

**CHESAPEAKE OPERATING, INC.**

P.O. BOX 18496  
OKLAHOMA CITY, OKLAHOMA 73154-0496  
405/848-8000, EXT. 416  
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**LAND DEPARTMENT**

MIKE HAZLIP, CPL  
LANDMAN

July 23, 1997

Mr. Chris Williams  
New Mexico Oil Conservation Division  
District I Office  
1000 West Broadway  
Hobbs, NM 88240

Mr. Michael Stogner  
New Mexico OCD  
Division Office  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Re: Bus Barn 4-1y - Horizontal Drilling Application  
N/2 SW/4, Lots 13 and 14, Section 4-T16S-R36E,  
Lea County, New Mexico

Gentlemen:

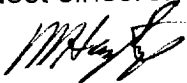
Enclosed are OCD Forms C-101 and C-102 for Chesapeake's application for administrative approval to re-enter the Bus Barn 4-1y well to drill a horizontal borehole to a point approximately 968 feet north and 320 feet east of the existing location. The wellbore will penetrate the Strawn formation in both eighty (80) acre drilling units illustrated on the enclosed plat and as described in the caption above, thereby necessitating the utilization of both units to constitute the Project Area. As is indicated on the enclosed plat, Chesapeake is the only operator directly offsetting the proposed Project Area.

The Bus Barn well is currently designated as being in the West Lovington - Strawn Pool which is subject to rules consisting of 80 acre units and 330' set-backs. However, Chesapeake has applied for a new pool discovery with similar rules for its Chambers 1-7 well located in the S/2 NE/4 Section 7-T16S-R36E and anticipates placing the Bus Barn well in the same pool upon approval by the OCD.

Chesapeake was able to obtain a rig for this project and is expected to have the rig available to be on location in just a few days. Your prompt consideration of our request would be greatly appreciated.

Please contact me at (405) 848-8000, ext. 416 with any questions or concerns regarding this matter or fax your approval of our request to (405) 879-9562.

Most sincerely,



Mike Hazlip