



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

August 14, 2000

Lori Wrotenbery

Director

Oil Conservation Division

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

Telefax No. (505) 982-2047

Administrative Order NSL-4500(BHL)

Dear Mr. Kellahin:

Reference is made to the following: (i) your initial application on behalf of the operator, Chesapeake Operating, Inc. ("Chesapeake") dated June 23, 2000; (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe, including the file in Case No. 12464: all concerning Chesapeake's request for a non-standard subsurface oil producing area/bottomhole oil well location, as defined by Rule 4 of the *"Special Rules and Regulations Northeast Lovington-Pennsylvanian Pool,"* as promulgated by Division Order No. R-3816, as amended, and Division Rule 111.A (7), within a project area [see Division Rule 111.A (9)] comprising the S/2 NE/4 of Section 10, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, being a standard 80-acre oil spacing and proration unit for the Northeast Lovington-Pennsylvanian Pool.

This application has been duly filed under the provisions of: (i) 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; (ii) Division Rule 111.C (2); and (iii) Rule 5 of the special Northeast Lovington-Pennsylvanian Pool rules.

It is our understanding that Chesapeake intends to drill its proposed Warehouse "10" Well No. 2 from a surface location 1196 feet from the North line and 2463 feet from the East line (Unit B) of Section 10, drill vertically to an approximate depth of 9,165 feet, kick-off in a south-southeasterly direction, build up to a maximum angle of 20-degrees, and directionally drill to a total depth of 11,900 feet (TVD), or 12,033 feet (MD), such that the wellbore is within a target area 100 feet in radius of a point that is 1842 feet from the North line and 2213 feet from the East line (Unit G) of Section 10.

It is our understanding that Chesapeake is seeking this subsurface location exception based on a 3-D seismic survey of the immediate area, whereby it contends that a well drilled at this location, will be at a more favorable geologic position within the Strawn formation underlying the subject 80-acre unit.