



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



September 17, 2009

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

Administrative Order NSL-6080

Re: Chesapeake Operating, Inc.
PLU Pierce Canyon 17 Federal Well No. 1H
API No. 30-015-36635
Unit P, Section 17-25S-30E
Eddy County

Dear Ms Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW09-24028982**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chesapeake Operating, Inc. (Chesapeake), on August 27, 2009, and

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

Chesapeake has requested to produce the above-referenced well, a horizontal gas well in the Bone Spring formation at a location that is unorthodox under Division Rule 16.14.B(2). The surface location, point of penetration and terminus of the well are as follows:

Surface Location: 350 feet from the South line and 350 feet from the East line
(Unit P) of Section 17, Township 25S, Range 30E, NMPM,
Eddy County, New Mexico

Point of Penetration: 232 feet from the South line and 494 feet from the East line
(Unit P) of said section

Terminus 368 feet from the North line and 401 feet from the East line
(Unit A) of said section



The E/2 of Section 17 will be dedicated to the proposed well to form a project area comprising two standard 160-acre wildcat gas spacing units in the Bone Spring. This pool is governed by statewide Rule 15.10.C, which provides for 160-acre units, with wells located at least 660 feet from a unit outer boundary. This location is unorthodox because the producing interval will be less than 660 feet from the boundaries of the project area, and therefore outside the producing area.

Your application on behalf of Chesapeake has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

It is our understanding that you are seeking this location in order to utilize an existing wellbore that was intended to be a Bone Spring oil well.

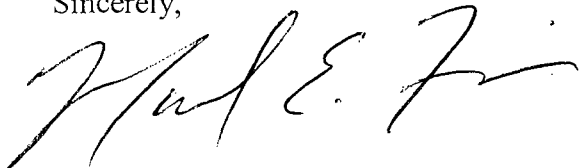
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

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.

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 stylized flourish at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

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