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October 23, 2006

HAND DELIVERED

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

Case 13821

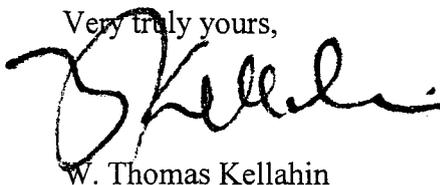
2006 OCT 26 AM 11 43

Re: Lawrence "29" Well No. 1
Unit P, S/2SE/4 Section 29, T16S, R37E
Application of Chesapeake Operating, Inc.
for Compulsory Pooling
Lea County, New Mexico

Dear Ms. Wrotenbery:

On behalf of Chesapeake Operating, Inc., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for November 30, 2006. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Lynda Townsend

CASE 13821 Application of Chesapeake Operating, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in the Upper Pennsylvanian formations underlying the S/2SE/4 of Section 29, T16S, R37E, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit for any production from these formations, including but not limited to the Northeast Lovington-(Upper) Pennsylvanian Pool. This unit is to be dedicated to its Lawrence "29" Well No. 1 which is to be drilled and completed at a standard well location in Unit P of this section. Also to be considered will be the costs of the drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a risk charge of 200% for the risk involved in this well. This unit is located approximately 6 miles southeast from Lovington, New Mexico.

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

**IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE OPERATING, INC.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

2006 OCT 26 13821
CASE NO.

APPLICATION

AM 11 23

CHESAPEAKE OPERATING, INC. ("Chesapeake") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) seeks an order pooling all mineral interests in the Upper Pennsylvanian formations underlying the S/2SE/4 of Section 29, T16S, R37E, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit for any production from these formations, including but not limited to the Northeast Lovington-(Upper) Pennsylvanian Pool. This unit is to be dedicated to its Lawrence "29" Well No. 1 which is to be drilled at a standard well location in Unit P of this section. Also to be considered will be the costs of the drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a risk charge of 200% for the risk involved in this well.

In support of its application Chesapeake states:

1. Chesapeake has a working interest ownership in the oil and gas minerals underlying the S/2SE/4 of Section 29, T16S, R37E, NMPM, Lea County, New Mexico.
2. The subject tract is subject to the Northeast Lovington-(Upper) Pennsylvanian Pool which provides for standard 80-acre oil spacing and proration unit with standard well locations within 150-feet of the center of a quarter-quarter section.
3. Chesapeake, based upon geological reasons, proposed to dedicate the spacing unit to its Lawrence "29" Well No 1 to be located at a standard well location within the SE/4SE/4 (Unit P) of this section.
4. By letter dated August 23,2006, more than 30-days prior to this application, Chesapeake proposed the formation of this spacing unit to be dedicated to a well to be drilled in Unit P of this section. Dispute its reasonable efforts, Chesapeake has been unable to obtain the voluntary agreement of all of the interest owners. See Exhibit "A" attached

5. 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, Chesapeake needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

6. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for November 30, 2006.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on November 30, 2006 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 this well at a standard 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 re-entering, completing, equipping and operating the well;
- (3) In the event a mineral interest or 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 penalty 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:



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