

HOLLAND & HART LLP



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October 30, 2007

**HAND-DELIVERED**

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

*OLD*  
*Case 14027*

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**Re: Application of Chesapeake Operating, Inc. for compulsory pooling,  
Lea County, New Mexico.**

Dear Mr. Fesmire:

Enclosed is the application of Chesapeake Operating, Inc. in the above-referenced case as well as copies of a legal advertisement and notice. Chesapeake Operating, Inc. requests that this matter be placed on the docket for the November 29, 2007 Examiner hearings.

Sincerely,

*Ocean Munds-Dry*  
Ocean Munds-Dry  
Attorney for Chesapeake Operating, Inc.

Enclosures

cc: Ed Birdshead, Chesapeake Operating, Inc.

**Holland & Hart LLP**

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**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 COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.**

OLD

CASE NO. 14027

**APPLICATION**

CHESAPEAKE OPERATING, INC., ("Chesapeake") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all mineral interests from the surface to the base of the Devonian formation in the following described spacing and proration units located in the N/2 of Section-21, Township 22 South, Range 36 East, N.M.P.M., Lea County, New Mexico: Section 21 for all formations and/or pools developed on 640-acre spacing which includes but is not limited to the Jalmat-Tansill-Yates-Seven Rivers Gas Pool; the N/2 for all formations and/or pools developed on 320-acre spacing which includes but is not limited to the Langley-Devonian Gas Pool and the Langley-Ellenburger Gas Pool; and the W/2 NW/4 for all formations and/or pools developed on 40-acre spacing which includes but is not limited to the South Eunice-Seven Rivers-Queen Pool, the Langely-Strawn Pool or the Undesignated Southwest Arrowhead-Grayburg Pool. In support of its application, Chesapeake states:

1. Chesapeake is a working interest owner in the N/2 of said Section 21 and has the right to drill thereon.
2. Chesapeake proposes to dedicate the above-referenced spacing or proration units to its Langley Greer Well No. 3H. This well is located in Section 21, Township 22 South, Range 36 East, N.M.P.M., and will be drilled to test the Devonian formation, Langley-Devonian

OLD

Gas Pool, from an unorthodox surface location 2440 feet from the South line and 660 feet from the West line, intersecting the Devonian formation at an unorthodox penetration point 2310 feet from the North and West line, and to a standard bottomhole location 660 feet from the North and West lines of said Section 21, Lea County, New Mexico.

3. Chesapeake has sought and been unable to locate and obtain a voluntary agreement for the development of these lands from certain interest owners in the subject spacing units. These owners are identified on Exhibit A to this application.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit Chesapeake to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Chesapeake should be designated the operator of the well to be drilled.

WHEREFORE, Chesapeake Operating, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 29, 2007 and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units;
- B. designating Chesapeake Operating, Inc. operator of these units and the well to be drilled thereon;
- C. authorizing Chesapeake Operating, Inc. to recover its costs of drilling, equipping and completing the well;
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

- 6/2
- E. imposing a penalty for the risk assumed by Chesapeake Operating, Inc. in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

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**

OLD

**APPLICATION OF  
CHESAPEAKE OPERTING, INC.  
FOR COMPULSORY POOLING  
N/2 OF SECTION 21, TOWNSHIP 22 SOUTH, RANGE 36 EAST, N.M.P.M.  
LEA COUNTY, NEW MEXICO.**

Alann P. Bedford Trust (Madeleine Alann  
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Baren Healey 1988 Trust  
Baren Healey, Trustee  
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Declaration Of Trust  
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Ellen Anne W. Williams, Trustee  
The Williams Revoc. Living Trust  
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Oil & Gas Dept.  
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049  
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Marilyn M. Law Rev. Trust dtd 2/3/89  
Drawer No. 99084  
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Onez Norman Rooney Test. Trust  
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Tom R. Cone Childrens Trust  
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Cone Auvenshine's Children  
Children Of Cathie Cone Auvenshine  
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Kathleen Cone Testamentary Trust fbo  
Kenneth G. Cone's children  
Kenneth G. Cone  
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Chesapeake Exploration L.L.C.  
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Albert Walter Goal Testamentary Trust  
Warren Bank & Trust Co., Trustee  
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Warren, AR 71671


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C/O Stanley Erb Hess, 769274 And  
Sue Hess Edmonson, 769283  
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Diane Woodard-Frost Revocable Living Trust  
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Phillips-Murray Revocable Trust Dtd 8-20-99  
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Ft. Worth, TX 76113

Goodrich Family Trust #2  
Minerals Mgmt Dept, JP Morgan Chase Bank  
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Pecos Bend Royalties, Inc.  
P.O. Box 2802  
Midland, Texas 79702

OLD

**CASE 14027: Application of Chesapeake Operating, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Devonian formation in certain spacing and proration units located in the N/2 of Section 21, Township 22 South, Range 36 East, N.M.P.M., Lea County, New Mexico. The above-referenced spacing unit will be dedicated to Chesapeake's Langley Greer Well No. 3H which will be drilled to test the Devonian formation, Langley-Devonian Gas Pool, from an unorthodox surface location 2440 feet from the South line and 660 feet from the West line, intersecting the Devonian formation at an unorthodox penetration point 2310 feet from the North and West line, and to a standard bottomhole location 660 feet from the North and West lines of said Section 21. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Chesapeake Operating, Inc. as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 10.1 miles Southwest of Eunice, New Mexico.

#### NOTICE

To \_\_\_\_\_: Chesapeake Operating, Inc. has filed an application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests from the surface to the base of the Devonian formation in certain spacing and proration units located in the N/2 of Section 21, Township 22 South, Range 36 East, N.M.P.M., Lea County, New Mexico. The above-referenced spacing unit will be dedicated to Chesapeake's Langley Greer Well No. 3H which will be drilled to test the Devonian formation, Langley-Devonian Gas Pool, from an unorthodox surface location 2440 feet from the South line and 660 feet from the West line, intersecting the Devonian formation at an unorthodox penetration point 2310 feet from the North and West line, and to a standard bottomhole location 660 feet from the North and West lines of said Section 21. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Chesapeake Operating, Inc. as operator of the well and a charge for risk involved in drilling said well. The application is scheduled to be heard at 8:15 a.m. on Thursday, November 29, 2007 at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. As an interest owner in the well unit you have the right to enter an appearance and participate in the case. Failure to appear will preclude you from contesting this matter at a later date. The attorney for applicant is William F. Carr, P.O. Box 2208, Santa Fe, New Mexico 87504. Said area is located approximately 10.1 miles Southwest of Eunice, New Mexico.