

**KELLAHIN & KELLAHIN**  
**Attorney at Law**

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December 21, 2007

**HAND DELIVERED**

Mr. Mark E. Fesmire, Director  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

**Re: Deer Canyon 24 Federal Well No. 1H**  
**(API # pending)**  
**N/2 Section 24, T20S R21E**  
**Application of Chesapeake Energy Corporation**  
**for Compulsory Pooling**  
**Eddy County, New Mexico**

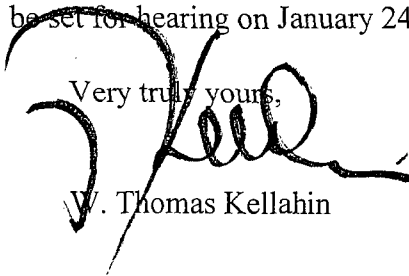
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*Case 14069*

Dear Mr. Fesmire:

On behalf of Chesapeake Energy Corporation, enclosed for filing is our referenced application to be set for hearing on January 24, 2008.

Very truly yours,

  
W. Thomas Kellahin

CC: Chesapeake Energy Corporation  
Attn: Lynda Townsend

CASE 14069 Application of Chesapeake Energy Corporation for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the following described acreage in Section 24, T20S, R21E, NMPM, in the following manner: the N/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within that vertical extent. This unit is to be dedicated to its Deer Canyon Federal Well No. 1H (API# pending) which will be located at an unorthodox surface location 1310 feet FNL and 120 feet FWL (Unit D) and deviated so that when the wellbore penetrates the Wolfcamp formation it will be at a standard subsurface location, 1416 feet FNL and 660 feet FWL (Unit E) then drilled horizontally in an easterly direction staying within a producing area 660 feet from each of the end and side boundaries of this spacing unit and ending at a standard bottom hole location 1980 feet FNL and 660 feet FEL (Lot 2). 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 the applicant as the operator of the well and a 200% charge for risk involved in this well. This unit is located approximately 8-1/2 miles south-south east of Viren, New Mexico.

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

**IN THE MATTER OF THE APPLICATION  
OF CHESAPEAKE ENERGY CORPORATION  
FOR COMPULSORY POOLING  
EDDY COUNTY, NEW MEXICO.**

CASE NO. 14069

**APPLICATION**

Comes now CHESAPEAKE ENERGY CORPORATION ("Chesapeake") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) NMSA (1978), applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the following described acreage in Section 24, T20S, R21E, NMPM, in the following manner: the N/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within that vertical extent. This unit is to be dedicated to its Deer Canyon 24 Federal Well No. 1H (API# pending) which will be located at an unorthodox surface location 1310 feet FNL and 120 feet FWL (Unit D) and deviated so that when the wellbore penetrates the Wolfcamp formation it will be at a standard subsurface location approximately 1416 feet FNL and 660 feet FWL Unit E) then drilled horizontally in an easterly direction staying within a producing area 660 feet from each of the end and side boundaries of this spacing unit and ending at a standard bottom hole location 1980 feet FNL and 660 feet FEL (Lot 2). 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 the applicant 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 the N/2 of Section 24, T20S, R21E, NMPM, Eddy County, New Mexico.
2. Chesapeake has proposed that the N/2 of this section be to dedicated as a standard 320-acre gas spacing unit for production from the Wolfcamp formation to be obtained from its proposed Deer Canyon Federal Well No. 1H to be located drilled as a horizontal wellbore as shown on Form C-102 attached as Exhibit "A".
3. Chesapeake has not been able to obtain a written voluntary agreement from all the party listed on Exhibit "B."

4. 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.

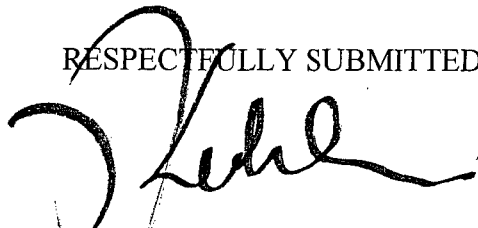
5. Pursuant to Commission Order R-11992, effective August 15, 2003, Chesapeake requests that a 200% risk charge be applied.

6. 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 "B" of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for January 24, 2008.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on January 24, 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:

A large, stylized handwritten signature in black ink, appearing to read 'W. Kellahin', is written over the typed name and address.

W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN  
706 Gonzales Road  
Santa Fe, New Mexico 87501  
(505) 982-4285

## State of New Mexico

## DISTRICT I

1625 N. FRENCH DR., HOBBS, NM 88240

Energy, Minerals and Natural Resources Department

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

## DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

## OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.

Santa Fe, New Mexico 87505

## 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.	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.

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>4304.3' 4341.8' 600' 4305.6' 4341.4'</p> <p>BOTTOM HOLE Y=567138.6 N X=374464.8 E</p> <p>CR.AZ.=98°48'29" H.DIST.=4563.0'</p> <p>SEE DETAIL SURF.</p> <p>1310'</p> <p>120'</p> <p>41.56 AC</p> <p>1980'</p> <p>B.H.</p> <p>660'</p> <p>LOT 1</p> <p>LOT 2 41.77 AC</p> <p>LOT 3</p> <p>41.97 AC</p> <p>LOT 4</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>	<b>OPERATOR CERTIFICATION</b> <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>Signature _____ Date _____</p> <p>Printed Name _____</p>
	<b>SURVEYOR CERTIFICATION</b> <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>
	Date Surveyed: JUNE 21, 2007 JR Signature & Seal of Professional Surveyor  Ronald J. Eidson 6/29/07
	Certificate No. GARY EIDSON 12641 RONALD J. EIDSON 3239

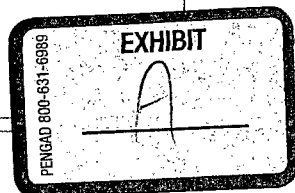


Exhibit "B"

Nearburg Exploration Company, L.L.C  
3300 North "A" Street, Building 2, Suite 120  
Midland, TX 79705

BP America Production Company  
505 Westlake Park Boulevard  
Houston, TX 77079

Cannon Exploration Company  
3608 S. County Road 1184  
Midland, TX 79706