

**LETTER APPLICATION FOR QUALIFICATION OF A PROJECT FOR THE
INCENTIVE TAX RATE PURSUANT TO THE NEW MEXICO ENHANCED OIL
RECOVERY ACT**

Date October 20, 2005

Mark E. Fesmire, P.E.
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 Enhanced Oil Recovery
Project Qualification for the Recovered Oil Tax Rate at the Trinity Burrus
Unit, Lea County, New Mexico.

Dear Mr. Fesmire:

Chesapeake Operating, Inc. ("Chesapeake"), hereby makes application to qualify the Trinity Burrus Unit for the recovered oil tax rate as authorized by the Enhanced Oil Recovery Act. Chesapeake plans to commence waterflood operations in the project area during the ___rd quarter of 2005. Chesapeake is making application pursuant to the rules promulgated by Oil Conservation Commission Order No. R-9708 entered on August 27, 1992.

In accordance with this Order, Chesapeake Energy Corporation provides the following information:

A. Operator's name and address:

Chesapeake Operating Inc.
6100 No. Western Ave.
Oklahoma City, Oklahoma 73154

B. Description of the project area:

1. Exhibit "A" is a plat outlining the project area

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 13582 and 13583 Exhibit No. 26
Submitted by:
CHESAPEAKE OPERATING, INC.
Hearing Date: October 20, 2005

2. The following acreage is located in the project area:

TOWNSHIP 12 SOUTH, RANGE 38 EAST, NMPM

Section 15:	E/2 SW/4, SW/4 SE/4
Section 22:	E/2, E/2 W/2
Section 23:	W/2, W/2 E/2
Section 26:	W/2 W/2, NE/4 NW/4, SE/4 SW/4
Section 27:	E/2, E/2 W/2

The proposed project will impact 100% of the Unit area and is more accurately identified as the injection patterns highlighted on Exhibit "A", which includes the wells listed on Exhibit "B".

3. Total acres:

The Trinity Burrus Unit contains a total of 1720, acres more or less.

Chesapeake is targeting 1720 acres for this enhanced oil recovery project. All acreage in the Unit Area will be impacted by the initial phase of injection.

4. Subject pool and formation:

The Trinity Burrus Unit is within the Trinity-Wolfcamp Pool.

The unit includes the Wolfcamp formation.

Exhibit "C" is the type-log identified in the Unit Agreement.

C. Status of operations in the project area:

1. The name of the Unit is the Trinity Burrus Unit.
2. The wells in the proposed unit are producing on primary decline.

D. Method of recovery to be used:

Secondary recovery by water injection.

1. Identify fluids to be injected:
Produced Water from the unit wells and make-up water produced from Devonian producing wells.

E. Description of the project:

1. List of producing wells:

Attach as Exhibit "B" a list of all producing wells within the project area -- provide locations by footage location, section, township and range.

There are plans to drill approximately six additional development wells within the project area.

2. List of injection wells:

Attach as Exhibit "B" a list of all injection wells within the project area -- provide locations by footage location, section, township and range.

3. Capital costs of additional facilities:

Description	Cost
Field installations and upgrades	\$ 200,000
Development drilling cost	\$ 4,900,000
Well remediation & misc. costs	\$ 200,000
Injection work	<u>\$ 1,700,000</u>

4. Total project costs: \$7,000,000

5. Estimated total value of the additional production that will be recovered as a result of this project:

Using an average price for the oil of \$ 49 and an equivalent barrel based price for the gas, the value of the additional hydrocarbons to be produced from the proposed project (1.72 MM STBO) is \$ 84,280,000 (Total Sales) and \$32,600,000 net income to the working interest owners.

6. The anticipated date for commencement of injection:

January 1, 2006

7. Identify the fluid to be injected and the anticipated volumes:

7,000 barrels of produced and makeup water as needed per well per day

8. Production Data:

Exhibit "D" is a graph with supporting data attached thereto which shows the production and injection history for the project and a forecast of the enhanced recovery of oil, gas, casinghead gas and water anticipated from this project.

Chesapeake Operating, Inc. requests that this application be set for hearing and, if no objections are received, that it be approved.

Very truly yours,
CHESAPEAKE OPERATING, INC.

By: 

- Exhibit A: Plat of Project Area
- Exhibit B: Table of Wells in the Project Area
- Exhibit C: Type Log
- Exhibit D: Historical Production Curve and Production Forecast

The diagram is a complex grid with numbered cells and various labels. The grid is divided into several sections by thick lines. The labels and their positions are as follows:

- Cell 1:** STATE 22, 2
- Cell 2:** STATE 22, 3
- Cell 3:** STATE 22, 4
- Cell 4:** STATE 22, 5
- Cell 5:** STATE 22, 6
- Cell 6:** STATE 22, 7
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- Cell 99:** STATE 22, 100

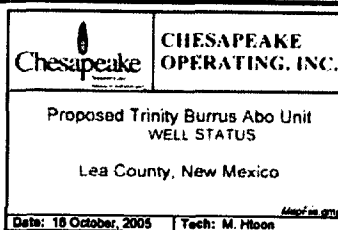


Exhibit "B"

List of Wells

Proposed Trinity Burrus Unit

PRODUCING WELLS

Burrus 1
Burrus 3
Burrus 4
Burrus 5
Burrus 6
Burrus 8
Burrus 10
Burrus 23 Fed 1
Burrus 23-1
Burrus 23-2
Burrus 23-4
Burrus 26-1
Burrus 26-2
Burrus 27-9
Burrus 27-12
Hodge 2
State 22-2
State 22-3
State DZ 2
Watkins 1

INJECTION WELLS

Burrus 2A
Burrus 7
Burrus 11
Burrus 23-3
Burrus 23-5
State DZ 1
State 22-1

Exhibit "C"

PROPOSED TRINITY (ABO) UNIT

BURRUS
012 05 018 0E 02

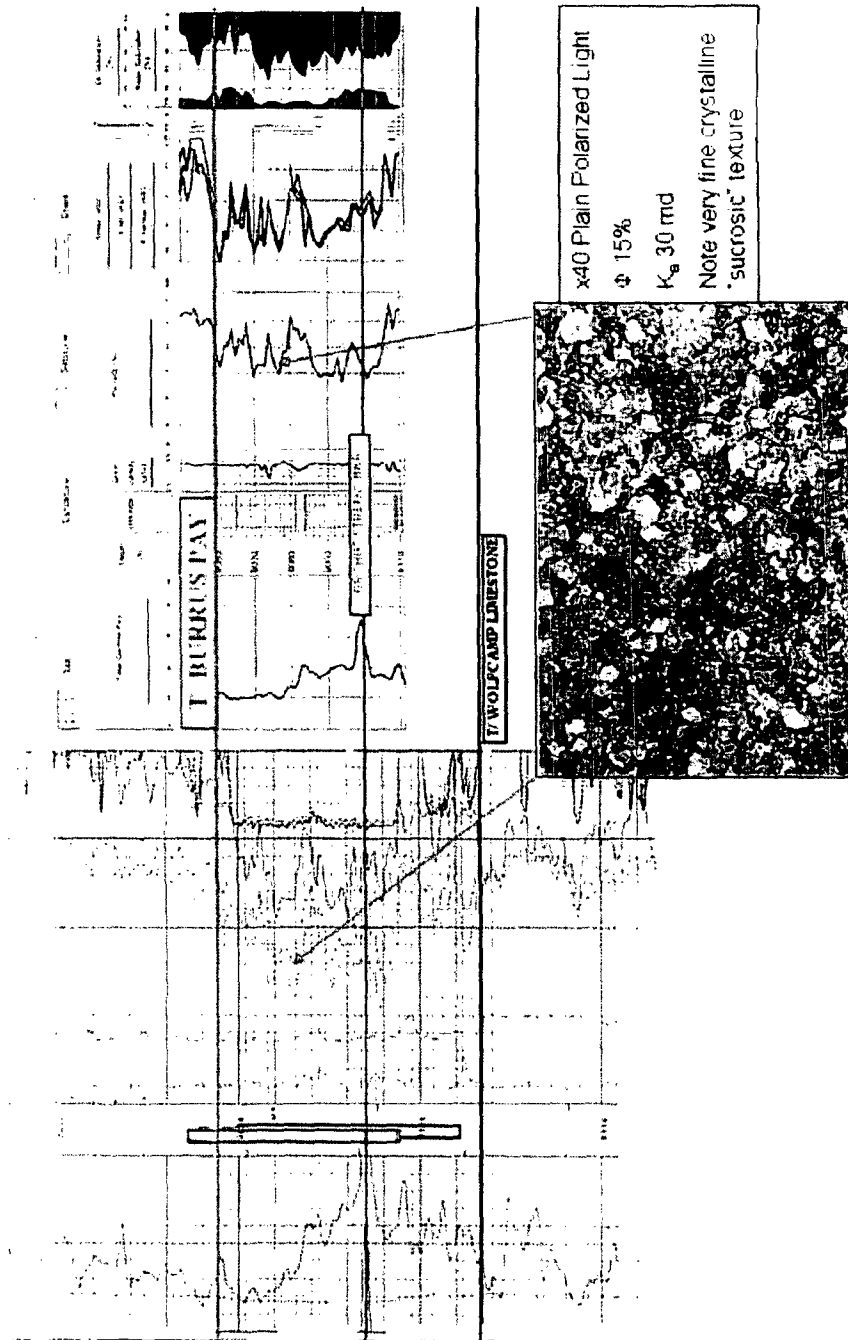
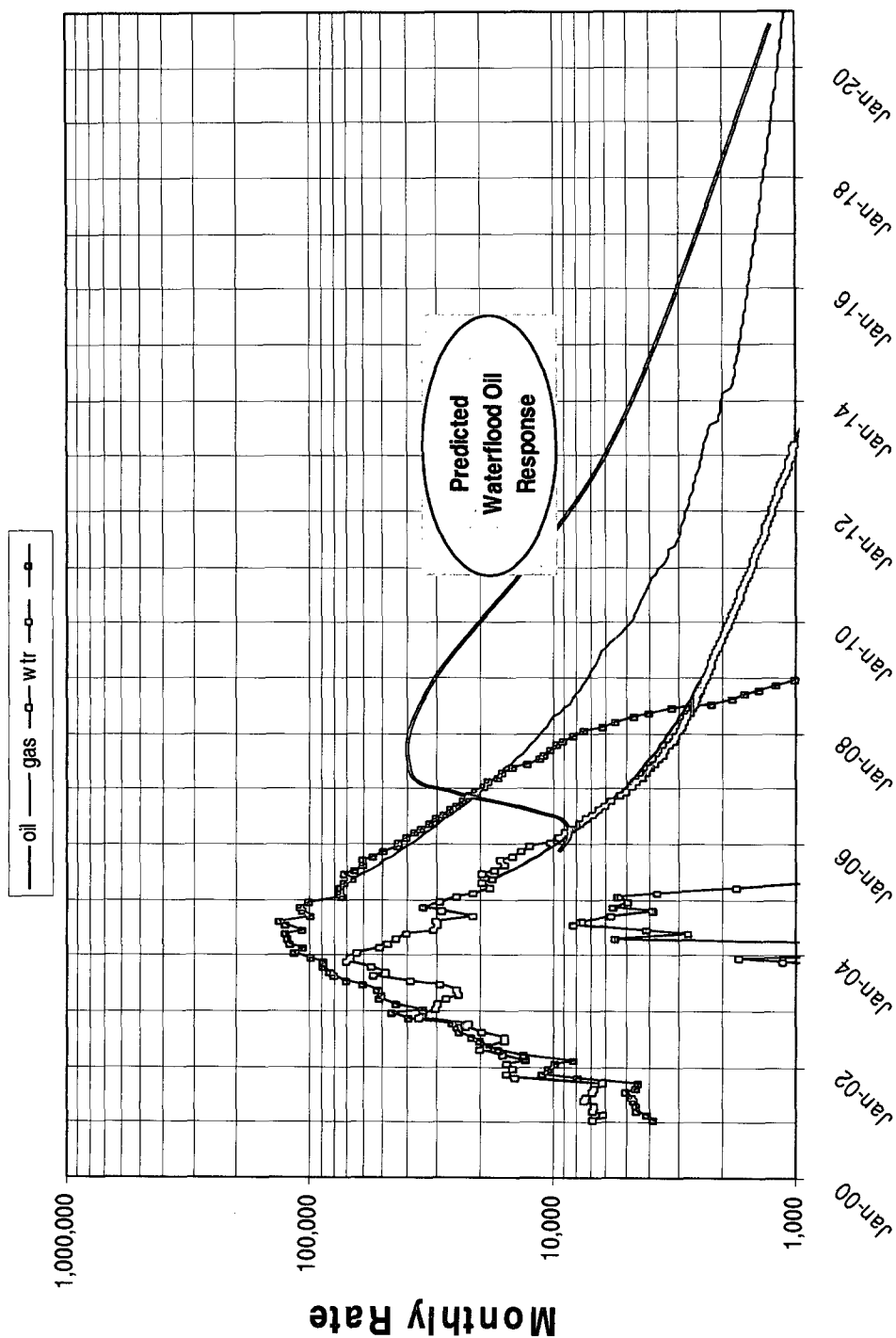


Exhibit "D"

PROPOSED TRINITY (AB0) UNIT



TRINITY BURRUS UNIT PERFORMANCE CURVE