

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE ENERGY CORPORATION FOR
APPROVAL OF A 160-ACRE NON-STANDARD SPACING
AND PRORATION UNIT AND FOR COMPULSORY POOLING
CHAVES COUNTY, NEW MEXICO.**

CASE NO. 14232 09

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CORRECTED APPLICATION

Comes now CHESAPEAKE ENERGY CORPORATION ("Chesapeake") by its attorneys, Kellahin & Kellahin, applies to the New Mexico Oil Conservation Division for approval of a 160-acre non-standard spacing and proration unit consisting of the N/2S/2 of Section 24, T15S, R31E, Chaves County, N. M. to be dedicated to its Andromeda 24 State Com Well No. 1H (API# pending) which will be located at a standard surface location 1980 feet FSL and 330 feet FWL (Unit L) and deviated so that when the wellbore penetrates the Wolfcamp formation it will be at a standard subsurface location then drilled horizontally in an easterly direction staying within a producing area 330 feet from each of the end and side boundaries of this spacing unit and ending at a standard bottom hole location 1980 feet FSL and 330 feet FEL (Unit I). In addition, applicant seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the above-described acreage. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Chesapeake Operating, Inc. as the operator of the well and a 200% charge for risk involved in this well.

In support of its application, Chesapeake Energy Corporation ("Chesapeake") states:

1. Chesapeake has the right to drill and develop the oil and gas minerals from the surface to the base of the Wolfcamp formation underlying two of the four 40-acre tracts composing a 160-acre non-standard oil spacing and proration unit consisting of the N2/S2 of Section 24, T15S, R31E, NMPM, Chaves County, New Mexico. See locator map attached as Exhibit "A"
2. This proposed 160-acre non-standard oil spacing unit contains four 40-acre tracts:

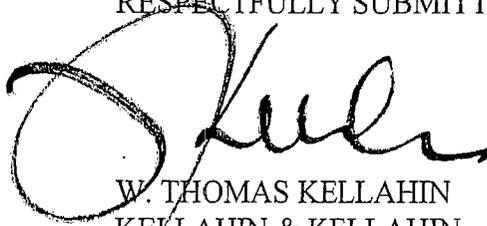
N/2SW/4	Chesapeake = 100%
N/2SE/4	Cimarex = 100%

3. On August 20, 2008, Chesapeake proposed to Cimarex that the N/2S/2 of this section be to dedicated as a 160-acre Wolfcamp oil spacing unit for production from the Wolfcamp formation to be obtained from its proposed horizontal wellbore the Andromeda 24 State Com Well No. 1H to be located drilled as a horizontal wellbore as shown on Form C-102 attached as Exhibit "B".
4. On December 31, 2007, Cimarex, without first proposing its well to Chesapeake, obtained an approval of an application for permit to drill ("APD") from the NMOCD-Hobbs for its Hornet 24 State Com Well No 3 (API # 30-005-28008).
5. At this time, Chesapeake has not been able to obtain a written voluntary agreement from all the party listed on Exhibit "C"
6. While Division Rule 111 provides that a project area for a horizontal wellbore may include a combination of complete spacing units, the New Mexico Oil and Gas Act limits compulsory pooling to the tracts of land embraced within a spacing or proration unit. See 70-2-17.C NMSA 1978. It appears that a project area for a horizontal wellbore that contains multiple 40-acre oil spacing units cannot be pooled unless a non-standard spacing unit is also approved. Therefore, Chesapeake seeks the designation of the N/2S/2 of this section as a 160-acre non-standard spacing and proration unit.
7. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, the applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.
8. Pursuant to Commission Order R-11992, effective August 15, 2003, Chesapeake requests that a 200% risk charge be applied.
9. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest are to be pooled and whose current addresses are known as listed on Exhibit "C" of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for October 30, 2008.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on October 30, 2008 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for the drilling of this well location upon terms and conditions which include:

- (1) Chesapeake Operating, Inc. be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor charge of 200%;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



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FEDERAL

Winkle
13 Fed.
Com 2H 25%

SL

MOBIL 100%
HBP
STATE

PITCH ENERGY 100%
(MARBOB)
HBP
STATE

24

CIMAREX
2012
STATE

Andromeda
24 State
Com 1H 50%

CHK 100%
1/8
HBP
STATE

POGO 50%
OXY 50%
08/31/2008

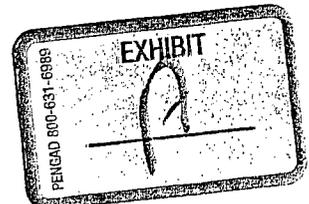


Exhibit "C"

Cimarex Energy Co. of Colorado
508 W. Wall Street
Midland, TX 79701