

HOLLAND & HART LLP



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May 13, 2008

**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

*Case 14140*

2008 MAY 13 PM 7:07  
RECEIVED

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

Dear Mr. Fesmire:

Enclosed is the amended 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 June 12, 2008 Examiner hearings.

Sincerely,

*Ocean Munds-Dry*

Ocean Munds-Dry  
Attorney for Chesapeake Operating, Inc.

Enclosures

cc: Craig Barnard, 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,  
EDDY COUNTY, NEW MEXICO.**

CASE NO. 14140

**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 in the following described project area located in the S/2 SW/4, SW/4 SE/4 (120 acres) of Section 20, Township 24 South, Range 29 East, N.M.P.M., Eddy County, New Mexico to form a 120-acre project area in the Bone Springs formation. In support of its application, Chesapeake states:

1. Chesapeake is a working interest owner in the S/2 SW/4, SW/4 SE/4 of said Section 20 and has the right to drill thereon.
2. Chesapeake proposes to dedicate the above-referenced spacing or proration units to its Queen Lake 20 Federal Well No. 2H. This well is located in Section 20, Township 24 South, Range 29 East, N.M.P.M., and will be drilled to test the Bone Springs formation, Undesignated Pierce Crossing-Bone Spring Pool, from a surface location 350 feet from the South line and 1650 feet from the East line and to an unorthodox bottomhole location 350 feet from the South line and 25 feet from the West line of said Section 20, Eddy 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.

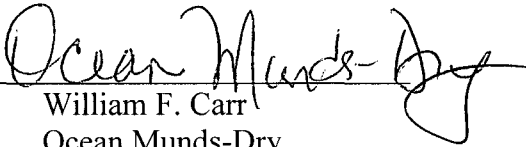
5. In order to permit Chesapeake to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Chesapeake should be designated the operator of the well to be drilled.

WHEREFORE, Chesapeake Operating, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on June 12, 2008 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
- 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;
- F. approving the unorthodox well location.

Respectfully submitted,

HOLLAND & HART LLP

By: A handwritten signature in cursive script, appearing to read "Ocean Munds-Dry", written over a horizontal line.

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**

**APPLICATION OF  
CHESAPEAKE OPERATING, INC. FOR COMPULSORY POOLING  
S/2 SW/4, SW/4 SE/4  
OF SECTION 20, TOWNSHIP 24 SOUTH, RANGE 29 EAST, N.M.P.M.  
EDDY COUNTY, NEW MEXICO.**

Occidental Permian, LTD  
5 Greenway Plaza, Suite 110  
Houston, TX 02116  
Attn: Pat Sparks

**CASE 14140 : Application of Chesapeake Operating, Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all mineral interests in a 120-acre project area located in the S/2 SW/4 SW/4 SE/4 of Section 20, Township 24 South, Range 29 East, N.M.P.M., Eddy County, New Mexico. The above-referenced spacing unit will be dedicated to Chesapeake's Queen Lake 20 Federal Well No. 2H which will be drilled to test the Bone Springs formation, Undesignated Pierce Crossing Bone Spring Pool, from a surface location 350 feet from the South line and 1650 feet from the East line and to an unorthodox bottomhole location 350 feet from the South line and 25 feet from the West line of said Section 20. 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 6 miles southeast of Malaga, New Mexico.