



November 14, 2007

**HAND DELIVERY**

Mr. William V. Jones  
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 Exploration, LLC for Approval of  
Waterflood Project and Qualification of the Project Area of the Quail-  
Queen Unit for the Recovered Oil Tax Rate Pursuant to the Enhanced Oil  
recovery Act, Lea County, New Mexico.

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Dear Mr. Jones:

Enclosed please find additional information that you requested during the hearing of the above-referenced application.

Please let me know if you have any questions or need anything further. Thank you for your attention to this application.

Sincerely,

A handwritten signature in cursive script that reads "Ocean Munds-Dry".

Ocean Munds-Dry  
ATTORNEY FOR CHESAPEAKE OPERATING  
INC.

Enclosure



**RECEIVED**  
NOV 07 2007  
HOLLAND & HART LLP

November 2, 2007

William F. Carr  
Holland & Hart LLP  
110 N. Guadalupe, Suite 1  
Santa Fe, New Mexico 87505

Re: Proposed Quail Queen Unit  
Engineering Exhibits, Case No. 14001 & 14002  
Lea County, New Mexico

Dear Bill:

As requested by the Examiner, Mr. Will Jones, that heard the above referenced case yesterday in Santa Fe, I am attaching the revised Engineering Exhibits Nos. 20 & 21. The font size for the well name and number has been revised for easier identification.

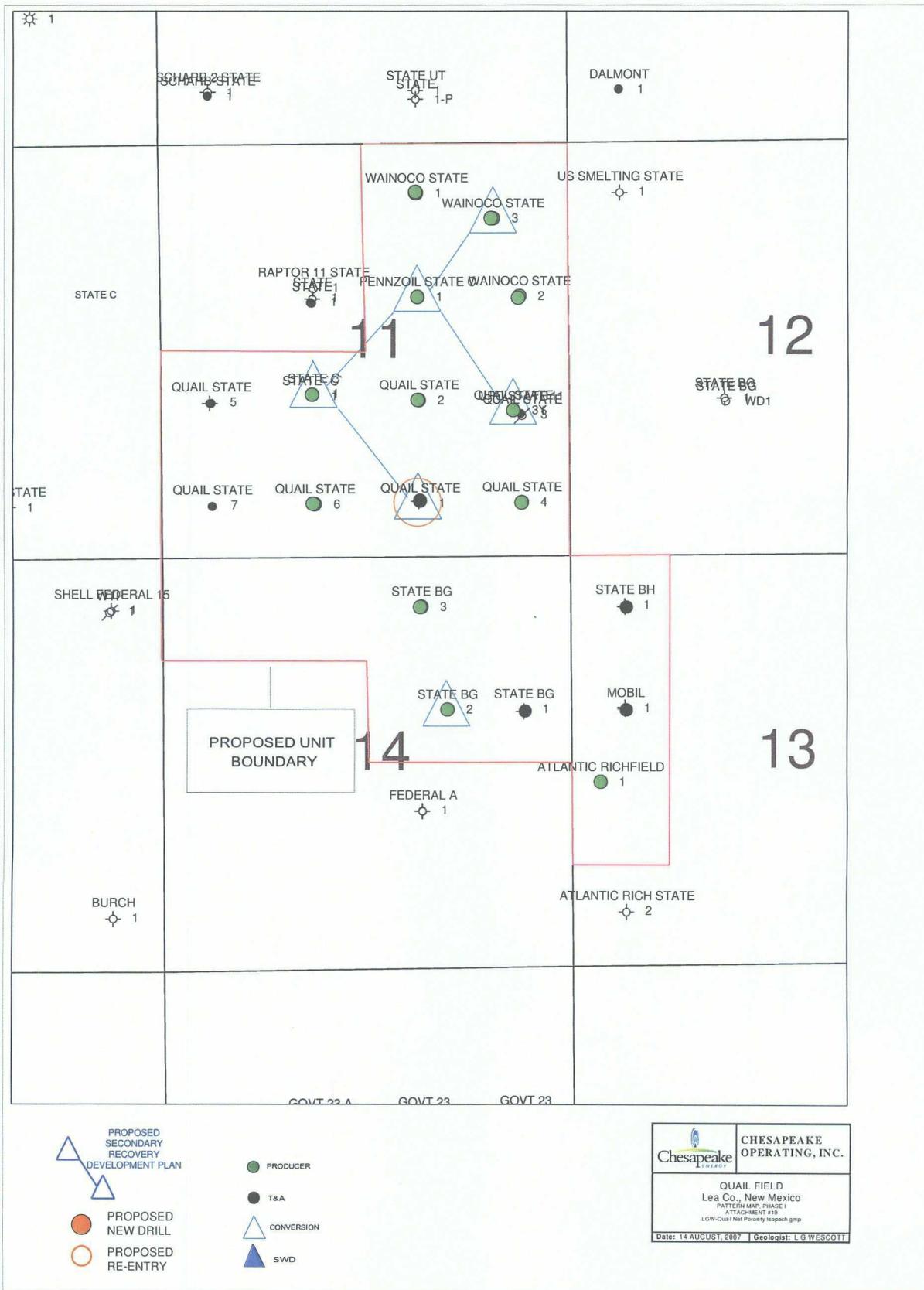
In addition, I wanted to clarify the impact on the Pintail Production Company unit interest, if the weighting factors that Harvey Mueller were used in place of the ones submitted in the unit agreement. As you recall, Mr. Mueller suggested that the "useable wellbore" and "ultimate primary recovery" factors be exchanged using 10 percent for the former and 40 percent for the latter. If this is done, Pintail's unit working interest would increase from 2.570688 percent to 3.416610 percent, just under a 1 percent increase.

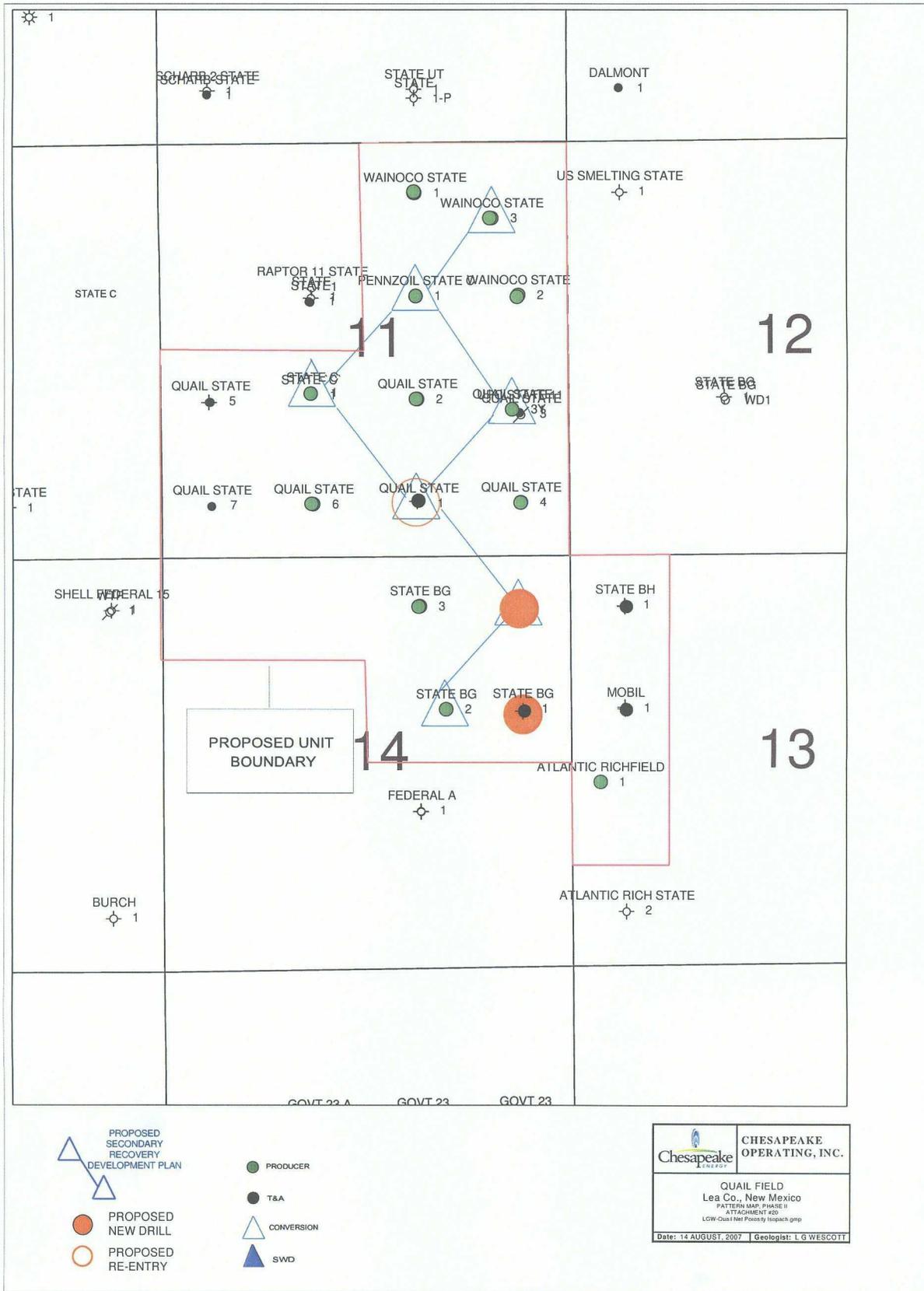
If any further requests by Mr. Jones are made, do not hesitate to call. My phone number is (405) 767- 4398.

Sincerely,

A handwritten signature in cursive script that reads "Greg Adams".

Greg Adams  
Senior Reservoir Engineer







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NOV 07 2007

**HOLLAND & HART LLP**  
Terry Frohnapple  
Senior Landman

November 6, 2007

Holland & Hart LLP  
Attn: Bill Carr  
110 North Guadalupe, Suite 1  
Santa Fe, NM 87501

RE: Quail Queen Unit

Dear Mr. Carr:

Enclosed is what I feel land wise what is needed by the NMOCD Examiner to conclude his findings for the Quail Queen Unit hearing.

I have included the following:

Unit Agreement and Unit Operating Agreement for the Trinity Burrus Abo Unit which was approved in May 2006. I have attached memo stickers to selected pages with reference areas in question. Areas in question include:

Expenditures (pg 12 Unit Op Agmt): This shows \$100,000.00 approval amount, which is the same amount we are asking for in the Quail Queen Unit.

COPAS, Overhead (pg 4): line 43-47, salaries and wages..... (x) shall not be covered by the overhead rates.

Line 49-54, Salaries and wages .....(x) shall not be covered by the overhead rates.

Line 60, Drilling well rate \$ 10,998.00 (this is actually much higher than what we proposed, ours is \$8,500.00)

Line 63, Producing well rate \$ 800.00 (this is only \$50.00 more than our proposed rate. Though costs have increased more than \$50.00)

**Chesapeake Energy Corporation**

P.O. Box 18496 • Oklahoma City, OK 73154-0496 • 6100 N. Western Avenue • Oklahoma City, OK 73118  
405.810.2727 • tfrohnapple@chkenergy.com

I have also included a Plan of Unitization for the East Hennessey Red Fork Unit. This was approved May 2006, we operate this unit, however it is located in Oklahoma. Memo stickers are attached to the referenced areas. All the rates match those of the Trinity Burrus Abo Unit.

Ernst & Young Overhead Survey for 2005-2006. The 2006-2007 Survey booklet is not yet available. The Monthly Producing Well Fixed Overhead Rates are noted as \$893.00, with an Adjustment Factor for 2007 of 6.4%. This increases the total to \$950.15. The amount we asked for was \$850.00, so we are well within the allowable.

I am holding off on sending to all interest owners the final Unit Agreement & Unit Operating Agreement for Ratification Approval until you give me the word.

Should you have any questions or need additional information, please contact the undersigned.

Best regards

Terry Frohnapfel

Enclosure(s)