

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



September 5, 2008

Ms. Ocean Munds-Dry
Holland & Hart, LLP
P.O. Box 2208
Santa Fe, NM 87504

Administrative Order NSL-5916

Re: Chesapeake Operating, Inc.
EW Walden Well No. 8
API No. 30-025-22983
2280 feet FSL and 1980 feet FWL
Unit K, Section 15-22S-37E
Lea County

Dear Ms Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-22757447**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chesapeake Operating, Inc. (Chesapeake), on August 13, 2008, and

(b) the Division's records pertinent to this request.

Chesapeake has requested to re-complete the above-referenced well at an unorthodox Eumont Queen gas well location, as described above in the caption of this letter. The SW/4 of Section 15 will be dedicated to this well in order to form a non-standard 160-acre spacing unit in the Eumont-Yates/Seven Rivers/Queen Gas Pool (22730). This non-standard spacing unit is this day approved by Administrative Order NSP-1925. Spacing in this pool is governed by Rule 3.A(2) of the Special Rules for the Eumont Gas Pool, as amended by Order R-8170-P, effective December 14, 2001, which provides that a gas well shall be at least 660 feet from any unit outer boundary, 660 feet from any governmental quarter section line, and 330 feet from any quarter/quarter section line. This location is less than 660 feet from the northern unit boundary.



Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location in order to utilize an existing wellbore that was formerly completed at a standard location in a different formation.

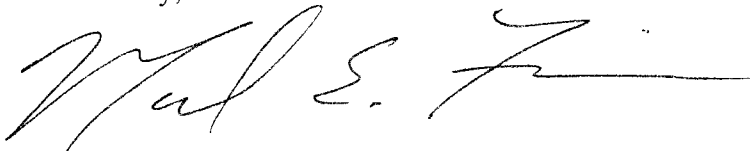
It is also understood that no notice of the NSL application is unnecessary due to common ownership.

Pursuant to the authority conferred by Division Rule 104.F(2), 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 40.

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 'Mark E. Fesmire', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management - Carlsbad