



October 27, 2011

HAND DELIVERY

Ms. Jami Bailey, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

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Case 14762

Re: APPLICATION OF CHESAPEAKE EXPLORATION, LLC, TO REINSTATE ORDER NOS. R-13303 AND R-13303-A APPROVING STATUTORY UNITIZATION OF THE CHAMBERS STRAWN UNIT AREA, THE CORRESPONDING CHAMBERS STRAWN UNIT WATERFLOOD PROJECT, AND CERTIFICATION OF THE WATERFLOOD PROJECT AS AN ENHANCED OIL RECOVERY PROJECT PURSUANT TO THE ENHANCED OIL RECOVERY ACT, LEA COUNTY, NEW MEXICO.

Dear Ms. Bailey:

Enclosed in triplicate is the Application of Chesapeake Exploration LLC in the above-reference case as well as a copy of the legal advertisement. Chesapeake request that this matter be placed on the Hearing Examiner Docket scheduled for December 1, 2011.

Sincerely,

Michael H. Feldewert
Attorney for Chesapeake Operating, Inc.

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

APPLICATION OF CHESAPEAKE EXPLORATION, LLC, TO REINSTATE ORDER NOS. R-13303 AND R-13303-A APPROVING STATUTORY UNITIZATION OF THE CHAMBERS STRAWN UNIT AREA, THE CORRESPONDING CHAMBERS STRAWN UNIT WATERFLOOD PROJECT, AND CERTIFICATION OF THE WATERFLOOD PROJECT AS AN ENHANCED OIL RECOVERY PROJECT PURSUANT TO THE ENHANCED OIL RECOVERY ACT, LEA COUNTY, NEW MEXICO.

CASE NO. 14762

APPLICATION

CHESAPEAKE EXPLORATION, LLC, doing business through its agent CHESAPEAKE OPERATING, INC. (OGRID No. 147179) ("Chesapeake"), pursuant to the provisions of the New Mexico Statutory Unitization Act (Sections 70-7-1 through 70-7-21, NMSA, 1978) hereby applies to the Oil Conservation Division to reinstate Order Nos. R-13303 and R-13303-A approving (1) statutory unitization of the Chambers Strawn Unit Area, (2) the corresponding waterflood project, and (3) certification of the waterflood project as an enhanced oil recovery project. In support of this application, Chesapeake states:

1. Order Nos. R-13303 and R-13303-A (entered September 9, 2010, and October 20, 2010, respectively) approved Chesapeake's application to statutorily unitize the Chambers Strawn Unit comprised of the following 480 acres, more or less, of fee lands located in Lea County, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM

Section 7:	NE/4, NE/4 SE/4
Section 8:	NW/4 NW/4, S/2 NW/4, SW/4

2. The vertical limits of the previously approved Unitized Formation comprised that stratigraphic interval occurring from the base of the Strawn Carbonate formation to 100 feet above the top of the Strawn Carbonate formation, as further defined by the logs referenced in Order, paragraph 2 of Order R-13303.

3. Order No. R-13303-A subsequently confirmed ratification of the Unit Agreement and the Unit Operating Agreement as required by the New Mexico Statutes and incorporated these agreements into the Division's orders.

4. Order Nos. R-13303 also approved enhanced recovery operations within the Unit Area initially by the injection of produced water into the Unitized Formation of the Northeast Shoe Bar-Strawn Pool through the following two wells located in Sections 7 and 8 of Township 16 South, Range 36 East, NMPM, Lea County, New Mexico:

Chambers 7 Well No. 1 (API No. 30-025-33623)

Runnells 8 Well No. 1 (API No. 30-025-34264)

5. The initial maximum allowable surface pressure on any injection well within the approved Chambers Strawn Unit Waterflood Project was set at no more than 2275 psi. Order R-13303 further authorized the Division Director to administratively approve a higher pressure limitation and additional injection wells within the Unit Area.

6. Finally, Order R-13303 certified the Chambers Strawn Unit Waterflood Project as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (NMSA 1978 Sections 7-29A-1 through 7-29A-5) and provided provisions for certification of a positive production response and eligibility for the EOR tax rate.

7. Order paragraph 19 of Order No. R-13303 provided that the injection authority for the approved wells "shall terminate one year after the date of this order if the unit operator has not commenced injection operations into the well..."

8. Since the issuance of Order Nos. R-13303 and R-13303-A, Chesapeake has been unable to obtain sufficient produced water and sufficient surface rights of way to commence injection operations in the approved wells.

9. By virtue of ordering paragraph 19 of Order No. R-13303, the authority granted by the Division under Order Nos. R-13303 and R-13303-A has terminated.

10. Chesapeake anticipates that by January of 2012, it will have secured sufficient produced water and surface rights to way to commence injection operations in the Chambers Strawn Unit Waterflood Project under the terms and provisions of Order Nos. R-13303 and R-13303-A.

11. As demonstrated from the record in Case Nos. 14477 and 14478, reinstatement of Order Nos. R-13303 and R-13303-A is in the best interests of conservation, the prevention of waste and the protection of correlative rights.

12. Chesapeake has provided notice of this application to all interested parties of record.

WHEREFORE, Chesapeake Operating Inc. respectfully requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on December 1, 2011, and that after notice and hearing as required by law and the rules of the Division, the

Division issue an order reinstating Order Nos. 13303 and R-13303-A and the authority granted therein.

Respectfully submitted,

HOLLAND & HART LLP

By:



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ATTORNEYS FOR CHESAPEAKE
OPERATING, INC.

CASE 14762 : Application of Chesapeake Exploration, LLC, to reinstate Order Nos. R-13303 And R-13303-A approving statutory unitization of the Chambers Strawn Unit Area, the corresponding Chambers Strawn Unit Waterflood Project, and certification of the waterflood project as an enhanced oil recovery project pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico.

Applicant in the above-styled cause seeks an order from the Division reinstating Order Nos. R-13303 and R-13303-A that approved (1) statutory unitization of the Chambers Strawn Unit Area, (2) the corresponding waterflood project, and (3) certification of the waterflood project as an enhanced oil recovery project. The Chambers Strawn Waterflood Project is comprised of the following 480 acres, more or less, of fee lands located in Lea County, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 367 EAST, NMPM

Section 7:	NE/4, NE/4 SE/4
Section 8:	NW/4 NW/4, S/2 NW/4, SW/4

Applicant seeks to reinstate the unit area and the authority to conduct waterflood operations by injection of water into the Strawn formation initially through the following two injection wells:

Chambers 7 Well No. 1
1700 feet FNL & 900 feet FEL
Unit H, Section 7, Township 16 South, Range 36 East, NMPM
Lea County, New Mexico
API No. 30-025-33623

Runnels 8 Well No. 1
780 feet FSL & 1510 feet FWL
Unit N, Section 8, Township 16 South, Range 36 East, NMPM
Lea County, New Mexico
API No. 30-025-34264

The applicant further requests that the Division re-establish the procedures for the administrative approval of additional injection wells within the unit area and the re-adoption of the provisions set forth in Order Nos. R-13303 and R-13303-A for said waterflood operations. Applicant further seeks to re-certify the waterflood project as an enhance oil recovery project pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). Said area is located approximately 1 mile West of Lovington, New Mexico.