



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 21, 2010

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

Administrative Order NSL-6217

**Re: Chesapeake Operating, Inc.
Hayhurst 23 State Com. Well No. 1H
API No. 30-015-37804
150 feet FSL and 2270 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. pTGW10-15227733**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chesapeake Operating, Inc. [OGRID 147179] (Chesapeake), on May 27, 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 2270 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 North line and 2270 feet from the East line (Unit B) of said section

Oil Conservation Division * 1220 South St. Francis Drive

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The W/2 E/2 of Section 23 will be dedicated to the proposed well to form a 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 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 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 zone within the producing area with the horizontal shaft of the well. 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.

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,



Mark E. Fesmire, P.E.
Acting Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe