900