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July 17, 2008

HAND DELIVERED

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

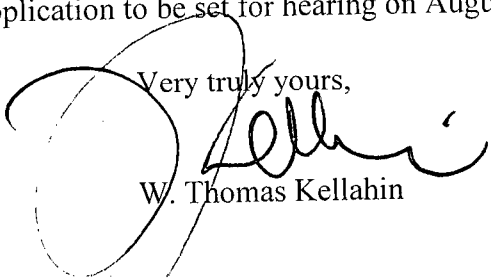
Case 14165

Re: Duncan Well No. 1
(API # 30-025-36235)
NE/4NE/4 Section 19, T20S R39E
Application of Chesapeake Energy Corporation, L.L.C.
to Amended Division Order R-11993, Compulsory Pooling
Lea County, New Mexico

Dear Mr. Fesmire:

On behalf of Chesapeake Energy Corporation, L.L.C., enclosed for filing is our referenced application to be set for hearing on August 21, 2008.

Very truly yours,


W. Thomas Kellahin

CC: Chesapeake Energy Corporation, L.L.C.
Attn: Jared Boren

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CASE 14165: Application of Chesapeake Energy Corporation, L.L.C. to amend Division Order R-11993 for compulsory pooling, Lea County, New Mexico. Applicant seeks to amend Order R-11993 to authorize subsequent operations for the recompletion of the Duncan Well No. 1 (API #30-025-36235) located in Unit A of Section 19, T20S, R39E into the Tubb and Drinkard formations and to commingle that production with the existing Abo formation. Applicant is the current operator of this wellbore that was formerly operated by Xeric Oil & Gas Corporation who obtained Order R-11993 that pooled all mineral interests from the surface to the base of the Abo formation. This wellbore is currently dedicated to production from the DK-Abo Pool underlying the NE/4NE/4 in Section 19, T20S, R39E, NMPM. If successful production from the Tubb and Drinkard to be dedicated to the existing Abo 40-acre spacing unit Also to be considered are provisions for the subsequent operation of this wellbore and the costs of recompleting this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a 200% charge for risk involved in this recompletion. This unit is located approximately 5-1/2 miles southeast of Nadine, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**

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

**IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE ENERGY CORPORATION, L.L.C.
TO AMENDED ORDER R-11993
FOR COMPULSORY POOLING
LEA COUNTY, NEW MEXICO.**

CASE NO. 14165

APPLICATION

Comes now CHESAPEAKE ENERGY CORPORATION, L.L.C. ("Chesapeake") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) NMSA (1978), applies to the New Mexico Oil Conservation Division, seeks to amend Order R-11993 to authorize subsequent operations for the recompletion of the Duncan Well No. 1 (API #30-025-36235) located in Unit A of Section 19, T20S, R39E into the Tubb and Drinkard formations and to commingle that production with the existing Abo formation. Applicant is the current operator of this wellbore that was formerly operated by Xeric Oil & Gas Corporation who obtained Order R-11993 that pooled all mineral interests from the surface to the base of the Abo formation. This wellbore is currently dedicated to production from the DK-Abo Pool underlying the NE/4NE/4 in Section 19, T20S, R39E, NMPM. Also to be considered are provisions for the subsequent operation of this wellbore and the costs of recompleting this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a 200% charge for risk involved in this recompletion.

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

1. Chesapeake has the right to drill and develop the oil and gas minerals from the surface to the base of the Abo formation underlying the NE/4NE/4 of Section 19, T20S, R39E, NMPM, Lea County, New Mexico.
2. Effective May 7, 2004, Chesapeake Operating, Inc., on behalf of Chesapeake Exploration Company, L.L.C., succeeded Xeric Oil & Gas Corporation as the operator of this spacing unit and this wellbore.
3. This spacing unit is subject to Division's Order R-11993, dated August 1, 2003, compulsory pooling this 40-acre spacing unit.

4. An amended of this order is required because Division Rule 36 does not provide the necessary subsequent operations procedure for this situation.
5. On June 12, 2008, Chesapeake proposed to all parties subject to this compulsory pooling order that the Duncan 19 Well No. 1 be to recompleted in the Tubb and Drinkard formations and commingled with the existing Abo production and dedicated as a standard 40-acre oil spacing unit consisting of the NE/4NE/4 of this section for production from the DK- Drinkard Pool, DK-Abo Pool and East Warren-Tubb Pool. Form C-102 attached as Exhibit "A".
6. Chesapeake has not been able to obtain a written voluntary agreement from all the party listed on Exhibit "B."
7. 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, the applicant needs an order of the Division amended Order R-11993 to include a method for sequent operations in order to recover incremental hydrocarbons, protect correlative rights and prevent waste.
8. Pursuant to Commission Order R-11992, effective August 15, 2003, Chesapeake requests that a 200% risk charge be applied for this recompletion.
9. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest have been previously pooled and whose current addresses are known as listed on Exhibit "B" of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for August 21, 2008.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on August 21, 2008 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, adopting subsequent operations procedures for the recompletion of this well and other subsequent operations 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 recompleting and operating the well and the subsequent operations of these spacing units;
- (3) In the event a 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 charge 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:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the printed name.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
706 Gonzales Road, Santa Fe
Santa Fe, New Mexico 87501

<div data-bbox="38 985 74 1008">16</div>		<div data-bbox="889 1008 992 1129">600' 500'</div>	<div data-bbox="1065 989 1094 1008">17</div> <div data-bbox="1094 993 1429 1019">OPERATOR CERTIFICATION</div> <div data-bbox="1015 1019 1464 1227"><p><i>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</i></p></div>
			<div data-bbox="1006 1227 1253 1287"><u>Linda Good</u></div> <div data-bbox="1015 1287 1086 1308">Signature</div> <div data-bbox="1312 1257 1443 1287"><u>05/12/2008</u></div> <div data-bbox="1312 1287 1356 1308">Date</div> <div data-bbox="1006 1327 1153 1357"><u>Linda Good</u></div> <div data-bbox="1015 1357 1115 1376">Printed Name</div>
<div data-bbox="170 1670 496 1944"><div data-bbox="271 1719 367 1774">EXHIBIT</div><div data-bbox="279 1755 431 1864"><u>A-2</u></div><div data-bbox="191 1785 264 1923">6899-109-008-075032</div></div>			<div data-bbox="1015 1476 1050 1495">18</div> <div data-bbox="1036 1481 1451 1517">SURVEYOR CERTIFICATION</div> <div data-bbox="1015 1517 1464 1655"><p><i>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</i></p></div> <div data-bbox="1015 1700 1130 1725">Date of Survey</div> <div data-bbox="1015 1734 1341 1764">Signature and Seal of Professional Surveyor</div> <div data-bbox="1015 1759 1326 1859"><u>Please refer to original plat</u></div> <div data-bbox="1015 1919 1144 1944">Certificate Number</div>

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