

HOLLAND & HART LLP



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June 10, 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 14148

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**Re: Application of Chesapeake Operating, Inc. for compulsory pooling,
Eddy 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 July 10, 2008 Examiner hearings.

Sincerely,

Ocean Munds-Dry

Ocean Munds-Dry
Attorney for Chesapeake Operating, Inc.

Enclosures

cc: Craig Barnard, Chesapeake Operating, Inc.

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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. 14148

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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 N/2 of Section 31, Township 24 South, Range 29 East, N.M.P.M., Eddy County, New Mexico to form a 160-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 N/2 of said Section 31 and has the right to drill thereon.
2. Chesapeake proposes to dedicate the above-referenced spacing or proration units to its Diamond 31 Federal Well No. 4H. This well is located in Section 31, Township 24 South, Range 29 East, N.M.P.M., and will be drilled to test the Bone Springs formation, Willow Lake-Bone Spring Pool, from a surface location 2200 feet from the North line and 150 feet from the East line and to a bottomhole location 2200 feet from the North line and 1650 feet from the West line of said Section 31, 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 July 10, 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: 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

**APPLICATION OF
CHESAPEAKE OPERATING, INC. FOR COMPULSORY POOLING
S/2 N/2
OF SECTION 31, TOWNSHIP 24 SOUTH, RANGE 29 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO.**

Mr. Les Opperman
Bettis Brothers, Inc.
P.O. Box 1240
Graham, TX 02116

EOG Resources
Post Office Box 2267
Midland, Texas 79702

CASE 14148 : 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 160-acre project area located in the S/2 N/2 of Section 31, 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 Diamond 31 Federal Well No. 4H which will be drilled to test the Bone Springs formation, Willow Lake Bone Spring Pool, from a surface location 2200 feet from the North line and 150 feet from the East line and to a bottomhole location 2200 feet from the North line and 1650 feet from the West line of said Section 31. 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 4 miles southeast of Malaga, New Mexico.