

30 015 36038

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Attorney at Law

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January 17, 2008

Via Federal Express
(575) 748-1283

JAN 18 2008
OCD-ARTESIA

Mr. Tim Gum, Supervisor
Oil Conservation Division
1301 W. Grand Avenue
Artesia, New Mexico 88210

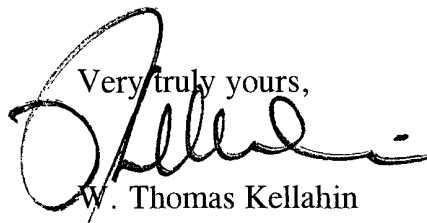
Re: Deer Canyon "24" Federal Well No. 1H
(API # pending)
District Administrative Application of Chesapeake Operating, Inc.,
for a Directional Wellbore Pursuant to Division Rule 111.C(1)
Dedication: N/2 Section 24, T20S, R21E
Unorthodox Surface Location: 120 feet FWL x 1310 feet FNL
Standard ("BHL") Subsurface Location: 660 feet FEL x 1980 feet FNL
Eddy County, New Mexico

Dear Mr. Gum:

On behalf of Chesapeake Operating, Inc. please find enclosed the referenced application for approval to drill this well directionally from an unorthodox surface location such that all the producing area will be located within a standard area not less than 660 feet to any outer boundary of this spacing unit.

As set forth in the application, Chesapeake has obtained the BLM's approval of the federal APD and now waits your processing of this application. Please call me if you have any questions.

Very truly yours,



W. Thomas Kellahin

cfx: Chesapeake Operating, Inc.
Attn: Sara Caldwell

BRYAN G. ARANT
DISTRICT II GEOLOGIST

30 - 015 - 36038

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

**DISTRICT ADMINISTRATIVE APPLICATION OF
CHESAPEAKE OPERATING INC. FOR APPROVAL
OF A DIRECTIONAL WELLBORE
EDDY COUNTY, NEW MEXICO**

DISTRICT ADMINISTRATIVE APPLICATION

Comes now Chesapeake Operating, Inc. ("Chesapeake"), by and through its attorneys, Kellahin & Kellahin, and in accordance with Division Rule 111.C(1) applies to the District Supervisor-Artesia, District 2 of the New Mexico Oil Conservation Division for approval for a Directional Wellbore for its Deer Canyon "24" Federal Well No. 1H and in support states:

(1) Chesapeake proposes to drill its Deer Canyon "24" Federal Well No. 1H for production from the Wolfcamp formation and to dedicate the well to a project area consisting of 320-acre being of the Lots 1, 2, W/2NE/4, NW/4 (N/2 equivalent) of Section 24, T20S, R21E. (See **OCD Form C-102 attached as Exhibit 1 and a portion of the federal APD attached as Exhibit 2**)

(2) The N/2 of Section 24 is a single federal oil and gas lease # NM 3570027-001 in which Chesapeake holds 1/3 WIO. Chesapeake has obtained the voluntary agreement of all WIO except for Nearburg Exploration Company and has filed a compulsory pooling case that is set for hearing on January 24, 2008 as Case 14069.

(3) The well's location will be an unorthodox surface location 120 feet FWL and 13100 feet FNL (Unit D) of Section 24, T20S, R21E and deviated so that when the wellbore penetrates the Wolfcamp formation it will be at a standard subsurface location, 660 Feet FWL and 1416 feet FNL (Unit E) then drilled horizontally in an easterly direction staying within a producing area 660 feet from each of the outer boundaries of this spacing unit and ending at a standard bottom hole location 1980 feet FHL and 660 Feet FEL (Lot 2) of this section.

(4) This is a Wildcat Wolfcamp spacing unit subject to General Rules 111 that provides a project area (Rule 111.A. (9) with a standard location not closer than 660 feet to the outer boundary of the project area. **See Rule 111.C(1).**

(5) The directional wellbore is necessitated in order to allow the applicant the ability to be almost horizontal in the producing formation by the time the wellbore will reach the producing area within the standard boundary set backs providing a longer lateral to test and produce the Wolfcamp formation.

(6) Chesapeake proposes the following:

- (a) **Project Area:**
320-acre gas spacing unit dedication insisting of N/2 equivalent of Section 24
- (b) **Producing Area & Producing Interval:**
being within a standard drilling & producing window not less than 660 feet from any other boundary of the 320-acre gas spacing unit
- (c) **Location:**
The well's location will be as set forth in Paragraph 3 above.

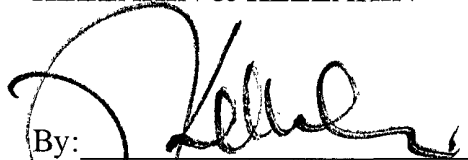
(7) The following additional exhibits are attached:

Exhibit 3: Chesapeake's Standard Planning Report dated 17 Dec 2007
vertical oriented plan view and horizontal plan view and the
numerical tabulation of program (total of 5 pages)

WHEREFORE, Applicant requests that this application be approved.

Respectfully submitted,

KELLAHIN & KELLAHIN

By: 

W. Thomas Kellahin
706 Gonzales Road
Santa Fe, New Mexico 87501
(505) 982-4285
Attorneys for Applicant

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 80240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 80210

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name DEER CANYON 24 FEDERAL	Well Number 1H
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 4325'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	24	20-S	21-E		1310	NORTH	120	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
2	24	20 S	21-E		1980	NORTH	660	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>DETAIL</p> <p>LOT 1</p> <p>4304.3' 4341.8'</p> <p>4305.6' 4341.4'</p> <p>600'</p> <p>600'</p> <p>1310'</p> <p>120'</p> <p>660'</p> <p>SEE DETAIL SURF.</p> <p>Penetration point</p> <p>GR.AZ.=98°48'29"</p> <p>H.DIST.=4563.0'</p> <p>B.H.</p> <p>41.56 AC</p> <p>LOT 2</p> <p>41.77 AC</p> <p>LOT 3</p> <p>LOT 4</p> <p>41.97 AC</p> <p>42.18 AC</p> <p>GEODETIC COORDINATES NAD 27 NME SURFACE Y=567837.1 N X=369956.8 E LAT.=32.560383° N LONG.=104.755420° W</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Rynda F. Townsend</i> 7-2-07 Signature Date Rynda F. Townsend Printed Name</p> <p>SURVEYOR CERTIFICATION</p> <p>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 belief.</p> <p>JUNE 21, 2007 Date Surveyed JR Signature & Seal of Professional Surveyor <i>Ronald J. Eidson</i> 6/29/07 6/29/07 Certificate No. GARY EIDSON 12641 RONALD J. EIDSON 3239</p>
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EXHIBIT
2
PENGAD 800-631-6989

RECEIVED

AT-08-148

FORM APPROVED
OMB No. 1004-0136
Expires July 31, 2010UNITED STATES OPERATOR'S COPY
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

JAN 1 2008

APPLICATION FOR PERMIT TO DRILL OR REENTER: *gg*

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		CONFIDENTIAL	
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		8. Lease Name and Well No. DEER CANYON 24 FEDERAL 1H	
2. Name of Operator CHESAPEAKE OPERATING, INC. E-Mail: lgood@chkenergy.com		9. API Well No.	
3a. Address PO BOX 18496 OKLAHOMA CITY, OK 73154-0496		3b. Phone No. (include area code) Ph: 405-767-4275 Fx: 405-753-5469	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface NWNW 1310FNL 120FWL At proposed prod. zone SENE 1980FNL 660FEL		10. Field and Pool, or Exploratory WILDCAT	
14. Distance in miles and direction from nearest town or post office* 17 MILES NW OF HOPE, NM		12. County or Parish EDDY	
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)		16. No. of Acres in Lease 647.48	
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.		20. BLM/BIA Bond No. on file NM0634 ^{de}	
21. Elevations (Show whether DF, KB, RT, GL, etc.) 4360 GL		23. Estimated duration	

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by another bond (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature (Electronic Submission)	Name (Printed/Typed) LINDA GOOD Ph: 405-767-4275	Date 11/12/2007
Title FEDERAL REGULATORY ANALYST		
Approved by (Signature) <i>J. Small</i>	Name (Printed/Typed)	Date 1/4/08
Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Additional Operator Remarks (see next page)

Electronic Submission #57108 verified by the BLM Well Information System
Roswell Controlled Water Basin For CHESAPEAKE OPERATING, INC., sent to the Carlsbad
Committed to AFMSS for processing by TESSA CISNEROS on 11/13/2007 (08TLC0077AE)APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHEDBureau of Land Management
Received

NOV 13 2007

Carlsbad Field Office
RECEIVEDSEE ATTACHED FOR
CONDITIONS OF APPROVAL

BLM REVISED BLM REVISED **BLM REVISED** BLM REVISED

Permian District

NM - Eddy - Morrow Project

Deer Canyon 24 Fed #1H

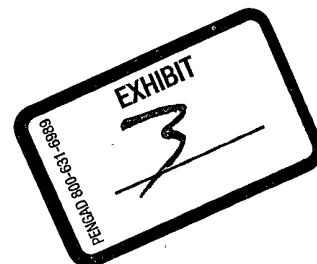
Well #1

Wellbore #1

Plan: Plan #1

Standard Planning Report

17 December, 2007



Planning Report

Database:	Drilling Database	Local Co-ordinate Reference:	Well Well #1
Company:	Permian District	TVD Reference:	WELL @ 0.0ft (Original Well Elev)
Project:	NM - Eddy - Morrow Project	MD Reference:	WELL @ 0.0ft (Original Well Elev)
Site:	Deer Canyon 24 Fed #1H	North Reference:	True
Well:	Well #1	Survey Calculation Method:	Minimum Curvature
Wellbore:	Wellbore #1		
Design:	Plan #1		

Project:	NM - Eddy - Morrow Project		
Map System:	US State Plane 1927 (Exact solution)	System Datum:	Ground Level
Geo Datum:	NAD 1927 (NADCON CONUS)		
Map Zone:	New Mexico East 3001		

Site:	Deer Canyon 24 Fed #1H		
Site Position:		Northing:	m
From:	None	Easting:	m
Position Uncertainty:	ft	Slot Radius:	in
		Latitude:	
		Longitude:	
		Grid Convergence:	0.00 °

Well:	Well #1		
Well Position	+N/-S	0.0 ft	Northing:
	+E/-W	0.0 ft	Easting:
Position Uncertainty	ft	Wellhead Elevation:	ft
		Latitude:	30° 59' 24.512 N
		Longitude:	105° 55' 44.137 W
		Ground Level:	0.0 ft

Wellbore:	Wellbore #1		
Magnetics	Model Name	Sample Date	Declination
	User Defined	11/2/2007	(°)
			0.00
			Dip Angle
			(°)
			0.00
			Field Strength
			(nT)
			0

Design:	Plan #1		
Audit Notes:			
Version:	Phase:	PROTOTYPE	Tie On Depth:
			0.0
Vertical Section:	Depth From (TVD)	+N/-S	+E/-W
	(ft)	(ft)	(ft)
	0.0	0.0	0.0
			Direction
			(°)
			98.81

Plan Sections										
Measured Depth (ft)	Inclination (°)	Azimuth (°)	Vertical Depth (ft)	+N/-S (ft)	+E/-W (ft)	Dogleg Rate (°/100ft)	Bulld Rate (°/100ft)	Turn Rate (°/100ft)	TFO (°)	Target
0.0	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00	0.00	
4,170.0	0.00	0.00	4,170.0	0.0	0.0	0.00	0.00	0.00	0.00	
4,921.0	90.00	98.81	4,648.1	-73.2	472.5	11.98	11.98	0.00	98.81	
9,006.0	90.00	98.81	4,648.1	-698.9	4,509.3	0.00	0.00	0.00	0.00	

Planning Report

Database: Drilling Database
 Company: Permian District
 Project: NM - Eddy - Morrow Project
 Site: Deer Canyon 24 Fed #1H
 Well: Well #1
 Wellbore: Wellbore #1
 Design: Plan #1

Local Co-ordinate Reference: Well Well #1
 TVD Reference: WELL @ 0.0ft (Original Well Elev)
 MD Reference: WELL @ 0.0ft (Original Well Elev)
 North Reference: True
 Survey Calculation Method: Minimum Curvature

Planned Survey

Measured Depth (ft)	Inclination (°)	Azimuth (°)	Vertical Depth (ft)	+N/-S (ft)	+E/-W (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)	Build Rate (°/100ft)	Turn Rate (°/100ft)
0.0	0.00	0.00	0.0	0.0	0.0	0.0	0.00	0.00	0.00
100.0	0.00	0.00	100.0	0.0	0.0	0.0	0.00	0.00	0.00
200.0	0.00	0.00	200.0	0.0	0.0	0.0	0.00	0.00	0.00
300.0	0.00	0.00	300.0	0.0	0.0	0.0	0.00	0.00	0.00
400.0	0.00	0.00	400.0	0.0	0.0	0.0	0.00	0.00	0.00
500.0	0.00	0.00	500.0	0.0	0.0	0.0	0.00	0.00	0.00
600.0	0.00	0.00	600.0	0.0	0.0	0.0	0.00	0.00	0.00
700.0	0.00	0.00	700.0	0.0	0.0	0.0	0.00	0.00	0.00
800.0	0.00	0.00	800.0	0.0	0.0	0.0	0.00	0.00	0.00
900.0	0.00	0.00	900.0	0.0	0.0	0.0	0.00	0.00	0.00
1,000.0	0.00	0.00	1,000.0	0.0	0.0	0.0	0.00	0.00	0.00
1,100.0	0.00	0.00	1,100.0	0.0	0.0	0.0	0.00	0.00	0.00
1,200.0	0.00	0.00	1,200.0	0.0	0.0	0.0	0.00	0.00	0.00
1,300.0	0.00	0.00	1,300.0	0.0	0.0	0.0	0.00	0.00	0.00
1,400.0	0.00	0.00	1,400.0	0.0	0.0	0.0	0.00	0.00	0.00
1,500.0	0.00	0.00	1,500.0	0.0	0.0	0.0	0.00	0.00	0.00
1,600.0	0.00	0.00	1,600.0	0.0	0.0	0.0	0.00	0.00	0.00
1,700.0	0.00	0.00	1,700.0	0.0	0.0	0.0	0.00	0.00	0.00
1,800.0	0.00	0.00	1,800.0	0.0	0.0	0.0	0.00	0.00	0.00
1,900.0	0.00	0.00	1,900.0	0.0	0.0	0.0	0.00	0.00	0.00
2,000.0	0.00	0.00	2,000.0	0.0	0.0	0.0	0.00	0.00	0.00
2,100.0	0.00	0.00	2,100.0	0.0	0.0	0.0	0.00	0.00	0.00
2,200.0	0.00	0.00	2,200.0	0.0	0.0	0.0	0.00	0.00	0.00
2,300.0	0.00	0.00	2,300.0	0.0	0.0	0.0	0.00	0.00	0.00
2,400.0	0.00	0.00	2,400.0	0.0	0.0	0.0	0.00	0.00	0.00
2,500.0	0.00	0.00	2,500.0	0.0	0.0	0.0	0.00	0.00	0.00
2,600.0	0.00	0.00	2,600.0	0.0	0.0	0.0	0.00	0.00	0.00
2,700.0	0.00	0.00	2,700.0	0.0	0.0	0.0	0.00	0.00	0.00
2,800.0	0.00	0.00	2,800.0	0.0	0.0	0.0	0.00	0.00	0.00
2,900.0	0.00	0.00	2,900.0	0.0	0.0	0.0	0.00	0.00	0.00
3,000.0	0.00	0.00	3,000.0	0.0	0.0	0.0	0.00	0.00	0.00
3,100.0	0.00	0.00	3,100.0	0.0	0.0	0.0	0.00	0.00	0.00
3,200.0	0.00	0.00	3,200.0	0.0	0.0	0.0	0.00	0.00	0.00
3,300.0	0.00	0.00	3,300.0	0.0	0.0	0.0	0.00	0.00	0.00
3,400.0	0.00	0.00	3,400.0	0.0	0.0	0.0	0.00	0.00	0.00
3,500.0	0.00	0.00	3,500.0	0.0	0.0	0.0	0.00	0.00	0.00
3,600.0	0.00	0.00	3,600.0	0.0	0.0	0.0	0.00	0.00	0.00
3,700.0	0.00	0.00	3,700.0	0.0	0.0	0.0	0.00	0.00	0.00
3,800.0	0.00	0.00	3,800.0	0.0	0.0	0.0	0.00	0.00	0.00
3,900.0	0.00	0.00	3,900.0	0.0	0.0	0.0	0.00	0.00	0.00
4,000.0	0.00	0.00	4,000.0	0.0	0.0	0.0	0.00	0.00	0.00
4,100.0	0.00	0.00	4,100.0	0.0	0.0	0.0	0.00	0.00	0.00
4,170.0	0.00	0.00	4,170.0	0.0	0.0	0.0	0.00	0.00	0.00
4,200.0	3.60	98.81	4,200.0	-0.1	0.9	0.9	11.98	11.98	0.00
4,300.0	15.58	98.81	4,298.4	-2.7	17.4	17.6	11.98	11.98	0.00
4,400.0	27.56	98.81	4,391.2	-8.3	53.6	54.3	11.98	11.98	0.00
4,500.0	39.55	98.81	4,474.4	-16.8	108.2	109.4	11.98	11.98	0.00
4,600.0	51.53	98.81	4,544.3	-27.7	178.6	180.7	11.98	11.98	0.00
4,700.0	63.52	98.81	4,597.9	-40.6	261.8	264.9	11.98	11.98	0.00
4,800.0	75.50	98.81	4,632.9	-54.9	354.2	358.4	11.98	11.98	0.00
4,900.0	87.48	98.81	4,647.6	-70.0	451.7	457.1	11.98	11.98	0.00
4,921.0	90.00	98.81	4,648.1	-73.2	472.5	478.1	11.99	11.99	0.00
5,000.0	90.00	98.81	4,648.1	-85.3	550.5	557.1	0.00	0.00	0.00
5,100.0	90.00	98.81	4,648.1	-100.6	649.4	657.1	0.00	0.00	0.00

Planning Report

Database: Drilling Database
 Company: Permian District
 Project: NM - Eddy - Morrow Project
 Site: Deer Canyon 24 Fed #1H
 Well: Well #1
 Wellbore: Wellbore #1
 Design: Plan #1

Local Co-ordinate Reference: Well Well #1
 TVD Reference: WELL @ 0.0ft (Original Well Elev)
 MD Reference: WELL @ 0.0ft (Original Well Elev)
 North Reference: True
 Survey Calculation Method: Minimum Curvature

Planned Survey

Measured Depth (ft)	Inclination (°)	Azimuth (°)	Vertical Depth (ft)	+N/-S (ft)	+E/-W (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)	Build Rate (°/100ft)	Turn Rate (°/100ft)
5,200.0	90.00	98.81	4,648.1	-116.0	748.2	757.1	0.00	0.00	0.00
5,300.0	90.00	98.81	4,648.1	-131.3	847.0	857.1	0.00	0.00	0.00
5,400.0	90.00	98.81	4,648.1	-146.6	945.8	957.1	0.00	0.00	0.00
5,500.0	90.00	98.81	4,648.1	-161.9	1,044.6	1,057.1	0.00	0.00	0.00
5,600.0	90.00	98.81	4,648.1	-177.2	1,143.5	1,157.1	0.00	0.00	0.00
5,700.0	90.00	98.81	4,648.1	-192.5	1,242.3	1,257.1	0.00	0.00	0.00
5,800.0	90.00	98.81	4,648.1	-207.9	1,341.1	1,357.1	0.00	0.00	0.00
5,900.0	90.00	98.81	4,648.1	-223.2	1,439.9	1,457.1	0.00	0.00	0.00
6,000.0	90.00	98.81	4,648.1	-238.5	1,538.7	1,557.1	0.00	0.00	0.00
6,100.0	90.00	98.81	4,648.1	-253.8	1,637.6	1,657.1	0.00	0.00	0.00
6,200.0	90.00	98.81	4,648.1	-269.1	1,736.4	1,757.1	0.00	0.00	0.00
6,300.0	90.00	98.81	4,648.1	-284.4	1,835.2	1,857.1	0.00	0.00	0.00
6,400.0	90.00	98.81	4,648.1	-299.7	1,934.0	1,957.1	0.00	0.00	0.00
6,500.0	90.00	98.81	4,648.1	-315.1	2,032.8	2,057.1	0.00	0.00	0.00
6,600.0	90.00	98.81	4,648.1	-330.4	2,131.7	2,157.1	0.00	0.00	0.00
6,700.0	90.00	98.81	4,648.1	-345.7	2,230.5	2,257.1	0.00	0.00	0.00
6,800.0	90.00	98.81	4,648.1	-361.0	2,329.3	2,357.1	0.00	0.00	0.00
6,900.0	90.00	98.81	4,648.1	-376.3	2,428.1	2,457.1	0.00	0.00	0.00
7,000.0	90.00	98.81	4,648.1	-391.6	2,526.9	2,557.1	0.00	0.00	0.00
7,100.0	90.00	98.81	4,648.1	-407.0	2,625.8	2,657.1	0.00	0.00	0.00
7,200.0	90.00	98.81	4,648.1	-422.3	2,724.6	2,757.1	0.00	0.00	0.00
7,300.0	90.00	98.81	4,648.1	-437.6	2,823.4	2,857.1	0.00	0.00	0.00
7,400.0	90.00	98.81	4,648.1	-452.9	2,922.2	2,957.1	0.00	0.00	0.00
7,500.0	90.00	98.81	4,648.1	-468.2	3,021.0	3,057.1	0.00	0.00	0.00
7,600.0	90.00	98.81	4,648.1	-483.5	3,119.9	3,157.1	0.00	0.00	0.00
7,700.0	90.00	98.81	4,648.1	-498.9	3,218.7	3,257.1	0.00	0.00	0.00
7,800.0	90.00	98.81	4,648.1	-514.2	3,317.5	3,357.1	0.00	0.00	0.00
7,900.0	90.00	98.81	4,648.1	-529.5	3,416.3	3,457.1	0.00	0.00	0.00
8,000.0	90.00	98.81	4,648.1	-544.8	3,515.1	3,557.1	0.00	0.00	0.00
8,100.0	90.00	98.81	4,648.1	-560.1	3,614.0	3,657.1	0.00	0.00	0.00
8,200.0	90.00	98.81	4,648.1	-575.4	3,712.8	3,757.1	0.00	0.00	0.00
8,300.0	90.00	98.81	4,648.1	-590.7	3,811.6	3,857.1	0.00	0.00	0.00
8,400.0	90.00	98.81	4,648.1	-606.1	3,910.4	3,957.1	0.00	0.00	0.00
8,500.0	90.00	98.81	4,648.1	-621.4	4,009.3	4,057.1	0.00	0.00	0.00
8,600.0	90.00	98.81	4,648.1	-636.7	4,108.1	4,157.1	0.00	0.00	0.00
8,700.0	90.00	98.81	4,648.1	-652.0	4,206.9	4,257.1	0.00	0.00	0.00
8,800.0	90.00	98.81	4,648.1	-667.3	4,305.7	4,357.1	0.00	0.00	0.00
8,900.0	90.00	98.81	4,648.1	-682.6	4,404.5	4,457.1	0.00	0.00	0.00
9,000.0	90.00	98.81	4,648.1	-698.0	4,503.3	4,557.1	0.00	0.00	0.00
9,006.0	90.00	98.81	4,648.1	-698.9	4,509.3	4,563.1	0.00	0.00	0.00

Targets

Target Name	Dip Angle (°)	Dip Dir. (°)	TVD (ft)	+N/-S (ft)	+E/-W (ft)	Northing (m)	Easting (m)	Latitude	Longitude
- Hit/miss target									
- Shape									
Section 24	0.00	0.00	0.0	1,308.1	-138.8	399.29	-36.58	30° 59' 37.456 N	105° 55' 45.731 W
- plan misses by 1315.5ft at 0.0ft MD (0.0 TVD, 0.0 N, 0.0 E)									
- Rectangle (sides W5,280.0 H5,280.0 D0.0)									

SITE DETAILS: Deer Canyon 24 Fed #1H

Site: Deer Canyon 24 Fed #1H
Design: Plan #1

Northing:
Easting:
Ground Level: 0.0
WELL @ 0.0ft (Original Well Elev)

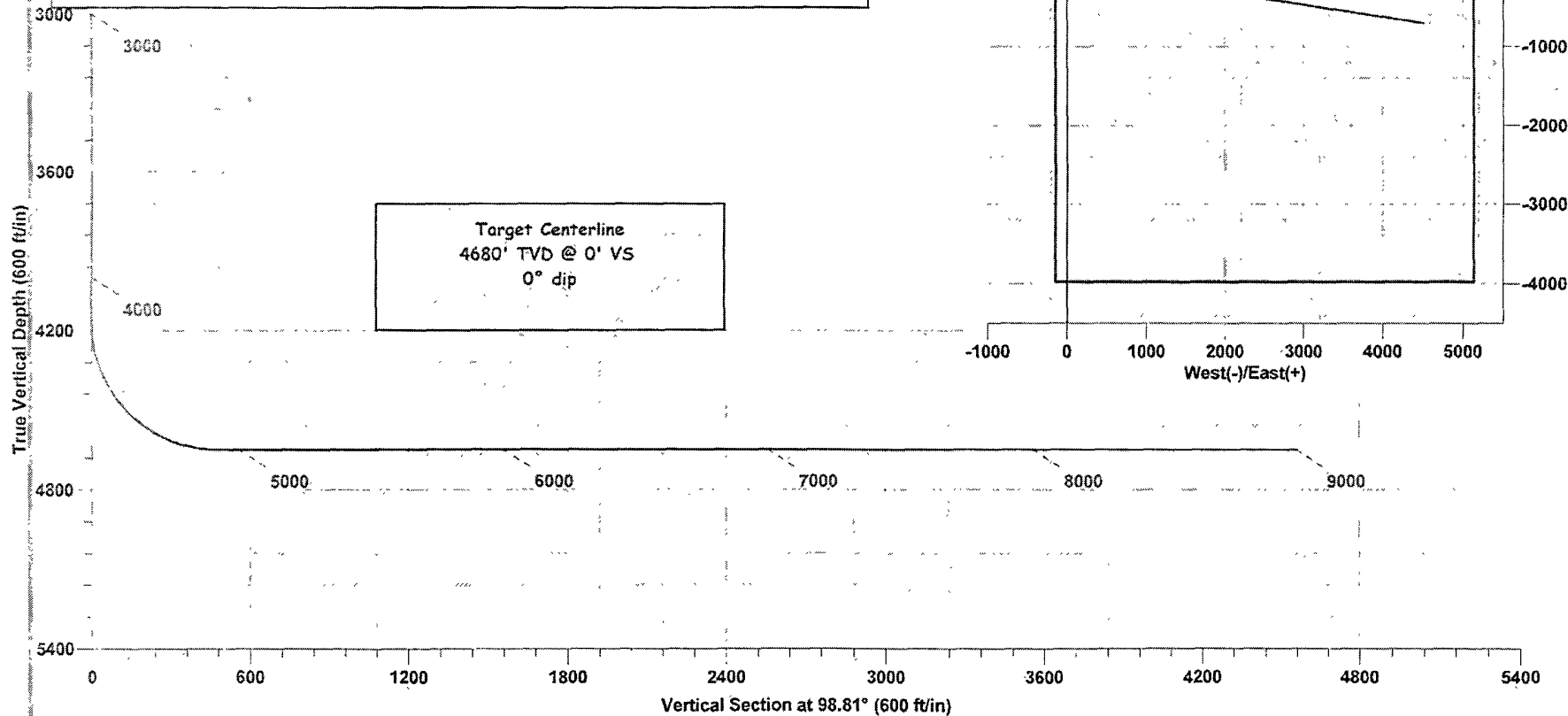
PROJECT DETAILS: NM - Eddy - Morrow Project

Geodetic System: NAD State Plane 1927 (Exact solution)
Datum: NAD 1927 (NADCON CONUS)
Ellipsoid: Clarke 1866
Zone: New Mexico East 3001

System Datum: Ground Level

SECTION DETAILS

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	DLeg	TFace	VSec	Target
1	0.0	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.0	
	24170.0	0.00	0.00	4170.0	0.0	0.0	0.00	0.00	0.0	
	34921.0	90.00	98.81	4648.1	-73.2	472.5	11.98	98.81	478.1	
	49006.0	90.00	98.81	4648.1	-698.9	4509.3	0.00	0.00	4563.1	



Arrant, Bryan, EMNRD

From: Arrant, Bryan, EMNRD
Sent: Tuesday, January 22, 2008 7:24 AM
To: 'Tom Kellahin'
Cc: 'ltownsend@chkenegy.com'; 'Craig Barnard'; 'Linda Good'
Subject: RE: Chesapeake's Deer Canyon 14 Federal Well No. 1H

Good Morning Tom,

In review of Chesapeake Operating, Inc's plan to drill a directionally well bore in order to test the Wolfcamp formation for gas production I need to go over a few interpretations/concerns:

After review of the directional drill plan submitted with your application, I am somewhat confused as it is my interpretation that the top of the Wolfcamp formation will be at a depth of somewhere @ 4560'. I am basing my top from an offset well -Trilogy Operating, Inc.'s Mad Max # 2 well. This well is located in unit (O) of the same section to the southeast. Not to 'quibble' over a few feet of difference on deciding the tops of formations or how many feet away the Wolfcamp top will come in from the lease line when directionally drilled, I need to be sure that everyone is of the understanding as to where the OCD recognizes formation tops. If I am understanding my math correctly, I'm looking at the penetration point of the Wolfcamp to come in @ at a measured depth from 4560' to 4600'. This projects the well bore to be 179' from the surface or @ 300' from the lease line. Just 30 ' shy. As you maybe aware, formation tops starting at the Wolfcamp down though the Pennsylvanian formation were decided by a group of industry personnel back in the 70's. The OCD has copies old 'falling part' regional cross sections that industry created and along with other electric logs that aid in my correlation purposes. Before the horizontal drilling in the Wolfcamp play really got kicked off in Eddy and Chaves Counties a number of industry personnel meet with me and we came to a understanding as to where the Wolfcamp formation top would be picked. This helped in not having operators complete their wells in the lower Abo and limit them with only 160 acre spacing. Please note that long ago Mr. Stogner gave me guidance and wisdom in having the District offices some latitude in deciding matters themselves such as this. The purpose was to not waste time with all involved in a paper work mire. I have already assigned an API'd to this well (30-015-36038) and will include your letter with imaging.

Yours truly,

Bryan G. Arrant
 District II Geologist
 New Mexico Oil Conservation Division
 1301 West Grand Ave.
 Artesia, NM 88210
 505-748-1283 Ext. 103

From: Tom Kellahin [mailto:tkellahin@comcast.net]
Sent: Sunday, January 20, 2008 9:12 AM
To: Arrant, Bryan, EMNRD
Cc: Brooks, David K., EMNRD; Lynda F. Townsend
Subject: Chesapeake's Deer Canyon 14 Federal Well No. 1H

Bryan,

Thank you for the phone message on Friday-I was out. You called to make sure I had sent a copy to OCD-Santa Fe.

I have not--for clarification of why I filed a horizontal application with the District rather than with OCD-Santa Fe, I have the following:

1/22/2008

Background:

(a) Although the wellbore will start at an unorthodox surface location, by the time it reaches the Wolfcamp target it will be standard and will remain so for all of the producing interval ("Producing Area")

(b) Rule 111.C(1) provides that the District may approve a Directional wellbore ("horizontal") in two situations: Either if the unorthodox location is approved by Santa Fe OR if the producing interval is entirely within the producing area.

(c) When Mike Stogner was process NSLs, I was directed to file with the District for this type of NSL. I did not find an example for your District, but I found one that Chris Williams approved in the Hobbs District. See API # 30-025-35190 for the Shelby 14-1 Wellbore--Letter attached

Request:

Despite the foregoing, if you want me to file at the OCD-Santa Fe, please let me know, and I will refile it with Mr. Brooks.

Regards,

Tom Kellahin
Kellahin & Kellahin
Attorneys at Law
706 Gonzales Road
Santa Fe, NM 87501
ph 505-982-4285
fx 505-982-2047
tkellahin@comcast.net

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1/22/2008