



March 9, 2010

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

RECEIVED OOD
2010 MAR -9 P 3:55

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Big Sinks "22" Federal Com Well No. 1H to be drilled from a surface location 100 feet from the South line and 400 feet from the East line, penetration point 118 feet from the South line and 400 feet from the East line and a bottomhole location 330 feet from the North line and 400 feet from the East line of Section 22, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico.

Dear Mr. Fesmire:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks administrative approval pursuant to the provisions of Division Rules 19.15.15.13 and 19.15.16.14 for an unorthodox well location for its PLU Big Sinks "22" Federal Com Well No. 1H. This well is located in Section 22, Township 24 South, Range 30 East, N.M.P.M., Eddy County, New Mexico and is to be drilled in the Bone Spring formation at a surface location 100 feet from the South line and 400 feet from the East line, a penetration point 118 feet from the South line and 400 feet from the East line and a bottomhole location 330 feet from the North line and 400 feet from the East line of Section 22, Eddy County, New Mexico. A 160-acre project area has been dedicated to this horizontal well comprised of the E/2 E/2 of Section 22.

This location is unorthodox because the Bone Spring formation under this acreage is governed by the Division's statewide rules which provide for wells on 40-acre spacing units to be located no closer than 330 feet to the outer boundary of the spacing unit. Division Rule 19.15.16.14 defines the "Penetration Point" as "the point where the wellbore penetrates the top of the pool from which it is intended to produce." The wellbore penetrates the Bone Spring formation at a point 118 feet from the South line of Section 22 and is therefore closer than allowed by Division rules.

Although the wellbore penetrates the top of the Bone Spring at an unorthodox location, the well will be at a standard location at the producing interval. Chesapeake is targeting the Bone Spring Lime (TVD 7860 feet) and Avalon Shale (TVD 8093 feet). Therefore, once Chesapeake reaches the targeted formation, it will be at a standard location.

Exhibit A is a plat showing the location of the well. This location is within the Poker Lake Unit which is operated by BEPCo., LP. Chesapeake is drilling this well pursuant to a contract with BEPCo., LP. **Exhibit B** is the C-102 for this well.

A copy of this application with all attachments was mailed to BEPCo., LP who is the operator of the Unit. BEPCo. was advised that if they have an objection to this application it must be filed in writing with the Division's Santa Fe office within twenty days from the date notice was sent. It was also advised that if no objections were received by the Division within twenty days, the Division Director could approve the application.

Your attention to this application is appreciated.

Sincerely,



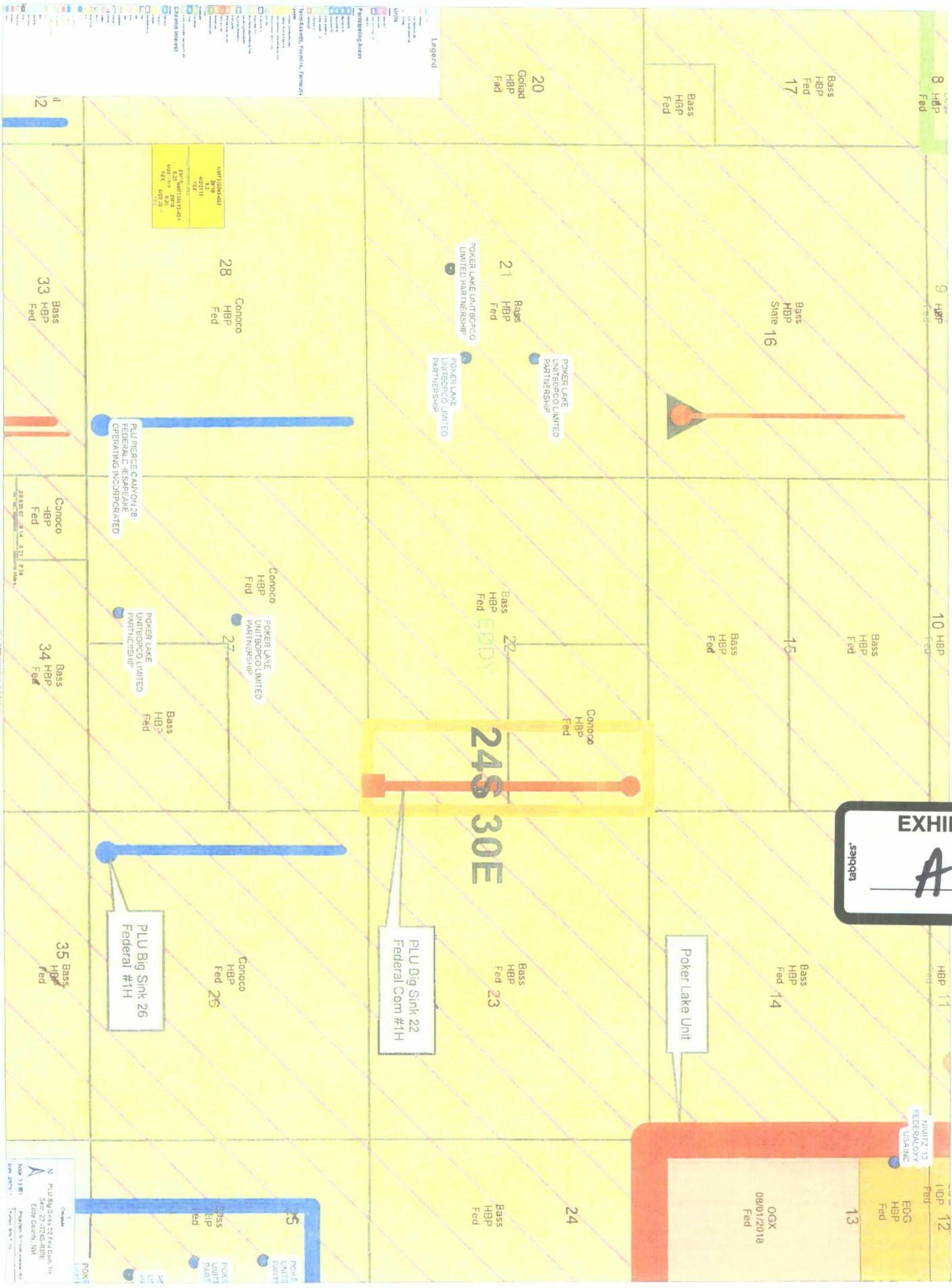
Ocean Munds-Dry

ATTORNEY FOR
CHESAPEAKE OPERATING, INC.

Enclosures

cc: OCD/Artesia, District 2

EXHIBIT
A





March 9, 2010

CERTIFIED MAIL
RETURN RECEIPT REQUESTED**BEPCo., LP**
201 W. Main Street Suite 3100
Fort Worth, Texas 76102**Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Big Sinks "22" Federal ComWell No. 1H to be drilled as a horizontal wellbore in Section 22, Township 24 South, Range 30 East, N.M.P.M., Eddy County, New Mexico.**

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date by Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Big Sinks "22" Federal Com Well No. 1H. This well is located in Section 22, Township 24 South, Range 30 East, N.M.P.M., to be drilled to the Bone Spring formation from a surface location 100 feet from the South line and 400 feet from the East line, a penetration point 118 feet from the South line and 400 feet from the East line to a bottomhole location 330 feet from the North line and 400 feet from the East line of Section 22, Eddy County, New Mexico.

As an owner of an interest that may be affected by the proposed well, you may object to this application. Objections must be filed in writing within twenty days from this date at the Division's Santa Fe office that is located at 1220 South Saint Francis Drive, Santa Fe, New Mexico. 87505. If no objection is received within this twenty-day period, this application for an unorthodox well location may be approved.

Sincerely,

Ocean Munds-Dry
ATTORNEY FOR
CHESAPEAKE OPERATING, INC.

Enclosures

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Thursday, March 11, 2010 3:18 PM
To: 'Ocean Munds-Dry'
Subject: Chesapeake - PLU Big Sinks Federal Com #1H; NSL Application

Dear Ocean

Your application indicates that this location (presumably Section 22) is in the Poker Lake Unit which is operated by BEPCO, L.P. What I need to know to comply ascertain if the notice rules have been complied with is who is the operator of the adjoining acreage encroached upon, in this case, the NE/NE of Section 27 and the NW/4 NE/4 of Section 26. Our database does not show any wells in those units.

Is Section 30 also within the unit operated by BEPCO?

Sincerely

David K. Brooks

Brooks, David K., EMNRD

From: Ocean Munds-Dry [Omundsdry@hollandhart.com]
Sent: Thursday, March 11, 2010 4:54 PM
To: Brooks, David K., EMNRD
Subject: RE: Chesapeake - PLU Big Sinks Federal Com #1H; NSL Application

David:

Yes, both Section 26 and Section 27 are in the Poker Lake Unit. Please let me know if you have any further questions.

Thanks,
Ocean

From: Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]
Sent: Thursday, March 11, 2010 3:18 PM
To: Ocean Munds-Dry
Subject: Chesapeake - PLU Big Sinks Federal Com #1H; NSL Application

Dear Ocean

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Is Section 30 also within the unit operated by BEPCO?

Sincerely

David K. Brooks

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