

HOLLAND & HART LLP



December 10, 2007

VIA HAND DELIVERY

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 14060²

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2007 DEC 11 PM 4 44

Re: Application of Chesapeake Operating, Inc. for rescission of the Special Rules and Regulations for the South Culebra Bluff-Bone Spring Pool, Eddy County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the application of Chesapeake Operating, Inc. in the above-referenced case as well as a copy of a legal advertisement. Chesapeake requests that this matter be placed on the docket for the January 10, 2008 Examiner hearings.

Sincerely yours,

Ocean Munds-Dry
ATTORNEY FOR
CHESAPEAKE OPERATING INC.

cc: Mr. Craig Barnard

Holland & Hart LLP

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

**IN THE MATTER OF THE APPLICATION OF CHESAPEAKE OPERATING INC. FOR
RESCISSION OF SPECIAL RULES AND REGULATIONS FOR THE SOUTH CULEBRA
BLUFF-BONE SPRING POOL, EDDY COUNTY, NEW MEXICO.**

CASE NO. 14062

APPLICATION

CHESAPEAKE OPERATING, INC. ("Chesapeake") by its undersigned attorneys, hereby makes application to the Oil Conservation Division for an Order rescinding the Special Pool Rules and Regulations for the South Culebra Bluff-Bone Spring Gas Pool to permit the pool to be developed under the General Rules and Regulations of the Oil Conservation Division, and in support of this application states:

1. Chesapeake is an operator in the South Culebra Bluff-Bone Spring Pool which was created by the Oil Conservation Division by Order No. R-16139, dated October 12, 1979, and has since been amended by Order No. R-10568, dated April 1, 1996, to include the following acreage in Eddy County, New Mexico:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM

Section 34: S/2

Section 35: W/2

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM

Sections 2, 11, 13 through 16: All

Section 21: NE/4

Section 22: NE/4

Sections 23 through 27: All

Section 28: E/2

TOWNSHIP 23 SOUTH, RANGE 29 EAST, NMPM

Section 7: SW/4

Section 18: NW/4

2. Order No. R-6139 also promulgated Special Rules and Regulations for the South Culebra Bluff-Bone Spring Pool that provide for 80-acre spacing (Rule 2) and require wells to be located

within 150 feet of the center of either governmental quarter-quarter section or lot dedicated to the well.
(Rule 4).

3. Chesapeake hereby seeks an order that rescinds the Special Rules and Regulations for the South Culebra Bluff-Bone Spring Pool and provides that this pool shall be governed by current General Rule 104.B for oil that provides for 40-acre spacing units with wells located no closer than 330 feet to any boundary of such unit.

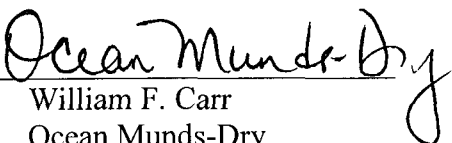
4. Approval of this application will protect the correlative rights of each owner in the pool by affording them the opportunity to produce their just and equitable share of the reserves in the pool, will prevent waste of hydrocarbons and will otherwise be in the best interest of conservation.

5. Notice of this application has been provided to those interest owners listed on Exhibit A in accordance with Division rules.

WHEREFORE, Chesapeake Operating, Inc. requests that this application be set for hearing before a Division Examiner on January 10, 2008 and that after notice and hearing as required by law and the rules of the Division, that this application be granted.

Respectfully submitted,

HOLLAND & HART, LLP

By: 
William F. Carr
Ocean Munds-Dry
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

ATTORNEYS FOR CHESAPEAKE
OPERATING INC.

EXHIBIT A

**Application of Chesapeake Operating, Inc.
for rescission of the
Special Rules and Regulations for the
South Culebra Bluff-Bone Spring Pool,
Eddy County, New Mexico.**

Devon Energy Corporation
20 N. Broadway
Oklahoma City, Oklahoma 73102-8260

Range Operating Incorporated
777 Main Street, Suite 800
Fort Worth, Texas 76102

Chevron Mid-Continent Limited Partnership
11111 S. Wilcrest
Houston, Texas 77099

BK Exploration Corporation
10159 East 11th Street, Suite 401
Tulsa, Oklahoma 74128

Roy E. Kimsey
505 North Big Spring # 502
Midland, Texas 79701

CASE NO. 14062

Application of Chesapeake Operating, Inc. for rescission of the Special Rules and Regulations for the South Culebra Bluff-Bone Spring Pool, Eddy County, New Mexico. Applicant seeks rescission of the Special Rules and Regulations for the South Culebra Bluff-Bone Spring Pool to permit the pool to be developed under the current General Rule 104 for oil that provides for 40-acre spacing units with wells located no closer than 330 feet to any boundary of such unit. The South Culebra Bluff- Bone Spring Pool includes the following acreage in Eddy County, New Mexico: the S/2 of section 34 and the W/2 of section 35, Township 22 South, Range 28 East, NMPM; sections 2, 11, 13 through 16, the NE/4 of section 21, the NE/4 of section 22, sections 23 through 27, Township 23 South, Range 28 East, NMPM; SW/4 of section 7, the NW/4 of section 18, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico. Said pool is located approximately two miles north of Malaga, New Mexico.