



CHESAPEAKE Nellie 1-21 Well Proposal

21-16S-37E Lea County, New Mexico

N/2 SE/4

NE Lovington Penn Field

RISK ASSESMENT

Actual results within one square mile of proposed location:

Five wells have been drilled resulting in two completions yielding a 40% probability of a completion

Cumulative production from the two completions equals 114,420 BOE resulting in 57,210 BOE per completion

NYMEX last \$26.58/BO would provide \$1.521 million before taxes and operating costs

A 40% probability of \$1.521 million equals \$608,257

AFE dry \$1.119 million, total completed \$1.706 million

Generates a negative expected value,

$$[(40\%)(\$1.521 \text{ million}) - (60\%)(\$1.119 \text{ million})] =$$

$$\$608,257 - \$671,400 = \mathbf{-\$63,143}$$

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12660 Exhibit No. — 11
Submitted By:
Chesapeake Inc.
Hearing Date: May 31, 2001