



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



November 24, 2008

Mr. W. Thomas Kellahin
Kellahin & Kellahin
706 Gonzales Rd
Santa Fe, NM 87501

Administrative Order NSL-5968

Re: Chesapeake Operating, Inc.
McMaster Trust 3 Federal Com. Well No. 1
API No. 30-005-
2310 feet FNL and 810 feet FEL
Unit H, Section 3-12S-26E
Chaves County

Dear Mr. Kellahin:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-30440527**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chesapeake Operating, Inc., (Chesapeake) on October 30, 2008, and

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

Chesapeake has requested to drill the above-referenced well at an unorthodox gas well location, as described above in the caption of this letter.

The E/2 of Section 3 will be dedicated to this well in order to form a standard 321.85-acre wildcat Wolfcamp gas spacing unit. Spacing for wildcat gas wells in the Wolfcamp formation is governed by statewide Rule 104.C(2), which provides for 320-acre, more or less, units, with wells located at least 660 feet from a unit outer boundary or quarter section line. This location is less than 660 feet from the internal quarter section line within the proposed E/2 unit.

The NE/4 of Section 3 will be dedicated to this well in order to form a standard 161.85-acre unit for San Andres gas (wildcat San Andres gas) and Abo gas (undesignated Sand Draw



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Abo Gas Pool [97418]). Spacing in these formations is governed by statewide rule 104.C(3), which provides for 160-acre, more or less, units, with wells located at least 660 feet from a unit outer boundary. This location is less than 660 feet from the southern boundary of the proposed NE/4 unit.

Your application on behalf of Chesapeake 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 for topographic reasons.


It is also understood that notice of this application to offsetting operators or owners is unnecessary because Chesapeake owns 100% of the working interest in the units towards which this location encroaches.

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', followed by a horizontal line.

Mark E. Fesmire, P.E.
Director

MEF/db

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