

**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.**

RECEIVED
2000 OCT 10 AM 9

CASE NO. 14292

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 S/2S/2 of Section 10, T15S, R31E, Chaves County, N. M. to be dedicated to its Perseus 10 Federal Com Well No. 1H (API# pending) which will be located at a standard surface location 660 feet FSL and 330 feet FWL (Unit M) 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 660 feet FSL and 330 feet FWL (Unit P). 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 S/2S/2 of Section 10, 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:

S/2SW/4: Chesapeake = 50% and COG = 50%

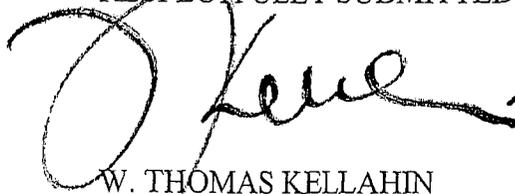
S/2SE/4: Cimarex = 100%

3. On November 21, 2007, Chesapeake proposed COG Oil & Gas LP ("COG") that the S/2S/2 of this section be dedicated as a 160-acre Wolfcamp oil spacing unit for production from the Wolfcamp formation to be obtained from its proposed horizontal wellbore the Perseus 10 Federal 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 12, 2007, COG, without first proposing its well to Chesapeake, obtained approval of an application for permit to drill ("APD") from the BLM for its Taurus Federal Well No. 1H (API # 30-005-28000).
5. On December 17, 2007, COG, having received Chesapeake's well proposal, responded to Chesapeake with a competing wellbore.
6. At this time, Chesapeake has not been able to obtain a written voluntary agreement from all the party listed on Exhibit "C"
7. 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 S/2S/2 of this section as a 160-acre non-standard spacing and proration unit.
8. 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.
9. Pursuant to Commission Order R-11992, effective August 15, 2003, Chesapeake requests that a 200% risk charge be applied.
10. 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.

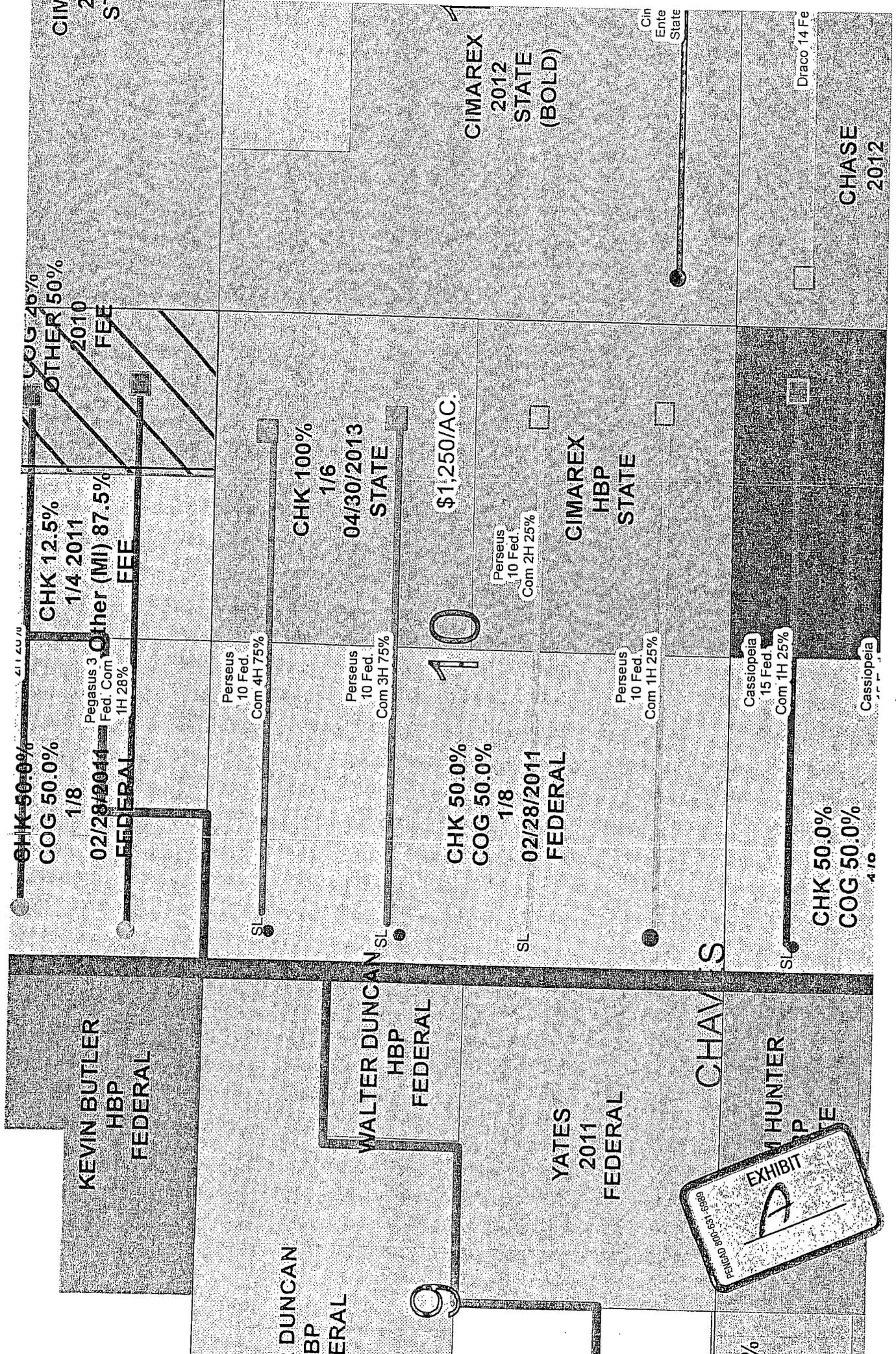
WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on October 30, 2008 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing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



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



411 20 00
 CHK 50.0%
 COG 50.0%
 1/8
 02/28/2011
 FEDERAL

CHK 12.5%
 1/4 2011
 Other (MI) 87.5%
 FEE

Pegasus 3
 Fed. Com
 1H 28%
 Perseus
 10 Fed.
 Com 4H 75%

KEVIN BUTLER
 HBP
 FEDERAL

COG 26%
 OTHER 50%
 2010
 FEE

CHK 100%
 1/6
 04/30/2013
 STATE

Perseus
 10 Fed.
 Com 3H 75%

WALTER DUNCAN
 HBP
 FEDERAL

CIMAREX
 2012
 STATE
 (BOLD)

Perseus
 10 Fed.
 Com 2H 25%

10
 CHK 50.0%
 COG 50.0%
 1/8
 02/28/2011
 FEDERAL

YATES
 2011
 FEDERAL

Cin
 Ente
 State

CIMAREX
 HBP
 STATE

Perseus
 10 Fed.
 Com 1H 25%

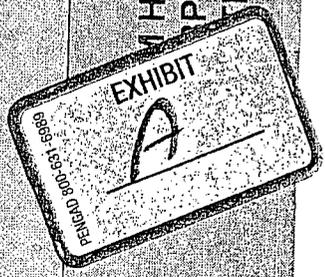
CHAVINS

Draco, 14 Fe

Cassiopeia
 15 Fed.
 Com 1H 25%

CHK 50.0%
 COG 50.0%
 4/6

HUNTER
 HBP
 STATE



State of New Mexico

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 I
425 N. FRENCH DR., HOBBBS, NM 88240

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

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

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

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

| | | |
|---------------------|---|--------------------|
| API Number | Pool Code | Pool Name |
| Property Code | Property Name PERSEUS 10 FEDERAL COM | Well Number 1H |
| OGRID No. 147179 | Operator Name CHESAPEAKE OPERATING, INC. | Elevation 4417' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| M | 10 | 15-S | 31-E | | 660 | SOUTH | 330 | WEST | CHAVES |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| P | 10 | 15-S | 31-E | | 660 | SOUTH | 330 | EAST | CHAVES |

| | | | |
|-------------------------|-----------------|--------------------|-----------|
| Dedicated Acres 1160 | 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

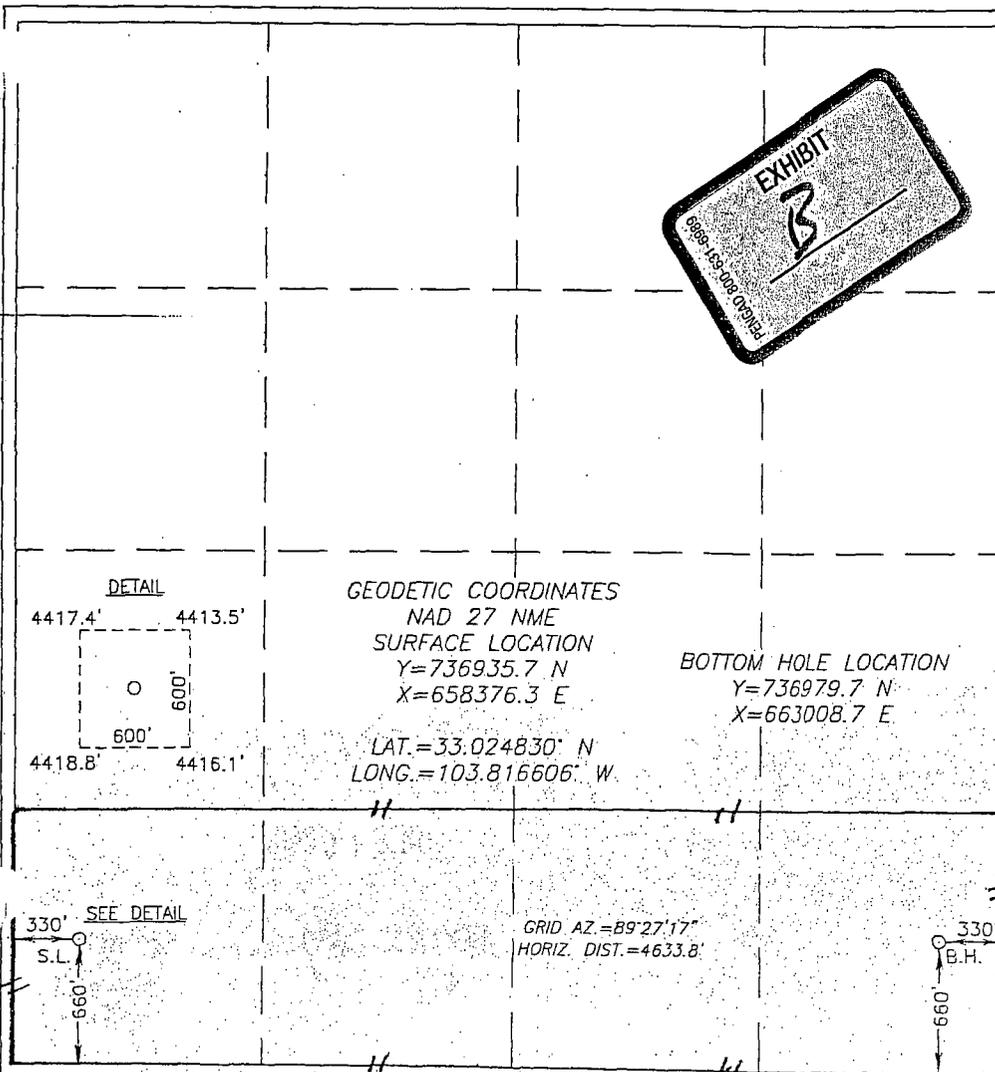


EXHIBIT B

DETAIL

4417.4' 4413.5'
600'
600'
4418.8' 4416.1'

GEODETIC COORDINATES
NAD 27 NME
SURFACE LOCATION
Y=736935.7 N
X=658376.3 E
LAT.=33.024830° N
LONG.=103.816606° W

BOTTOM HOLE LOCATION
Y=736979.7 N
X=663008.7 E

GRID AZ = 89°27'17"
HORIZ. DIST. = 4633.8'

330' SEE DETAIL
S.L.
660'

330'
B.H.
660'

OPERATOR CERTIFICATION

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.

Signature _____ Date _____

Printed Name _____

SURVEYOR CERTIFICATION

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.

NOVEMBER 27 2007

Date Surveyed: ME - LA REV 12/14/07
Signature & Seal of Professional Surveyor
3239
Ronald J. Eidson 12/14/07
07-11-1634

Certificate No. GARY EIDSON 12641
RONALD EIDSON 3239

EXHIBIT A-1

Exhibit "C"

COG Oil & Gas LP
550 West Texas Avenue
Suite 1300
Midland, TX 79701

Cimarex Energy Co.
508 W. Wall Street
Midland, TX 79701
Attn: Don R. McClung