

KELLAHIN & KELLAHIN
Attorney at Law

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706 GONZALES ROAD
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TKELLAHIN@COMCAST.NET

September 30, 2008

HAND DELIVERED

Case 14220

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

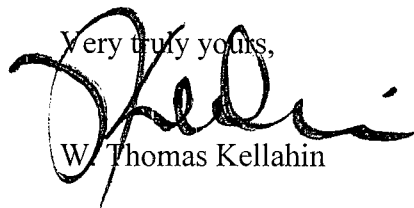
2008 SEP 30 PM 4 17
RECEIVED

Re: Application of Chesapeake Energy Corporation
For Cancellation of Certain Permits to Drill ("APDs")
Issued to Cimarex Energy Co. of Colorado ("Cimarex")
Chaves County, New Mexico
Section 22 and Section 24, T15S, R31E

Dear Mr. Fesmire:

On behalf of Chesapeake Energy Corporation, enclosed for filing is our referenced application to be set for hearing on October 30, 2008 on the Division's Examiner's docket.

Very truly yours,



W. Thomas Kellahin

CC: Chesapeake Energy Corporation
Attn: Jared Boren, Landman

CASE 14220: Application of Chesapeake Energy Corporation for cancellation of a permit to drill ("APDs") issued to Cimarex Energy Co of Colorado, Chaves County, New Mexico. Applicant seeks an order cancelling the Division's approval of the application for certain permits to drill ("APDs") issued to Cimarex Energy Co. of Colorado for the Essex 22 State Com #1 Well (API # 30-005-28005), a horizontal wellbore with a surface location in Unit H of Section 22, T15S, R31E, Chaves County and to be dedicated to a non-standard 160-acre spacing unit consisting of the S/2N/2 of this section and for its Hornet 24 State Com #3 Well (API # 30-005-28008), a horizontal wellbore with a surface location in Unit I of Section 24, T15S, R31E, Chaves County and to be dedicated to a non-standard 160-acre consisting of the N/2S/2 of Section 24 of this section. These units are located approximately 30 miles east of Hagerman, 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
CANCELLATION OF A PERMIT TO DRILL ("APD")
ISSUED TO CIMAREX ENERGY CO. OF COLORADO
CHAVES COUNTY, NEW MEXICO.**

CASE NO. 142204

RECEIVED
2008 SEP 30 PM 4 17

APPLICATION

Comes now CHESAPEAKE ENERGY CORPORATION ("Chesapeake") by its attorneys, Kellahin & Kellahin, applies to the New Mexico Oil Conservation Division ("Division") for an order cancelling the Division's approval of the following application for permit to drill ("APD") issued to Cimarex Energy Co. of Colorado (i) for the Essex 22 State Com #1 Well (API # 30-005-28005), a horizontal wellbore with a surface location in Unit H of Section 22, T15S, R31E, Chaves County and to be dedicated to a non-standard 160-acre spacing unit consisting of the S/2N/2 of this section and (ii) for its Hornet 24 State Com #3 Well (API # 30-005-28008), a horizontal wellbore with a surface location in Unit I of Section 24, T15S, R31E, Chaves County and to be dedicated to a non-standard 160-acre consisting of the N/2S/2 of Section 24 of this section.

In support of its application, Chesapeake Energy Corporation ("Chesapeake") states:

1. Chesapeake has 100% of the working interest including the right to drill and develop the oil and gas minerals from the surface to the base of the Wolfcamp formation underlying the SW/4NW/4 and SW/4NE/4 of Section 22 and also has 100% of the working interest including the right to drill and develop the oil and gas minerals from the surface to the base of the Wolfcamp formation underlying the SW/4 of Section 24, all T15S, R31E, NMPM, Chaves County, New Mexico. See locator map attached as Exhibit "A" and Exhibit "B"

2. Cimarex's proposed 160-acre non-standard oil spacing unit each contain four 40-acre tracts consisting of:

(a) S/2N/2 of Sec 22:

Unit E and Unit G	Chesapeake = 100%
Unit F and Unit H	Cimarex = 100%

(b) N/2S/4 of Sec 24:

N/2SW/4	Chesapeake = 100%
N/2SE/4	Cimarex = 100%

3. The Division revised and modified its Form C-102 on October 12, 2005 to require that the Operator certify that:

"I hereby certify that the information contained 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 a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division."

4. About December 28, 2007, Cimarex filed an application for permit to drill ("APD") with the NMOCD-Hobbs that were approved on December 28, 2007 for the Essex 22 State Well No. 1 (API # 30-005-28005), a horizontal wellbore with a surface location in Unit H of Section 22, T15S, R31E, Chaves County and to be dedication to a non-standard 160-acre spacing unit consisting of the S/2N/2 of this section. See first page of APD and Division form C-102 attached as Exhibit "C"

4. About December 28, 2007, Cimarex filed an application for permit to drill ("APD") with the NMOCD-Hobbs that were approved on December 31, 2007 for the Hornet 24 State Well No. 3 (API # 30-005-28008), a horizontal wellbore with a surface location in Unit I of Section 24, T15S, R31E, Chaves County and to be dedication to a non-standard 160-acre spacing unit consisting of the N/2S/2 of this section. See first page of APD and Division form C-102 attached as Exhibit "D"

5. Attached to these APDs was a Division Form C-102, each dated December 28, 2007, that were improperly certified because Cimarex wellbore will penetrate two (2) of the 40-acre tracts within each spacing unit for which Cimarex has no interest and has not reach a voluntary agreement with Chesapeake or obtained a Division compulsory pooling order.

6. In doing so, Cimarex violated the "operator certification" contained in Division Form C-102 by falsely certifying that it had an interest in each of the four tracts to be penetrated for each of these two wellbores.


7. On January 1, 2008, Chesapeake was the first operator to propose to Cimarex that the S/2N/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 Poseidon 22 State Com Well No. 1H to be located drilled as a horizontal wellbore as shown on Form C-102 attached as Exhibit "E".

8. On August 20, 2008, Chesapeake was the first operator to propose to Cimarex that the N/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 Andromeda 24 State Com Well No. 1H to be located drilled as a horizontal wellbore as shown on Form C-102 attached as Exhibit "F".

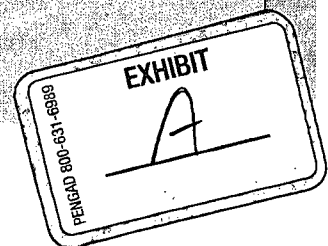
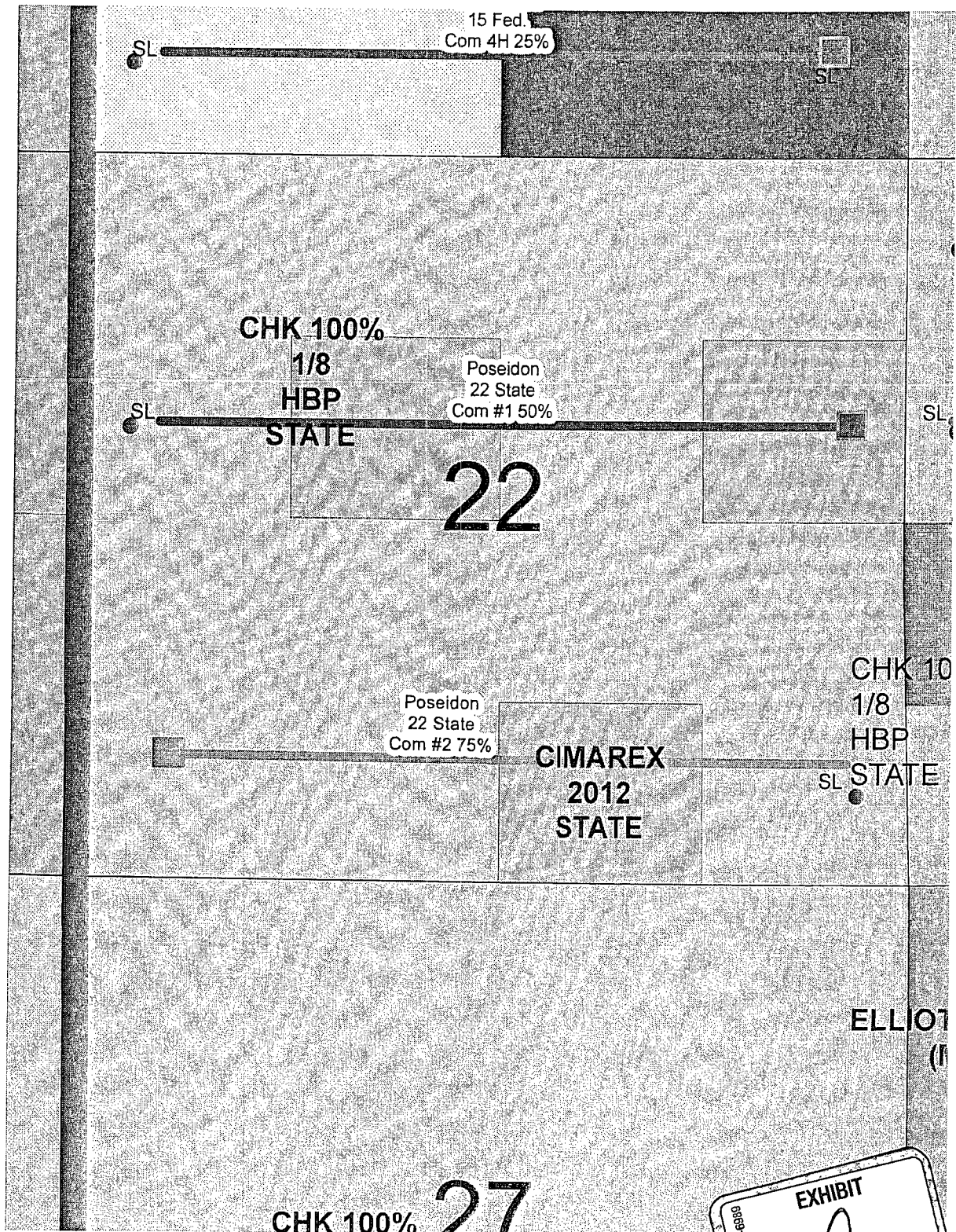
9. Notice of this application and hearing has been send to the parties set forth on Exhibit "G"
Attached

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 cancelling this APD.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized flourish at the end.

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



FEDERAL

Winkle
13 Fed.
Com 2H 25%

SL

MOBIL 100%
HBP
STATE

PITCH ENERGY 100%
(MARBOB)
HBP
STATE

24

CIMAREX
2012
STATE

Andromeda
24 State
Com 1H 50%

CHK 100%
1/8
HBP
STATE

POGO 50%
OXY 50%
08/31/2008

EXHIBIT

B

PERIOD 800-631-6889

Santa Fe, NM 87505

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1. Operator Name and Address CIMAREX ENERGY CO. OF COLORADO 5215 N. O'CONNOR BLVD. IRVING, TX 75039		2. OGRID Number 162683
		3. API Number 30-05-28005
4. Property Code 36911	5. Property Name ESSEX 22 STATE COM	6. Well No. 001

7. Surface Location

UL - Lot H	Section 22	Township 15S	Range 31E	Lot Idn H	Feet From 1980	N/S Line N	Feet From 330	E/W Line E	County CHAVES
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8. Pool Information

WILDCAT WOLFCAMP	0
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Additional Well Information

9. Work Type New Well	10. Well Type OIL	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 4391
14. Multiple N	15. Proposed Depth 13393	16. Formation Wolfcamp	17. Contractor	18. Spud Date 1/15/2008
Depth to Ground water 215		Distance from nearest fresh water well > 1000		Distance to nearest surface water > 1000
Pn: Liner: Synthetic <input checked="" type="checkbox"/> 12 mils thick Clay <input type="checkbox"/> Pit Volume: 12000 bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

19. Proposed Casing and Cement Program

Type	Hole Size	Casing Type	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.5	13.375	48	340	340	0
Int1	11	8.625	24	1800	572	0
Prod	7.875	5.5	17	13393	1020	1300

Casing/Cement Program: Additional Comments

Pilot hole TVD 8950' with KO cement plug @ 8450' - 8850'. KOP @ 8650'. EOC @ 8959' MD, 8850' TVD. TD 13393' MD & 8850' TVD.

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
DoubleRam	5000	5000	Cameron

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

I further certify that the drilling pit will be constructed according to NMOCD guidelines ☒ a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Printed Name: Electronically filed by Zeno Farris

Title: Manager Operations Administration

Email Address: zfarris@magnumhunter.com

Date: 12/28/2007

Phone: 972-443-6489

OIL CONSERVATION DIVISION

Approved By: Paul Kautz

Title: Geologist

Approved Date: 12/28/2007

Expiration Date: 12/28/2008

Conditions of Approval Attached



District III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

1220 S. ST FRANCIS DR.

Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-05-28005	2. Pool Code	3. Pool Name WILDCAT WOLFCAMP
4. Property Code 36911	5. Property Name ESSEX 22 STATE COM	6. Well No. 001
7. OGRID No. 162683	8. Operator Name CIMAREX ENERGY CO. OF COLORADO	9. Elevation 4391

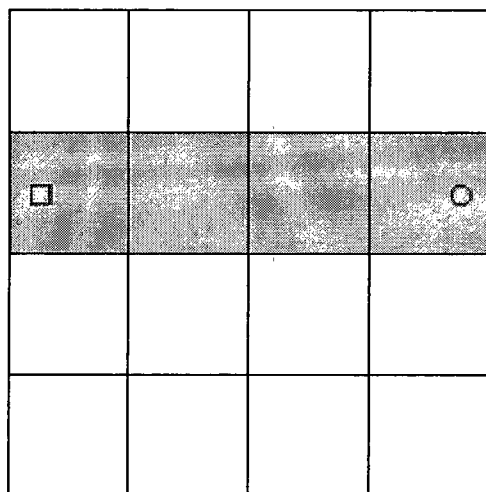
10. Surface Location

UL - Lot H	Section 22	Township 15S	Range 31E	Lot Idn	Feet From 1980	N/S Line N	Feet From 330	E/W Line E	County CHAVES
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11. Bottom Hole Location If Different From Surface

UL - Lot E	Section 22	Township 15S	Range 31E	Lot Idn E	Feet From 1980	N/S Line N	Feet From 330	E/W Line W	County CHAVES
12. Dedicated Acres 160.00		13. Joint or Infill		14. Consolidation Code Communitization		15. 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

**OPERATOR CERTIFICATION**

I hereby certify that the information contained 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(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

E-Signed By: Zeno Farris

Title: Manager Operations Administration

Date: 12/28/2007

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.

Surveyed By: Ronald J. Eidson

Date of Survey: 11/16/2007

Certificate Number: 3239



District III

1000 Rio Brazos Rd., Aztec, NM 87410
 Phone:(505) 334-6178 Fax:(505) 334-6170

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505
 Phone:(505) 476-3470 Fax:(505) 476-3462

1220 S. ST FRANCIS DR.**Santa Fe, NM 87505****WELL LOCATION AND ACREAGE DEDICATION PLAT**

1. API Number 30-05-28008	2. Pool Code	3. Pool Name WILDCAT WOLFCAMP
4. Property Code 36912	5. Property Name HORNET 24 STATE COM	6. Well No. 003
7. OGRID No. 162683	8. Operator Name CIMAREX ENERGY CO. OF COLORADO	9. Elevation 4353

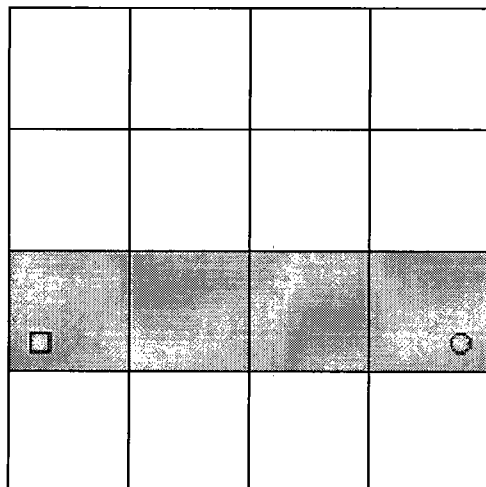
10. Surface Location

UL - Lot I	Section 24	Township 15S	Range 31E	Lot Idn	Feet From 1650	N/S Line S	Feet From 330	E/W Line E	County CHAVES
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11. Bottom Hole Location If Different From Surface

UL - Lot L	Section 24	Township 15S	Range 31E	Lot Idn L	Feet From 1650	N/S Line S	Feet From 330	E/W Line W	County CHAVES
12. Dedicated Acres 160.00		13. Joint or Infill		14. Consolidation Code Communitization		15. Order No.			

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**OPERATOR CERTIFICATION**

I hereby certify that the information contained 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(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

E-Signed By: Zeno Farris

Title: Manager Operations Administration

Date: 12/28/2007

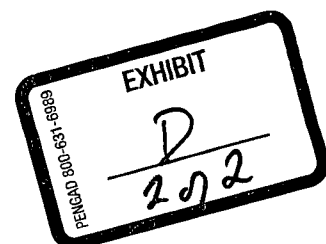
SURVEYOR CERTIFICATION

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.

Surveyed By: Ronald J. Eidson

Date of Survey: 11/15/2007

Certificate Number: 3239



Santa Fe, NM 87505

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1. Operator Name and Address CIMAREX ENERGY CO. OF COLORADO 5215 N. O'CONNOR BLVD. IRVING, TX 75039		2. OGRID Number 162683
		3. API Number 30-05-28008
4. Property Code 36912	5. Property Name HORNET 24 STATE COM	6. Well No. 003

7. Surface Location

UL - Lot I	Section 24	Township 15S	Range 31E	Lot Idn I	Feet From 1650	N/S Line S	Feet From 330	E/W Line E	County CHAVES
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8. Pool Information

WILDCAT WOLFCAMP	0
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Additional Well Information

9. Work Type New Well	10. Well Type OIL	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 4353
14. Multiple N	15. Proposed Depth 13395	16. Formation Wolfcamp	17. Contractor	18. Spud Date 1/15/2008
Depth to Ground water 228		Distance from nearest fresh water well > 1000		Distance to nearest surface water > 1000
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 miles thick Clay <input type="checkbox"/> Pit Volume: 12000 bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

19. Proposed Casing and Cement Program

Type	Hole Size	Casing Type	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.5	13.375	48	340	340	0
Int1	11	8.625	24	1800	572	0
Prod	7.875	5.5	17	13395	1020	1300

Casing/Cement Program: Additional Comments

Pilot hole TVD 8950' with KO cement plug @ 8450' - 8850'. KOP @ 8650'. EOC @ 8959' MD, 8850' TVD. TD 13395' MD & 8850' TVD.

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Double Ram	5000	5000	Cameron

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

I further certify that the drilling pit will be constructed according to NMOCD guidelines ☒ a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

Printed Name: Electronically filed by Zeno Farris

Title: Manager Operations Administration

Email Address: zfarris@magnurnhunter.com

Date: 12/28/2007

Phone: 972-443-6489

OIL CONSERVATION DIVISION

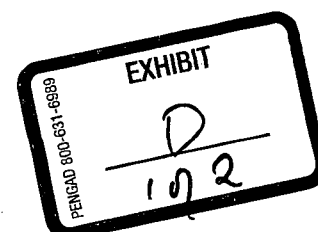
Approved By: Paul Kautz

Title: Geologist

Approved Date: 12/31/2007

Expiration Date: 12/31/2008

Conditions of Approval Attached



DISTRICT I

1625 N. FRENCH DR., BOBBS, NM 86240

DISTRICT II

1901 W. GRAND AVENUE, ARTESIA, NM 86210

DISTRICT III

1000 Rio Brazos Rd., Artec, NM 87410

DISTRICT IV

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

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

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

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name POSEIDON 22 STATE COM	Well Number 1H
OGRID No.	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 4400'

Surface Location

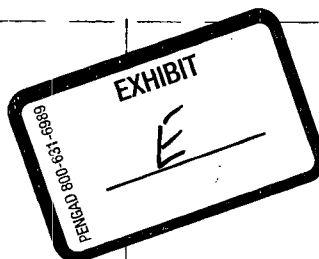
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	22	15-S	31-E		1980	NORTH	330	WEST	CHAVES

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
H	22	15-S	31-E		1980	NORTH	330	EAST	CHAVES
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>GRID. AZ. - 89°29'40"</p> <p>HORZ. DIST. - 4635.1'</p> <p>Y=729056.3 N</p> <p>X=663042.6 E</p> <p>GEODETTIC COORDINATES NAD 27 NME SURFACE LOCATION</p> <p>Y=729015.6 N</p> <p>X=658418.8 E</p> <p>LAT.=33.003061° N</p> <p>LONG.=103.816595° 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>Signature _____ Date _____</p> <p>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>DECEMBER 13, 2007</p> <p>Date Surveyed _____</p> <p>Signature & Seal of Professional Surveyor</p> <p>3239</p> <p>107-1.1.1638</p> <p>Certificate No. GARY G. EIDSON 12641</p> <p>RONALD J. EIDSON 3239</p>
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Pondina
C-108

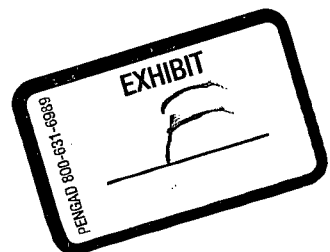


Exhibit "D"

Cimarex Energy Co.
508 W. Wall Street
Midland, TX 79701