



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



April 2, 2012

Chesapeake Operating, Inc.
c/o Holland & Hart LLP
Attn: Mr. Adam G. Rankin

Administrative Order NSL-6580
Administrative Application Reference No. pTWG12-06646368

Chesapeake Operating, Inc.
OGRID 147179
PLU Pierce Canyon 16 24 30 State Well No. 1H
API No. 30-015-40126

Proposed Location:

	Footages	Unit	Sec.	Township	Range	County
Surface	50 FSL & 1980 FEL	O	16	24S	30E	Eddy
Penetration Point	330 FSL & 1980 FEL	O	16	24S	30E	Eddy
Terminus	100 FNL & 1980 FEL	B	16	24S	30E	Eddy

Proposed Project Area:

Description	Acres	Pool	Pool Code
W/2 E/2 of Section 16	160	wildcat Bone Spring	

Reference is made to your application received on March 5, 2012.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by statewide Rule 15.9.A [19.15.15.9.A NMAC], which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary, and Rule 15.16.14.B(2) [19.15.16.14.B(2) NMAC] concerning directional wells in designated project areas. This location is unorthodox because portions of the proposed producing interval are less than 330 feet from an outer boundary of the project area.

Oil Conservation Division
1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD



Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

It is our understanding that you are seeking this location for engineering reasons, in order to penetrate the maximum amount of the target zone within the producing area with the wellbore lateral.

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 [19.15.5.9 NMAC].

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 "Jami Bailey". The signature is fluid and cursive, with a large initial "J" and "B".

Jami Bailey
Director

JB/db

cc: New Mexico Oil Conservation Division – Artesia
New Mexico State Land Office