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April 30, 2009

HAND DELIVERED

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

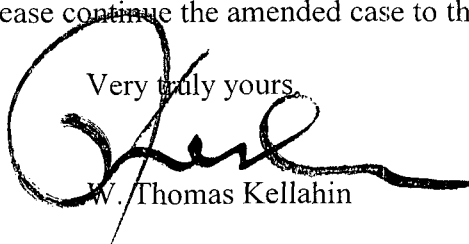
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Re: First Amended Application
NMOCD Case 14301
Application of Chesapeake Operating, Inc. for
Special Rules and Regulations for the Lost Tank Delaware Pool,
or in the alterative, an exception to the depth bracket allowable, the
cancellation of accumulated overproduction, and procedures for the
"balancing" of future overproduction, Lea County, New Mexico

Dear Mr. Fesmire:

On behalf of Chesapeake Energy Corporation, enclosed for filing is our referenced first amended application for case 14301 currently set for hearing on the May 14th docket. Please continue the amended case to the June 2nd docket.

Very truly yours,



W. Thomas Kellahin

cc: Counsel of record

Chesapeake Energy Corporation
Attn: Ed Birdshead, Landman

CASE 14301: First Amended Application of Chesapeake Operating, Inc. for special rules and regulations for the Lost Tank Delaware Pool, or in the alternative, for the cancellation of accumulated overproduction, an exception to the depth bracket allowable and procedures for the “balancing” of future overproduction, Lea County, New Mexico. Applicant seeks establishment of special rules and regulations for the Lost Tank Delaware Pool, including a special depth bracket allowable of 400 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. In the alternative, Applicant seeks the cancellation an estimated 16,000 BLL of overproduction, a special depth bracket allowable of not more than 200 Bopd and the adoption of procedures, including an exception from Division Rule 19.15.20.9, for the “balancing” of future overproduction from Chesapeake’s Lost Tank 16 State Well No 4 (API 30-025-38907) Unit D of Section 16, T21S, R32E. The pool is located in Sections 24, 25, 34, 36 and 36 of Township 21 South, Range 31 East; Sections 17, 18, 19, 30 and 31 of Township 21 South, Range 32 East; Sections 1 and 2, Township 22 South, Range 31 East; and Section 6, Township 22 South, Range 32 East, NMPM, Lea County. Said area is located approximately 45.3 miles East of Hobbs, New Mexico.

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

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**IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE OPERATING, INC. FOR
SPECIAL RULES AND REGULATIONS FOR
TO LOST TANK DELAWARE POOL OR, IN
THE ALTERNATIVE, FOR THE CANCELLATION
OF ACCUMULATED OVERPRODUCTION, AN
EXCEPTION TO THE DEPTH BRACKET ALLOWABLE
AND A PROCEDURE FOR THE "BALANCING" OF
FUTURE OVERPRODUCTION
LEA COUNTY, NEW MEXICO**

CASE NO. 14301

FIRST AMENDED APPLICATION

Comes now CHESAPEAKE OPERATING, INC. ("Chesapeake") by its attorneys, Kellahin & Kellahin, applies to the New Mexico Oil Conservation Division for the establishment of special rules and regulations for the Lost Tank Delaware Pool, including a special depth bracket allowable of 400 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. In the alternative, Applicant seeks the cancellation an estimated 16,000 BBL of overproduction accumulated from January to June 30, 2009, a maximum daily allowable of 200 Bopd and the adoption of procedures, including an exception from Division Rule 19.15.20.9 NMAC, for the mitigation of future overproduction by July 1, 2010 from Chesapeake's Lost Tank 16 State Well No. 4 (API 30-025-38907) Unit D of Section 16, T21S, R32E.

In support of its application, Chesapeake states:

1. Chesapeake is the operator of the Lost Tank 16 State Well No. 4 (API # 30-025-38907) located in Unit D of Section 16, T21S, R32E, which is within one mile of the outer boundary of the Lost Tank Delaware Pool.

2. The Lost Tank Delaware Pool was created by Division Order R-9545, dated July 1, 1991. The horizontal limits of this pool, as amended, are described as follows:

Township 21 South, Range 31 East

Section 24: SE/4
Section 25: E/2
Section 34: E/2
Section 35: All
Section 36: All

Township 21 South, Range 32 East

Section 17: S/2
Section 18: S/2
Section 19: W/2
Section 30: S/2, NW/4
Section 31: NW/4

Township 22 South, Range 31 East

Section 1 & 2: All

Township 22 South, Range 32 East

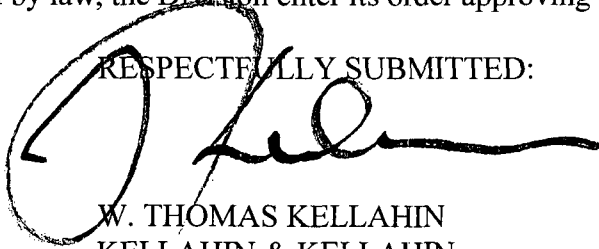
Section 6: NW/4

3. The Lost Tank 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
4. Pursuant to Division Rule 19.15.20.12 NMAC, this pool has a depth bracket allowable of not more than 142 barrels of oil per day.
5. On January 16, 2009, Chesapeake completed its Lost Tank 16 State Well No. 4 with perforation in the Delaware formation that the Division designated as within the vertical limits of the Lost Tank Delaware Pool.
6. On February 2, 2009, this well, on a 24-hour test, produced at a rate of 396 bopd, 120 mcfg and 201 bwpd with flowing tubing pressure of 300#.
7. Based upon this early rate of production, on March 3, 2009, Chesapeake filed its original application with the Division, seeking special rules and regulations for the Lost Tank Delaware Pool, providing for a depth bracket allowable of 400 barrels of oil per day, with a limiting gas/oil ratio of 2,000 cubic feet of gas for each barrel of oil produced. Chesapeake further requested that the rules be effective January 1, 2009.

8. On April 1, 2009, the OCD-Hobbs, approved Chesapeake's Request for Allowable for this wellbore (Form C-104)
9. By July 2009, Chesapeake estimates that the Lost Tank 16 State Well No. 4 will lose the capacity to produce in excess of the current depth bracket allowable of 142 Bopd.
10. Since first production on January 16, 2009 through June 30, 2009, Chesapeake estimated that the Lost Tank 16 State Well No. 4 will accumulated approximately 16,000 barrels of oil of overproduction based upon the current depth bracket allowable of 142 Bopd.
11. While the Lost Tank Delaware Pool is a solution gas drive oil pool and therefore should not be "rate sensitive," the pool's wells produce large volumes of water in association with the oil.
12. Chesapeake's Lost Tank 16 State Well No. 4 is equipped with a high capacity submersible pump in order to produce large volumes of water and oil.
13. Because of its design specifications, this submersible pump cannot be restricted to a reduce production rate of less than about 175-180 Bopd.
14. Because the Lost Tank Delaware Pool is not rate sensitive, there will be no adverse affects upon any of the operator in the Lost Tank Delaware Pool nor upon any offsetting operator or interest owner to Chesapeake's Lost Tank 16 State Well No.4, if the Division cancels an estimated 16,000 BBL of accumulated overproduction (January to June 30, 2009) and authorizes a maximum daily allowable of 200 Bpod and grant an exception from Division's Rules, including Rule 19.15.20.9 NMAC, for a sufficient period of time for the mitigation of the overproduction estimated to accumulated from July 1, 2009 to July 1, 2010 by Chesapeake's Lost Tank 16 State Well No. 4 (API 30-025-38907) Unit D of Section 16, T21S, R32E.
15. At a rate of not more than 200 Bopd, the estimated future overproduction should be mitigated by approximately July 1, 2010, as a result of the production decline of this wellbore, a procedure that will not adversely affect any of the offsetting operators or interest owners.
16. Chesapeake will not ultimately recovery more than its share of recoverable oil from this pool if the Division grants this application.
17. In accordance with the Division's notice requirements, a copy of this first amended application has been sent to those affected persons as defined by Division Rules as listed on Exhibit "A" of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for June 2, 2009.

WHEREFORE, Chesapeake, as applicant, requests that this first amended application be set for hearing on June 2, 2009 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order approving this application.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the text 'RESPECTFULLY SUBMITTED:'. The signature is fluid and cursive, with a large initial 'W'.

W. THOMAS KELLAHIN
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(505) 982-4285

EXHIBIT A

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

OXY USA, Inc.
PO Box 4294
Houston, Texas 77210-4294

Maralo Inc.
PO Box 832
Midland, Texas 79702

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

Penroc Oil Corporation
PO Box 2769
Hobbs, New Mexico 88241-2769

Chi Operating, Inc.
PO Box 1799
Midland, Texas 79702-1799

Collins & Ware, Inc.
PO Box 27
Midland, Texas 79702

Pogo Production Co.
PO Box 10340
Midland, Texas 79702-7340