



April 18, 2006

HAND DELIVERY

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

Re: Application of Chesapeake Operating, Inc., for administrative approval of an unorthodox well location for its LE 35 State Well No. 1, to be drilled to the Strawn formation at a surface location 1879 feet from the North line and 978 feet from the West line of Section 35, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Fesmire:

Chesapeake Operating, Inc. ("Chesapeake") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4) and Rule 3 of the Special Rules for the Shipp-Strawn Pool and/or Rule 4 of the Special Rules for the Casey-Strawn Pool, of an unorthodox well location in the Shipp-Strawn or Casey-Strawn Pool for its LE 35 State Well No. 1 located 1879 feet from the North line and 978 feet from the West line of Section 35 (Unit E), Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

This proposed location in the Strawn formation is unorthodox because it is governed by Special Pool Rules and Regulations for the Shipp-Strawn Pool and/or Casey-Strawn Pool which provides for wells on 80-acre spacing units to be located within 150 feet of the center of a governmental quarter-quarter section or lot. The proposed unorthodox well location is 183 feet outside of the standard orthodox location circle. A standard 80-acre spacing unit and proration unit comprised of the S/2 NW/4 of Section 35 will be dedicated to the well.

The non-standard location is required by geologic conditions. As shown on the attached **Exhibit A**, the proposed location is positioned to encounter the Strawn formation at the highest and thickest point possible. Exhibit A is a composite map based



upon subsurface geology and 3D seismic interpretation and shows a (Isopach) net Strawn Porosity Contour Interval of 20 feet (in green) and a (Structure) T/Strawn Porosity Contour Interval of 50 feet (gray contour lines). The map also shows the Strawn producers in red along with the cumulative production gas (in red) and oil (in green). Finally, the map shows the Strawn water leg in blue. A location within the orthodox circle would find minimal thickness of Strawn porosity and would not be in the best structural position, resulting in a dryhole or a non-commercial producer which would ultimately leave the bulk of the reserves unrecovered.

Exhibit B is a plat that shows the subject area, the 80-acre proposed spacing unit comprised of the S/2 NW/4 of Section 35, the proposed unorthodox well location and the offsetting spacing units.

Exhibit C is the C-102 filed for the well that shows the surveyed location of the well.

The ownership in the north offsetting unit is common with the proposed spacing unit and therefore there are no affected parties as defined in Division Rule 1210.

Also enclosed is a proposed administrative order prepared by Chesapeake on behalf of the Division.

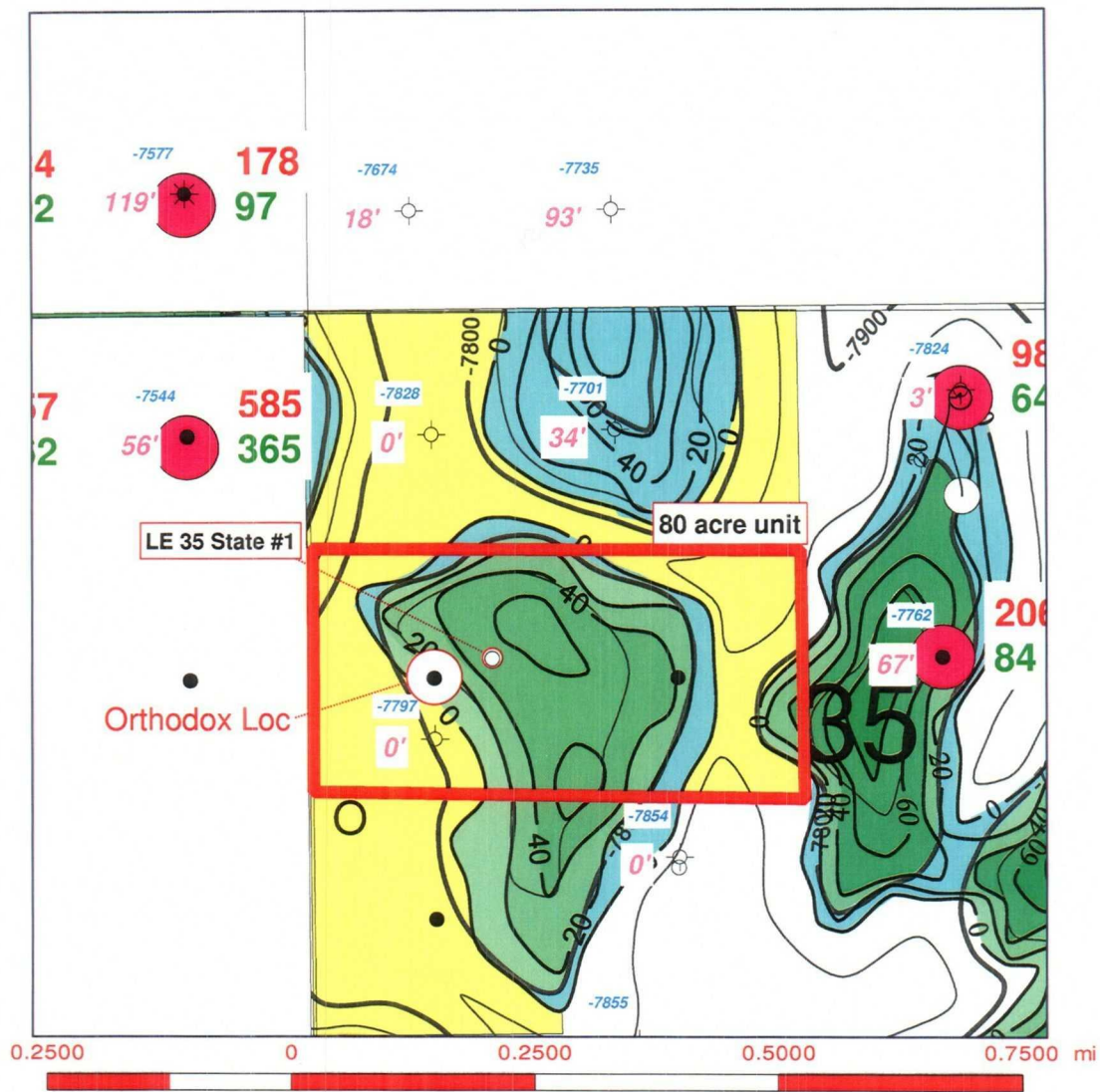
Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry
ATTORNEY FOR CHESAPEAKE
OPERATING, INC.

Enclosures

cc: David Godsey



STRAWN PRODUCER

T/Strawn Ø

net ft. Ø



CUM GAS (mmcf)

CUM OIL (mbo)

	CHESAPEAKE OPERATING, INC.
NON STANDARD LOCATION LOVINGTON STRAWN PLAY LE State #1 T16S-R37E ISOPACH: STRAWN net POROSITY CI:20' STRUCTURE: T/ STRAWN POROSITY CI: 50'	
Date: 16 March, 2006	Geologist: CH/ JG

EXHIBIT A

LAND PLAT

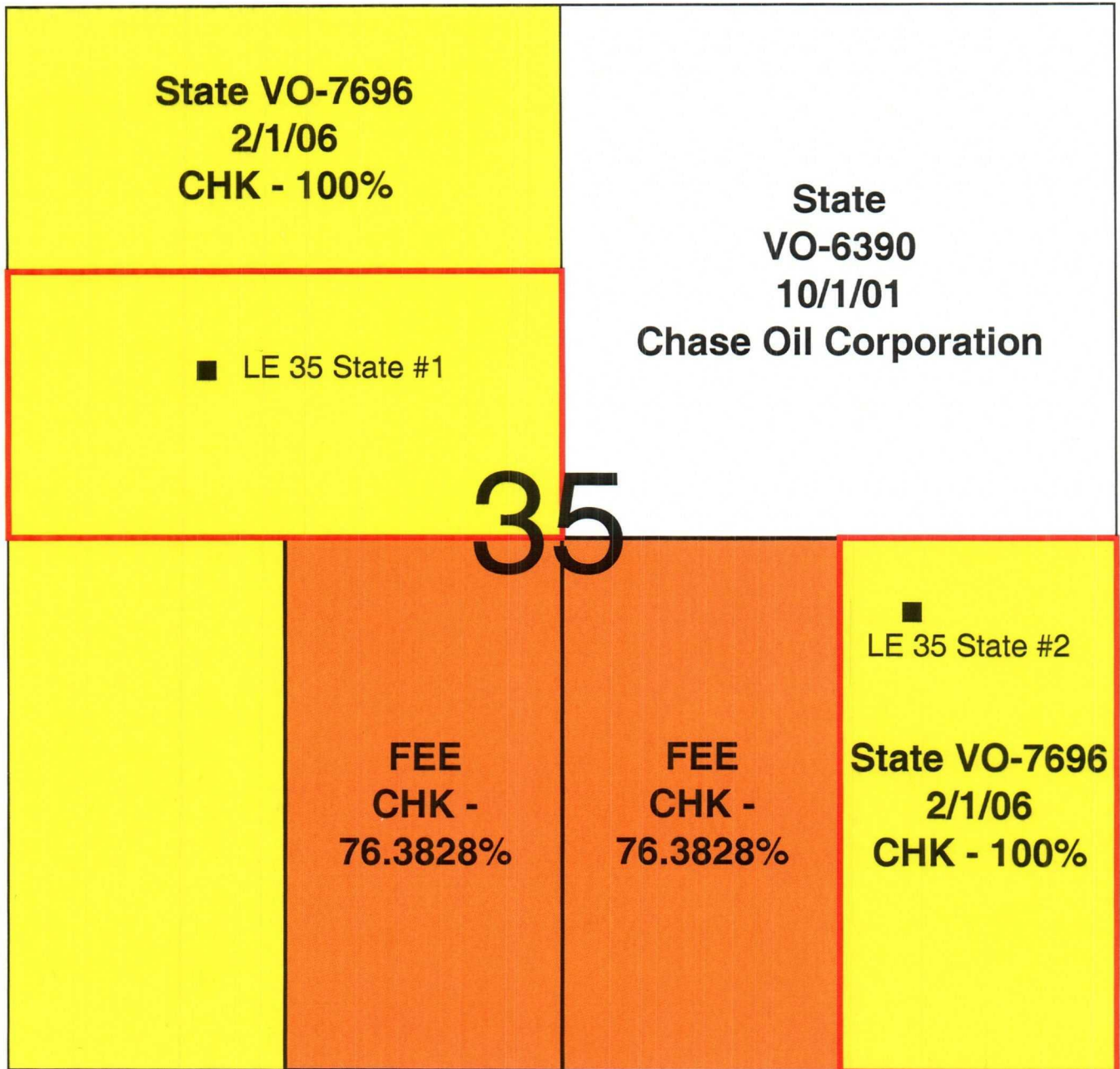


EXHIBIT B

CHESAPEAKE OPERATING, INC.
SECTION 35-16S-37E
Lea County, New Mexico

LE 35 State #1 Well
1879' FNL and 978' FWL
LE 35 State #2 Well
2255' FSL and 898' FEL