



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



June 15, 2010

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

Administrative Order NSL-6213

Re: Chesapeake Operating, Inc.
Cooksey 26 Federal Com. Well No. 1H
API No. 30-015
150 feet FSL & 2330 feet FEL
Unit O, Section 23-25S-27E
Eddy County, New Mexico

Dear Ms Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW10-16048039**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chesapeake Operating, Inc. [OGRID 14179] (Chesapeake) on June 8, 2010, and

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

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

Surface Location: 150 feet from the South line and 2330 feet from the East line
(Unit O) of Section 23, Township 25S, Range 27E, NMPM,
Eddy County, New Mexico

Point of Penetration: same as surface location

Terminus 330 feet from the South line and 2270 feet from the East line
(Unit O) of Section 26, Township 25S, Range 27E, NMPM.

Oil Conservation Division * 1220 South St. Francis Drive

* Santa Fe, New Mexico 87505

* Phone: (505) 476-3440 * Fax (505) 476-3462* <http://www.emnrd.state.nm.us>



June 15, 2010

Page 2

The W/2 E/2 of Section 26 will be dedicated to the proposed well to form project area comprising four standard, 40-acre spacing units in the undesignated North Hay Hollow Bone Spring Pool (30216). This pool is governed by statewide Rule 15.9.A, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is unorthodox because a portion of the producing interval will be outside 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).

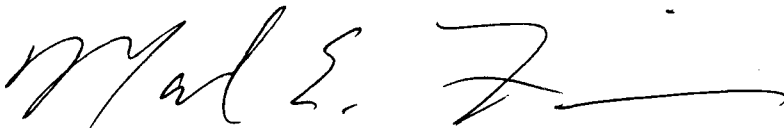
It is our understanding that Chesapeake is seeking this location for engineering reasons, in order to penetrate the maximum amount of the target horizon within the producing area in the lateral portion of the wellbore. It is further understood that notice of this application to offsetting operators or owners is not required due to common ownership.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved. It is expressly understood, however, that the portion of the wellbore within the Bone Spring formation that is outside the project area dedicated to this well will be cased off and not perforated for production.

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', followed by a long horizontal line.

Mark E. Fesmire, P.E.
Acting Director

MEF/db

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