

CHESAPEAKE OPERATING
6100 N. WESTERN
OKLAHOMA CITY, OK
73118-1044

March 12th, 2004

Mr. David Catanach
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Application for Downhole Commingle
Federal DH Gas Com #1
Sec.11-T18S-R27E
Eddy County, New Mexico

Mr. Catanach:

Chesapeake Operating respectfully requests approval to downhole commingle the Morrow and Strawn pools in the Federal DH Gas com #1 well.

This well was originally completed in the Strawn (9295'- 9308') by Amoco in 1984. Historical production data shows that it never produced, except for a very small amount of oil at the beginning of the well and what looks like a reporting error in 1987 and 1991 (the 1991 production is from the Morrow recompletion). In late 1989 Amoco recompleted it in the Morrow (9789'- 9846'). The Strawn was isolated from the new Morrow perfs by a packer set at 9627' and left shut in (it was not productive) while the Morrow was produced. In 1999 a workover of the Morrow was initiated by Rising Star Energy to frac the existing Morrow perfs. During this process there was a fishing job and packer failure. During the fishing job it was noted on the report that the backside (Strawn perfs) loaded and were able to hold +/- 700# while circulating. It was therefore concluded that the Strawn formation is plugged off and will not communicate with the Morrow production. The packer was left unset leaving the Morrow and Strawn commingled. Due to the low profitability of this well and the possibility of having problems pulling the packer, Chesapeake requests that the well be left as is and allowed to produce in a commingled state since it appears that the Strawn is plugged off and not capable of communicating with the Morrow. At some point in the future if Chesapeake performs a rework of the existing Strawn perfs and it becomes productive, a new allocation will be provided based on well tests.

Ownership and working interest for the two zones are common. A C-107A, C-102s, and a production plot are attached for your review.

Please feel free to contact me if you have any questions or need any additional information.

Sincerely,



Erick Nelson
Engineer

District I
1625 N. French Drive, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

District II
1301 W. Grand Avenue, Artesia, NM 88210

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE
 Single Well
 Establish Pre-Approved Pools
EXISTING WELLBORE
 Yes No

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

APPLICATION FOR DOWNHOLE COMMINGLING

Operator Chesapeake Operating Address 6100 N. Western Oklahoma City, OK 73118-1044
Lease Federal "DH" Gas Com #1 Well No. M-11-18S-27E Unit Letter-Section-Township-Range Eddy County
OGRID No. 174423 Property Code 24161 API No. 30-015-24857 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Scoggin Draw-Strawn Gas		Scoggin Draw-Morrow Gas
Pool Code	85020		85000
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	9295' - 9308'		9789' - 9846'
Method of Production (Flowing or Artificial Lift)	Flow - Non Productive		Plunger
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	500 (est) abandonment pressure		500 (est) abandonment pressure
Oil Gravity or Gas BTU (Degree API or Gas BTU)	N/A		1161
Producing, Shut-In or New Zone	Producing - non	productive	Producing
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 12/11/89 Rates: 0 MCF, 0 BO 0 BW	Date: Rates:	Date: 2/21/04 Rates: 33 MCF, 0 BO, 0 BW
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil 0% Gas 0%	Oil % Gas %	Oil 100% Gas 100%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes No
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes No
Are all produced fluids from all commingled zones compatible with each other? Yes No
Will commingling decrease the value of production? Yes No
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No

NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

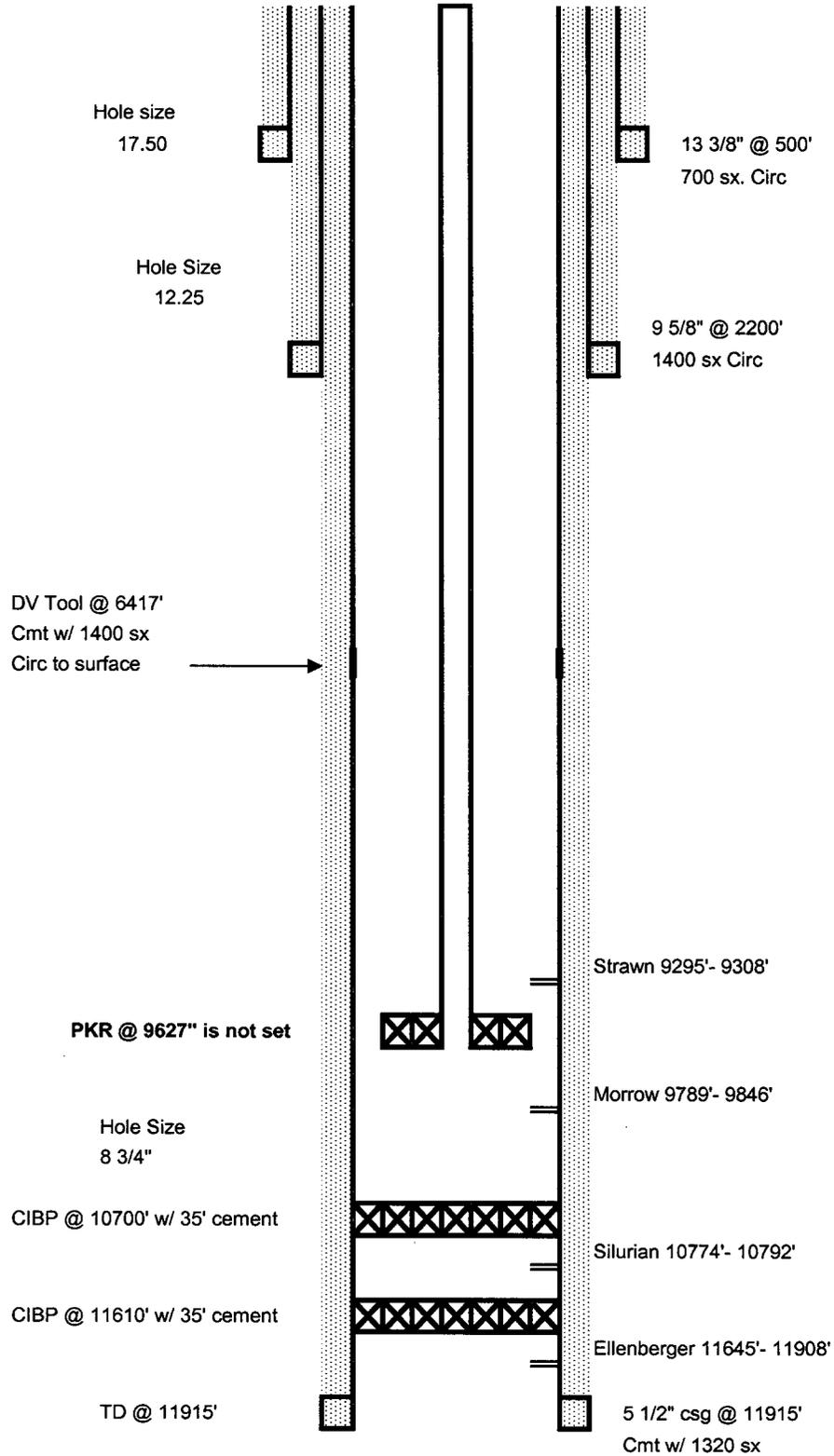
- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Erick W. Nelson TITLE Engineer DATE 3/10/04
TYPE OR PRINT NAME Erick W. Nelson TELEPHONE NO. (432) 683-7443
E-MAIL ADDRESS enelson2@chkenergy.com

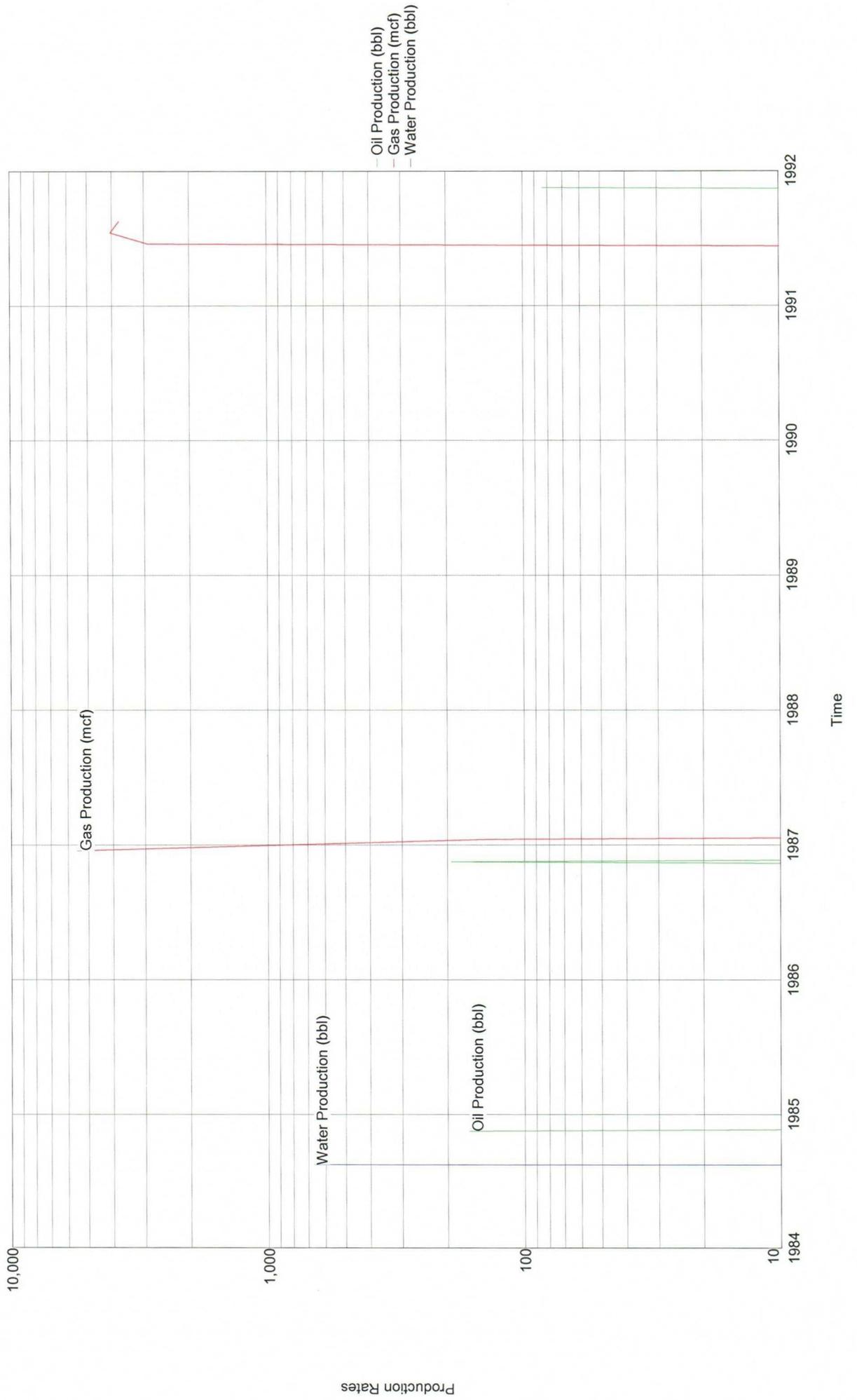
Federal DH Gas Com #1

Lease No.: Dist. No. : County: Eddy Field: Scoggin Draw
 Section: 11 Twsp: 18s Rge: 27e Unit Ltr: M Location: 700' FSL & 990' FWL
 API No. 30-015-24857



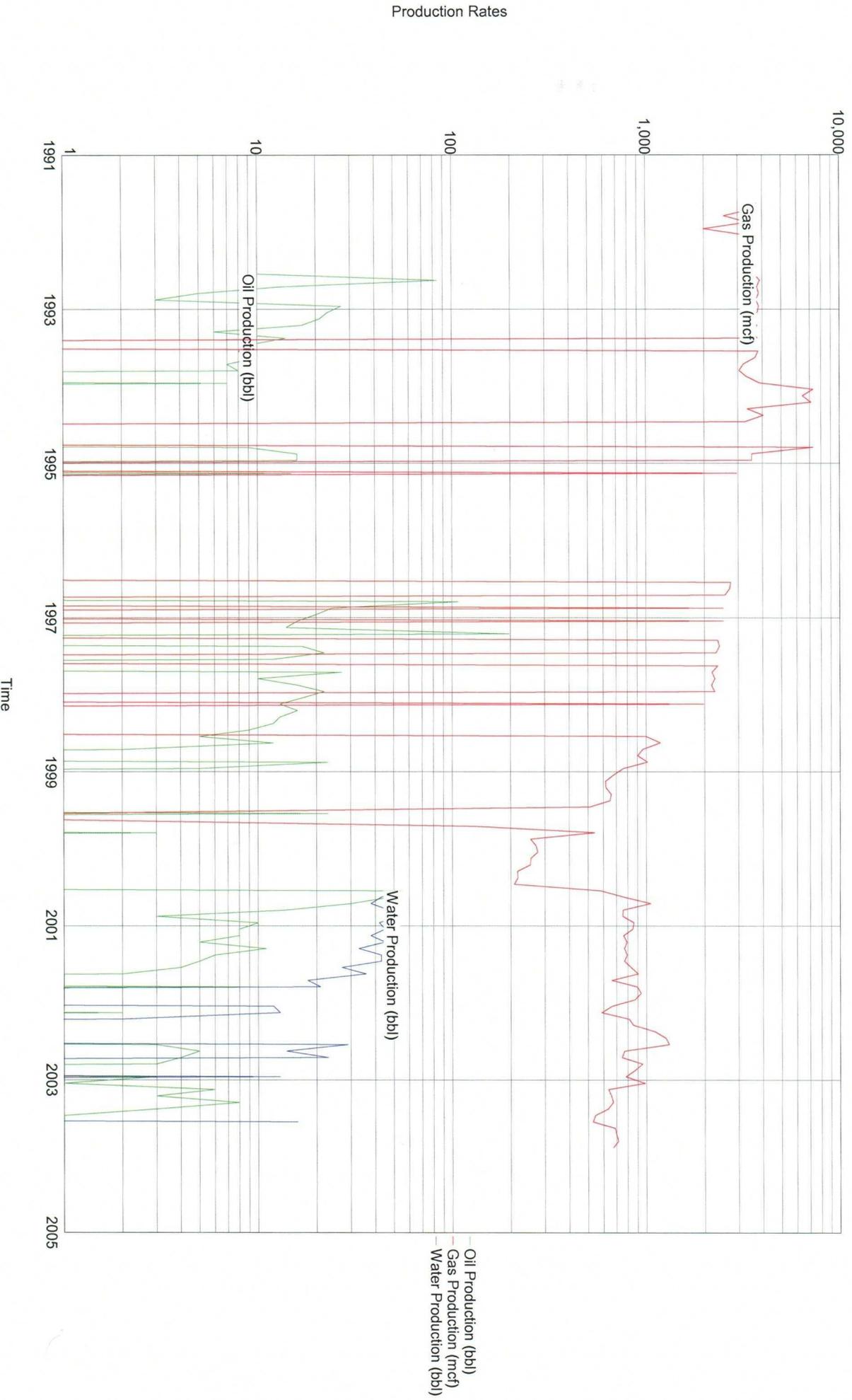
Lease Name: FEDERAL DH GAS COM
 County, State: EDDY, NM
 Operator: RICKS EXPLORATION INCORPORATED
 Field: SCOGGIN DRAW
 Reservoir: STRAWN
 Location: 11 18S 27E

FEDERAL DH GAS COM - SCOGGIN DRAW



Lease Name: FEDERAL DH GAS COM
County: State: EDDY, NM
Operator: RICKS EXPLORATION INCORPORATED
Field: SCOGGIN DRAW
Reservoir: MORROW
Location: 11 18S 27E

FEDERAL DH GAS COM - SCOGGIN DRAW



Production Rates

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

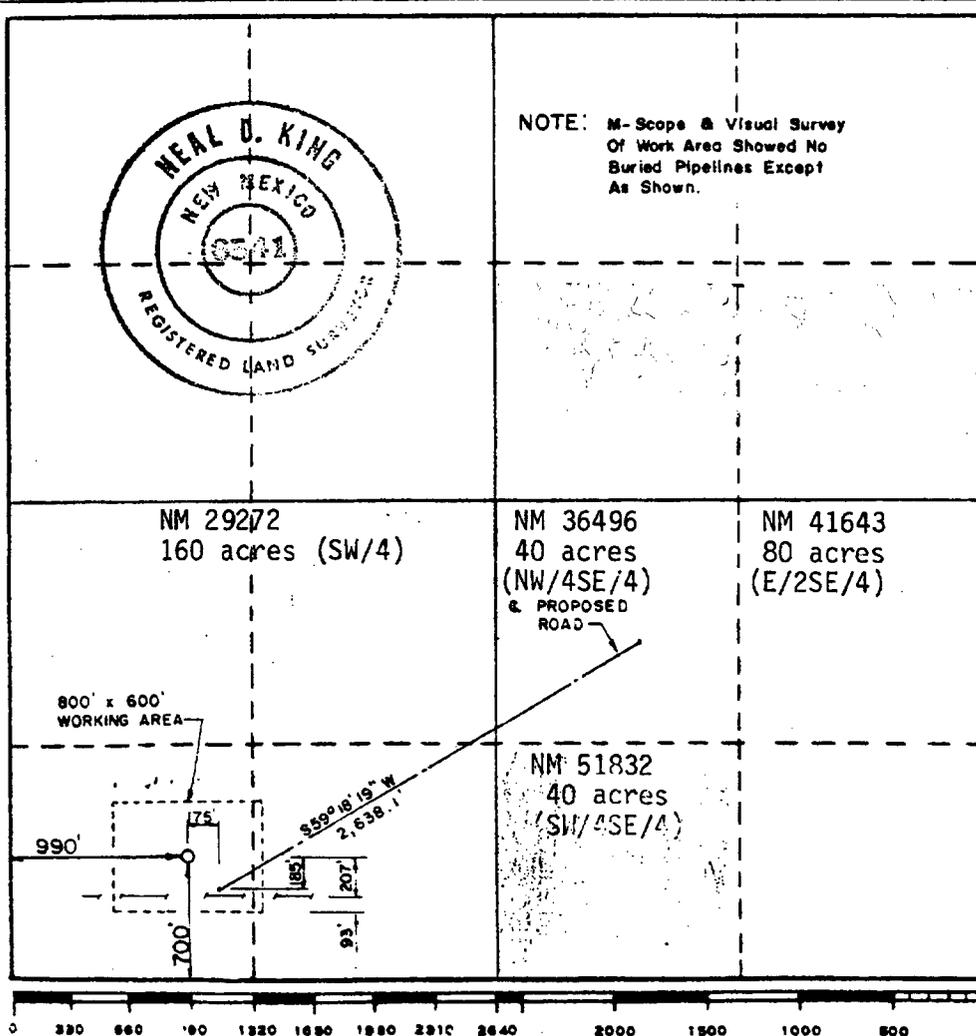
Operator Chesapeake Operating			Lease FEDERAL "DH" GAS COMM.			Well No. 1		
Unit Letter M	Section 11	Township 18 SOUTH	Range 27 EAST	County EDDY				
Actual Footage Location of Well: 990 feet from the WEST line and 700 feet from the SOUTH line								
Ground Level Elev. 3546.0		Producing Formation Strawn		Pool Scoggin Draw - Strawn			Dedicated Acreage: 320 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation Communitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION	
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
Erick W. Nelson Name	
Engineer Position	
Chesapeake Operating Company	
3/10/04 Date	
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.	
Date Surveyed 2/24/84	
Registered Professional Engineer and/or Land Surveyor <i>Neal D. King</i>	
Certificate No. N.M. R.L.S. 6541	

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

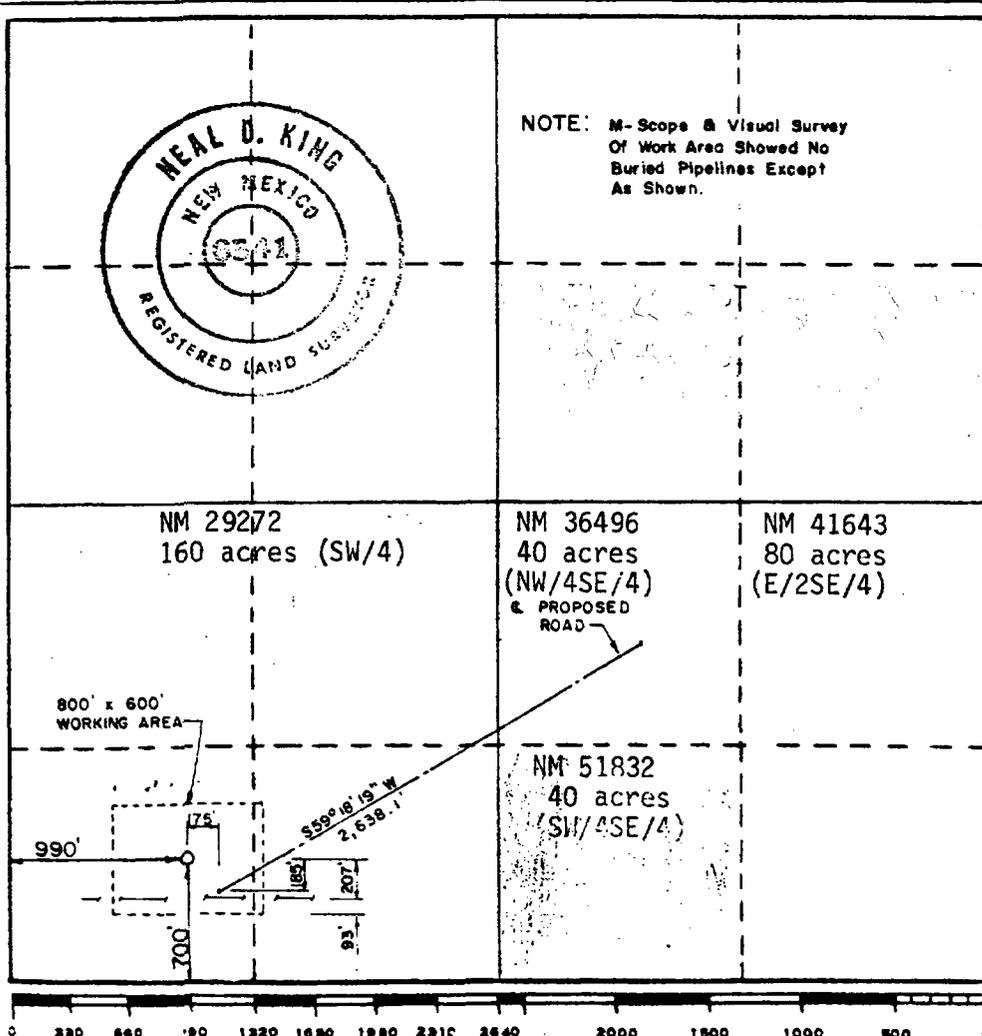
Operator Chesapeake Operating		Lease FEDERAL "DH" GAS COMM.			Well No. 1
Unit Letter M	Section 11	Township 18 SOUTH	Range 27 EAST	County EDDY	
Actual Footage Location of Well: 990 feet from the WEST line and 700 feet from the SOUTH line					
Ground Level Elev. 3546.0	Producing Formation Morrow	Pool Scoggin Draw - Morrow			Dedicated Acreage: 320 Acres

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation Communitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Erick W. Nelson
Name
Engineer
Position
Chesapeake Operating
Company
3/10/04
Date

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
2/24/84
Registered Professional Engineer and/or Land Surveyor
Neal O. King
Certificate No.
N.M. R.L.S. 6541