

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

APPLICATION OF CHESAPEAKE EXPLORATION, LLC TO RE-INSTA-
TE ORDER NUMBERS R-13303 AND R-13303-A, APPROVING STATUTORY
UNITIZATION OF THE CHAMBERS STRAWN UNIT AREA, THE
CORRESPONDING CHAMBERS STRAWN UNIT WATERFLOOD PROJECT,
AND CERTIFICATION OF THE WATERFLOOD PROJECT AS TO THE
ENHANCED OIL RECOVERY ACT, LEA COUNTY, NEW MEXICO

CASE NO. 14762
ORDER NO. R-13303-B

ORDER OF THE DIVISION

BY THE DIVISION:

These cases came on for hearing at 8:15 a.m. on December 1, 2011 at Santa Fe, New Mexico before Examiner William V. Jones.

NOW, on this 12th day of March, 2012, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) On September 9, 2010, the Division issued Order No. R-13303 in Case Nos. 14477 and 14478, granting the application of Chesapeake Exploration, LLC doing business as Chesapeake Operating, Inc. ("Chesapeake") for statutory unitization of the Chambers Strawn Unit, approval of a waterflood project in the Strawn formation within the Unit, approval of two initial injection wells, and certification of the entire Unit as an "Enhanced Oil Recovery Project".

(3) On October 12, 2010, the Division issued Order No. R-13303-A in reopened Case No. 14477, finding that the necessary 75 percent of owners have ratified the revised Unit Agreement - revised as to the definition of the Unitized Interval. In addition, this order corrected an error in Ordering Paragraph (2) of Order No. R-13303 as to the legal description of the acreage.

(4) Chesapeake has experienced delays in implementing this project and delays in commencing injection operations. As per Ordering Paragraph No. 19 of Order No. R-13303, the authority to use the two permitted injection wells expired after one year of the date of the order, which was September 9, 2011. As per Division Rule 19.15.26.12C(1), the waterflood project has also expired.

(5) Chesapeake Exploration, LLC, in this case, has petitioned the Division to re-instate Order Nos. R-13303 and R-13303-A and asked that the record from Case Nos. 14477 and 14478 be incorporated into this new case.

(6) Chesapeake appeared at the hearing and presented testimony from a landman and proof of notice to all working interest owners and all non-cost bearing owners within the proposed Chambers Strawn Unit. Lands within the Unit Area are all fee. As per requirements related to Form C-108, Chesapeake provided notice to all affected parties within one half mile of both proposed injection wells. There was one party owning a small working interest that could not be located. In addition, one of the royalty owners with a valid address did not return the notice receipt. Notice was published in the Lovington Leader newspaper in Lea County.

(7) There were no other parties entering an appearance or otherwise opposing this application.

(8) The proposed Unit Agreement and Unit Operating Agreement were previously included as Exhibit Nos. 2 and 5, respectively, of Case No. 14477. The latest agreements should be supplied to the Division.

(9) Chesapeake's request to re-instate Division Order Nos. R-13303 and R-13303-A should be approved in order to protect correlative rights.

IT IS THEREFORE ORDERED THAT:

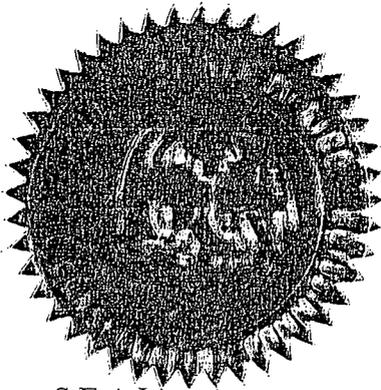
(1) Division Order Nos. R-13303 and R-13303-A are hereby re-instated in all respects.

(2) The injection authority for each well as shown on Ordering Paragraph No. 8 of Order No. R-13303 shall terminate one year after the date of this order if the unit operator has not commenced injection operations into the well; provided, however, the Division, upon written request, may grant an extension for good cause.

(3) The record from Case Nos. 14477 and 14478 is hereby incorporated into this case.

(4) Chesapeake shall supply the Division with a final copy of the Unit Agreement and Unit Operating Agreement for the Chambers Strawn Unit prior to May 1, 2012.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, which appears to read "Jami Bailey". The signature is written in black ink and is positioned above the printed name.

JAMI BAILEY
Director