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September 30, 2008

HAND DELIVERED

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

Case 14221

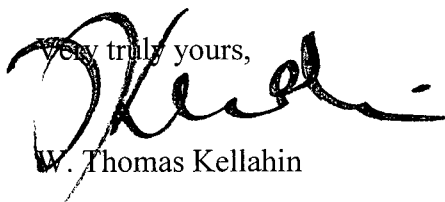
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2008 SEP 30 PM 4 17

Re: Application of Chesapeake Energy Corporation
For Cancellation of A Permit to Drill ("APD")
Issued to Marbob Energy Corp ("Marbob")
Chaves County, New Mexico
Section 23, 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

CASE1422! Application of Chesapeake Energy Corporation for cancellation of certain permits to drill ("APDs") issued to Marbob Energy Corp, Chaves County, New Mexico. Applicant seeks an order cancelling the Division's approval of the following application for permit to drill ("APD") issued to Marbob Energy Corp for the Hoptoit State Com #3 Well (API # 30-005-27992), a horizontal wellbore with a surface location in Unit H of Section 23, 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. This unit is 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 MARBOB ENERGY CORP
CHAVES COUNTY, NEW MEXICO.**

CASE NO. 14221

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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 Marbob Energy Corp for the Hoptoit State Com Well No. 3 (API # 30-005-27992), a horizontal wellbore with a surface location in Unit H of Section 23, 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.

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 S/2NW/4 of Section 23, T15S, R31E, NMPM, Chaves County, New Mexico. See locator map attached as Exhibit "A"

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

S/2N/2:

Unit E and Unit F	Chesapeake = 100%
Unit G	Marbob and Charles R. Ray= 100%
Unit H	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 November 27, 2007, Marbob filed an application for permit to drill ("APD") with the NMOCD-Hobbs that were approved on November 28, 2007 for the Hoptoit State Well No. 3 (API # 30-005-27992), a horizontal wellbore with a surface location in Unit H of Section 23, 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. See first page of APD and Division form C-102 attached as Exhibit "B"

5. Attached to this APDs was a Division Form C-102, dated November 27, 2007, that was improperly certified because Marbob's wellbore will penetrate three (3) of the 40-acre tracts within this spacing unit for which Marbob has no interest and has not reach a voluntary agreement with Chesapeake or obtained a Division compulsory pooling order.

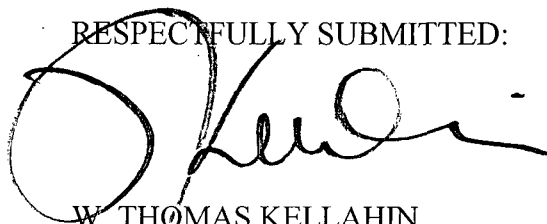
6. In doing so, Marbob violated the "operator certification" contained in Division Form C-102 by falsely certifying that it had an interest in each of the four 40-acre tracts within this spacing unit for this wellbore.

7. On December 7, 2007 and again on August 20, 2008, Chesapeake was the first operator to propose that the S/2N/2 of this section be to dedicated as a 160-acre Wolfcamp oil spacing unit for production from the Wolfcamp formation to be obtained from its proposed horizontal wellbore the Medusa 23 State Com Well No. 2H to be located drilled as a horizontal wellbore as shown on Form C-102 attached as Exhibit "C".

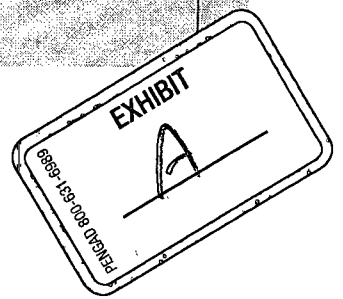
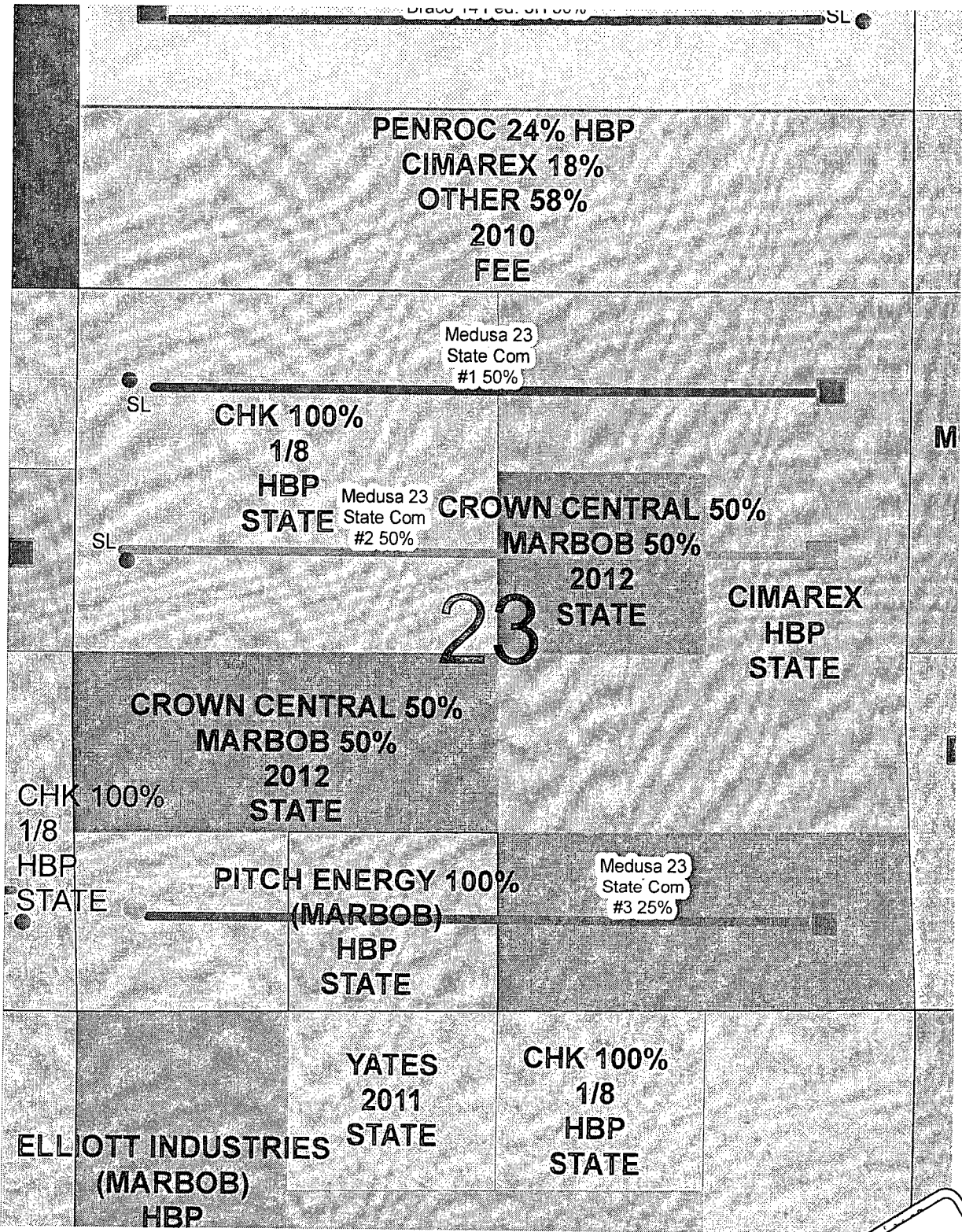
8. Notice of this application and hearing has been send to the parties set forth on Exhibit "D"
Attached

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', is written over the typed name and address.

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



Santa Fe, NM 87505

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

1. Operator Name and Address MARBOB ENERGY CORP PO Box 227 Artesia, NM 88211		2. OGRID Number 14049
		3. API Number 30-05-27992
4. Property Code 36852	5. Property Name HOPTOIT STATE COM	6. Well No. 003

7. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
H	23	15S	31E	H	1980	N	330	E	CHAVES

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 4370
14. Multiple N	15. Proposed Depth	16. Formation Wolfcamp	17. Contractor	18. Spud Date 12/27/2007
Depth to Ground water 250		Distance from nearest fresh water well		Distance to nearest surface water
Pit: Liner: Synthetic <input type="checkbox"/> mils thick Clay <input type="checkbox"/> Pit Volume: bbls Drilling Method: Closed Loop System <input checked="" type="checkbox"/> Fresh Water <input 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	400	400	0
Int1	12.25	9.625	40	4000	1000	0
Prod	7.875	5.5	17	13450	1100	8500
Int2	8.75	5.5	17	8500	0	0

Casing/Cement Program: Additional Comments

We propose to drill 17 1/2 inch hole to 400 ft with fresh water, run 48 lb H-40 13 3/8 inch csg and set at 400 ft with 400 sx cmt, circ to surface; drl 12 1/4 inch hole to 4000 ft with cut brine water, run 40 lb J-55 9 5/8 inch csg and set at 4000 ft with 1000 sx cmt, circ to surface; drl 8 3/4 inch hole to 8500 ft with cut brine water, run 5 1/2 inch 17 lb P-110 csg and set at 8500 ft. Drl 7 7/8 inch hole to 13450 ft with cut brine water, run 5 1/2 inch 17 lb P110 csg and set at 13450 ft with 1100 sx cmt, TOC 8500'.

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
DoubleRam	3000	3000	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 Diana Briggs

Title: Production Analyst

Email Address: production@marbob.com

Date: 11/27/2007

Phone: 505-748-3303

OIL CONSERVATION DIVISION

Approved By: Paul Kautz

Title: Geologist

Approved Date: 11/28/2007

Expiration Date: 11/28/2008

Conditions of Approval Attached



District III

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

1220 S. St Francis Dr.

Santa Fe, NM 87505**District IV**

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-05-27992	2. Pool Code	3. Pool Name WILDCAT WOLFCAMP
4. Property Code 36852	5. Property Name HOPTOIT STATE COM	6. Well No. 003
7. OGRID No. 14049	8. Operator Name MARBOB ENERGY CORP	9. Elevation 4370

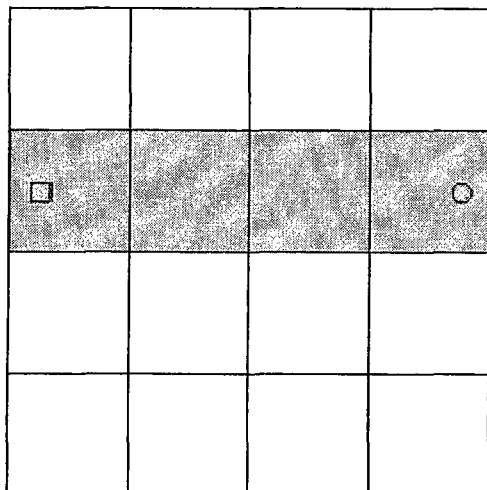
10. Surface Location

UL - Lot H	Section 23	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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11. Bottom Hole Location If Different From Surface

UL - Lot E	Section 23	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		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: Diana Briggs

Title: Production Analyst

Date: 11/27/2007

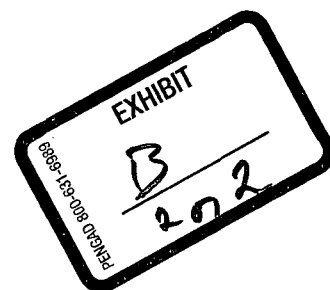
SURVEYOR CERTIFICATION

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 Eidson

Date of Survey: 11/27/2007

Certificate Number: 3239



DISTRICT I

1625 N. FRENCH DR., HORBS, 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

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 MEDUSA 23 STATE COM	Well Number 2H
OGRID No.	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 4390'

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	23	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	23	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°28'40" HORIZ. DIST.=4625.5'</p> <p>GEODETIC COORDINATES NAD 27 NME SURFACE LOCATION Y=729062.2 N X=663702.5 E LAT.=33.003117° N LONG.=103.799360° W</p> <p>BOTTOM HOLE LOCATION Y=729104.2 N X=668326.7 E</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>NOVEMBER 21, 2007</p> <p>Date Surveyed: LA REV. 12/14/07</p> <p>Signature & Seal of Professional Surveyor</p> <p>3239</p> <p>12/14/07</p> <p>Certificate No. CARP EIDSON 12641 RONALD J. EIDSON 3239</p>		<p>EXHIBIT</p> <p>C</p>

Exhibit "D"

Marbob Energy Corp
P. O. Box 227
Artesia NM 88211

Cimarex Energy Corp
508 W. Wall Street
Midland, TX 79701
Attn: Don L. McClung

Exhibit "D"

Marbob Energy Corp
P. O. Box 227
Artesia NM 88211

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

Charles R. Ray