

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



March 3, 2009

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

Administrative Order NSL-5998

**Re: Chesapeake Operating, Inc.
PLU Big Sinks 11 Federal Well No. 1H
API No. 30-015
Unit P, Section 11-24S-30E
Eddy County**

Dear Ms. Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pKAA09-03530363**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chesapeake Operating, Inc. (Chesapeake), on February 3, 2009, 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: 255 feet from the South line and 1300 feet from the East line
(Unit P) of Section 11, Township 24 S, Range 30E, NMPM
County, New Mexico

Point of Penetration: Same as surface location

Terminus 350 feet from the North line and 1700 feet from the East line
(Unit B) of said Section 11.



The E/2 of Section 11 will be dedicated to the proposed well to form a project area comprising eight standard 40-acre wildcat spacing units in the Bone Spring formation. Spacing 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 less than 330 feet from the southern boundary 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 1210.A(2).

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 project area in the horizontal portion of the wellbore.


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