



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

March 10, 2004

Lori Wrotenbery

Director

Oil Conservation Division

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

Administrative Order NSL-5012

Dear Mr. Kellahin:

Reference is made to the following: (i) your application on behalf of the operator, Chesapeake Operating, Inc. ("Chesapeake"), submitted to the New Mexico Oil Conservation Division ("Division") on March 1, 2004 (*administrative application reference No. pLR0-406154856*); (ii) your e-mail correspondence with Mr. Michael E. Stogner, Division Engineer/Examiner in Santa Fe on Monday, March 8, 2004 about the status of this application; and (iii) the Division's records in Santa Fe: all concerning Chesapeake's request for an exception to the well location requirements (**Rule 4**) provided within the "*Special Rules and Regulations for the Shipp-Strawn Pool*," as promulgated by Division Order No. R-8062, as amended, for Chesapeake's proposed Roueche "5" Well No. 1 to be drilled 600 feet from the South line and 1120 feet from the East line (Unit P) of Section 5, Township 17 South, Range 37 East, NMPM, Shipp-Strawn Pool (**55695**), Lea County, New Mexico. The E/2 SE/4 of Section 5 is to be dedicated to this well in order to form a standard 80-acre stand-up oil spacing and proration unit for this pool (as provided for by **Rule 2** of the special pool rules).

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

It is our understanding that Chesapeake is seeking this location exception based on: (i) a 3-D seismic survey of the immediate area; and (ii) well control, whereby the Chesapeake as operator contends that a well drilled at this location should penetrate a small algal reef mound within the Strawn formation at a more structurally advantageous position than a well drilled at a standard location thereon, thereby increasing the likelihood of obtaining commercial production

By the authority granted me under the provision of the applicable rules governing the Shipp-Strawn Pool and Division Rule 104.F (2), the above-described unorthodox Strawn oil well location is hereby approved.

Further, the aforementioned well and spacing unit will be subject to all existing rules, regulations, policies, and procedures applicable to this pool.

Sincerely,



Lori Wrotenbery
Director

LW/mes

cc: New Mexico Oil Conservation Division - Hobbs