



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

May 31, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Chesapeake Operating, Inc.
c/o Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504

Attention: **W. Thomas Kellahin**
kellahin@earthlink.net

Administrative Order NSL-5210

Dear Mr. Kellahin:

Reference is made to the following: (i) your application on behalf of the operator, Chesapeake Operating, Inc. ("Chesapeake"), that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 9, 2005 (**administrative application reference No. pSEM0-513045301**); and (ii) the Division's records in Hobbs and Santa Fe: all concerning Chesapeake's request to drill its CSW (Collage of the Southwest) "17" Well No. 1 at an unorthodox gas well location in both the wildcat Atoka formation and Undesignated Townsend-Morrow Gas Pool (**86400**) 475 feet from the South line and 2185 feet from the West line (Unit N) of Section 17, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico. It is the Division's understanding that the primary objective for this well is the shallower Strawn limestone in the Undesignated West Lovington-Upper Pennsylvanian Pool (**40750**), in which the SE/4 SW/4 (Unit N) of Section 17 is to be dedicated in order to form a standard 40-acre oil spacing and proration unit [pursuant to Division Rule 104.B (1), this location is standard]. However, pursuant to Division 104.C (2) (a), this location is considered to be an unorthodox deep gas well location in which the W/2 of Section 17 is to be dedicated, thereby forming a standard 320-acre stand-up gas spacing unit for both the Atoka and Morrow intervals.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed location will be at a more favorable geologic position within the Strawn limestone than a well drilled at an alternate location considered to be standard within the proposed 320-acre Atoka/Morrow gas spacing unit.

The application has been duly filed under the provisions of Division Rule 104.F.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Atoka/Morrow gas well location within the proposed 320-acre stand-up unit comprising the W/2 of Section 17 for Chesapeake's proposed CSW "17" Well No. 1 is hereby approved.

Sincerely,

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division -- Hobbs