

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



September 9, 2008

SEP 19 2008

OCD-ARTESIA

30-015-37186

COG Operating, LLC
Attn: Ms. Phyllis A. Edwards
Fasken Center, Tower II
550 West Texas Ave., Suite 1300
Midland, TX 79701

Administrative Order NSL-5925

Re: Skelly Unit Well No. 613
API No. 30-015-
2410 feet FSL and 1600 feet FWL
Unit K, Section 23-17S-31E
Eddy County, New Mexico

Dear Ms Edwards:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-25237584**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on September 8, 2008, and

(b) the Division's records pertinent to this request.

COG Operating, LLC (COG) has requested to drill the above-referenced well at an unorthodox oil well location, described above in the caption of this letter. The NE/4 SW/4 of Section 23 will be dedicated to this well in order to form a standard 40-acre spacing unit in the undesignated Fren-Glorieta/Yeso Pool (26770). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the northern and eastern unit boundaries.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location because of pipelines and sand dunes that preclude surface siting of this well at a standard location in this unit.



September 4, 2008

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The N/2 N/2 of Section 19 will be dedicated to the proposed well to form a project area comprising four adjacent standard 40-acre spacing units in the Pierce Crossing-Bone Spring Pool (50371). This pool is governed by statewide Rule 104.B(1), 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 eastern 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 104.F and 1210.A(2).

It is our understanding that you are seeking this location in order to prevent waste by penetrating the largest possible amount of the target formation within the project area with the lateral portion of this well.

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 1210.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to Chesapeake's being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

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 long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management - Carlsbad