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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

*(See Amended APPLICATION)  
Case 14301*

**Re: Application of Chesapeake Operating, Inc. for special rules and regulations for the Lost Tank Delaware Pool, Lea 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: Ed Birdshead

**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 LOST TANK DELAWARE POOL,  
LEA COUNTY, NEW MEXICO.**

CASE NO. 14301

**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 Lost Tank Delaware Pool and in support of this application states:

1. Chesapeake is an operator in the Pool.
2. The Lost Tank Delaware Pool was created by Division Order R-9545, dated July 1, 1991. The horizontal limits of the 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**

Sections 1 & 2: All

**Township South, Range 32 East**

Section 6: NW/4

2. 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.

3. Pursuant to Division Rule 19.15.20.12 NMAC, the Pool has a depth bracket allowable of 142 barrels of oil per day.

4. Chesapeake requests that the Division promulgate 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 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 March 31, 2009 and, after notice and hearing as required by law, that the application be approved.

Respectfully submitted,

HOLLAND & HART LLP

By: Ocean Munds-Dry

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

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

CASE 1430!

**Application of Chesapeake Operating, Inc. for special rules and regulations for the Lost Tank Delaware Pool, Lea County, New Mexico.** Applicant, in the above-styled cause 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. 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.