

HOLLAND & HART LLP



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March 3, 2009

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 14300

Re: Application of Chesapeake Operating, Inc. for special rules and regulations for the Southwest Willow Lake Delaware 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 March 31, 2009 Examiner hearings.

Sincerely,

Ocean Munds-Dry
Ocean Munds-Dry
for Holland & Hart LLP

cc: 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 SPECIAL RULES AND REGULATIONS
FOR THE SOUTHWEST WILLOW LAKE
DELAWARE POOL, EDDY COUNTY, NEW MEXICO.**

CASE NO. 14300

APPLICATION

CHESAPEAKE OPERATING, INC. ("Chesapeake") through its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order establishing special rules and regulations for the Southwest Willow Lake Delaware Pool and in support of this application states:

1. Chesapeake is an operator in the Pool.
2. The Southwest Willow Lake Delaware Pool was created by Division Order R-11120, dated February 1, 1999. The horizontal limits of the pool, as amended, are described as follows:

Township 25 South, Range 28 East

Section 3: All
Section 4: E/2
Section 9: NE/4
Section 10: All
Section 15: NE/4

2. The Southwest Willow Lake Delaware Pool is governed by the Division's statewide spacing and setback rules which provide for oil wells to be dedicated to 40-

acre spacing units and to be located no closer than 330 feet to a quarter-quarter section line. NMAC 19.15.15.9.

3. Pursuant to Division Rule 19.15.20.12 NMAC, the Pool has a depth bracket allowable of 80 barrels of oil per day.

4. Chesapeake requests that the Division promulgate special rules and regulations for the Southwest Willow Lake Delaware Pool, providing for a depth bracket allowable of 800 barrels of oil per day, with a limiting gas:oil ratio of 2000 cubic feet of gas for each barrel of oil produced.

5. Chesapeake requests that the special rules and regulations be made effective January 1, 2009.

6. The assignment of a greater than regular depth bracket allowable will not cause damage to the reservoir or cause surface or underground waste.

7. Approval of this application will be in the best interest of conservation and the protection of correlative rights.

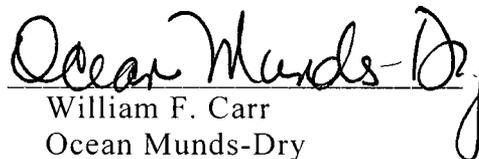
8. Exhibit A to this application is a list of affected persons as defined by Division Rules. Chesapeake has given notice to the listed parties in accordance with Division Rules.

WHEREFORE, Chesapeake Operating, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 2, 2009 and, after notice and hearing as required by law, that the application be approved.

Respectfully submitted,

HOLLAND & HART LLP

By:


William F. Carr
Ocean Munds-Dry

Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR CHESAPEAKE OPERATING, INC.

EXHIBIT A

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Lime Rock Resources
Heritage Plaza
111 Bagby Street Suite 4600
Houston, Texas 77002

Marbob Energy Corporation
Post Office Box 227
Artesia, New Mexico 88211

Nearburg Producing Co.
PO Box 823085
Dallas, Texas 75382-3085

Sundown Energy Co.
13455 Noel Road, 2000
Two Galleria Tower
Dallas, Texas 75240

CASE 14300:

Application of Chesapeake Operating, Inc. for special rules and regulations for the Southwest Willow Lake Delaware Pool, Eddy County, New Mexico. Applicant, in the above-styled cause seeks establishment of special rules and regulations for the Southwest Willow Lake Delaware Pool, including a special depth bracket allowable of 800 barrels of oil per day and a limiting gas: oil ratio of 2000 cubic feet of gas for each barrel of oil produced, effective January 1, 2009. The pool is located in Sections 3, 4, 9, 10 and 15 of Township 25 South, Range 28 East, NMPM, Eddy County. Said area is located approximately 3 miles south of Malaga, New Mexico.