



May 1, 2009

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87504

RECEIVED
2009 MAY 1 AM 11 15

Case 14325

Re: Application of Chesapeake Operating Inc. for approval of a pilot project in the Seven Rivers formation to study the feasibility of implementing enhanced recovery operations in this pool, Lea County, New Mexico.

Dear Mr. Fesmire:

Enclosed in triplicate is the Application of Chesapeake Operating Inc. in the above-referenced case as well as a copy of a legal advertisement. Chesapeake requests that this application be placed on the docket for the June 1, 2009 examiner hearings.

Sincerely,

William F. Carr

Enclosure

cc: Terry Frohnapfel
Chesapeake Operating Inc.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

IN THE MATTER OF THE APPLICATION OF CHESAPEAKE OPERATING INC., FOR APPROVAL OF A PILOT PROJECT IN THE SEVEN RIVERS FORMATION TO STUDY THE FEASIBILITY OF IMPLEMENTING ENHANCED RECOVERY OPERATIONS IN THIS POOL, LEA COUNTY, NEW MEXICO.

CASE NO. 1432

APPLICATION

Chesapeake Operating Inc. ("Chesapeake"), through its undersigned attorneys, hereby makes application for an order approving a pilot project in the Seven Rivers formation, in the Tonto-Yates-Seven Rivers Pool (formerly the Tonto-Seven Rivers Pool), for purpose of conducting a reservoir study to determine the feasibility of implementing enhanced recovery operations in this pool, Lea County, New Mexico. In support of its application, Chesapeake states:

1. Chesapeake an oil and gas lessee and an operator In the Tonto-Yates-Seven Rivers Pool which was created by Division Order No. 850, dated January 1, 1950.
2. Chesapeake is the current lessee of Federal Oil and Gas Lease NM 56749 covering 520 acres more particularly described as follows:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM

Section 14: W/2, W/2 SE/4,
N/2 NE/4, SW/4 NE/4

3. Chesapeake also is the operator of its Federal USA L Well No. 4 was drilled and completed on this lease in the Tonto-Seven Rivers Pool in 1990 at a standard oil well location 2100 feet from the South line and 2310 feet from the West line of Section 14, Township 19 South, Range 33 East, NMPM. In September 2002 this well was temporarily abandoned "for future waterflood use" and in August 2008 was plugged and abandoned as required by the Oil Conservation Division

RECEIVED
2009 MAR 1 AM 11:15

4. Chesapeake desires to conduct a pilot project in the Seven Rivers formation in a project area comprised of Federal Lease 56749 of Section 14, Township 19 South, Range 33 East, NMPM by the injection of water into the Seven Rivers formation in its Federal USA L Well No. 4. to study the feasibility of implementing successful enhanced recovery operations in this pool. Attached to this Application as Exhibit A is Chesapeake's Application for Authorization to inject (Form C-108) in its Federal USA L Well No. 4.

5. Although it appears that substantial oil remains in the Tonto-Seven Rivers Pool, unless enhanced recovery methods can be devised that will enable Chesapeake to move this oil, this reservoir is approaching the end of its productive life and reserves will be wasted.

6. Chesapeake proposes to conduct tests to establish the reservoir conductivity under this lease and determine if an effective response to waterflood operations can be obtained.

7. If successful, enhanced recovery techniques for other portions of this pool can be developed and much, if not all, of the Tonto-Yates-Seven Rivers Pool could be the subject to waterflood operations.

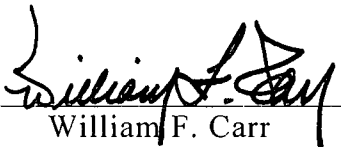
8. During the study, Chesapeake proposes to report to the Division, at whatever intervals the Division deems appropriate, and at the conclusion of the reservoir study, Chesapeake will report the results of its reservoir study to the Division.

11. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

12. Notice of this application has been provided in accordance with Division Rules to the affected parties are identified on Exhibit B to this application.

WHEREFORE, Chesapeake Operating Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on June 1, 2009 and after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted,
HOLLAND & HART LLP

By: 
William F. Carr
Ocean Munds-Dry
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR CHESAPEAKE
OPERATING INC.



May 1, 2009

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO AFFECTED INTEREST OWNERS

Re: Application of Chesapeake Operating Inc. for approval of a pilot project in the Seven Rivers formation to study the feasibility of implementing enhanced recovery operations in this pool, Lea County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Chesapeake Operating Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order approving a pilot project in the Tonto Yates-Seven Rivers Pool for purposes of studying the feasibility of implementing enhanced recovery operations in this pool, Lea County, New Mexico.

Chesapeake seeks authority to inject water into the Tonto-Seven Rivers Pool in its Federal USA L Well No. 4 at a location 2100 feet from the South line and 2310 feet from the West line of Section 14, Township 19 South, Range 33 East, NMPM on a pilot project area comprised of Federal Oil and Gas Lease NM 56749 covering 520 acres located in the W/2, W/2 SE/4, N/2 NE/4, SW/4 NE/4 of Section 14, Township 19 South, Range 33 East, NMPM.

This application is set for hearing at 8:15 a.m. on June 1, 2009, at Porter Hall located in the Division's Santa Fe Office at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13 to file a Pre-hearing Statement four days in advance of a scheduled hearing at the Oil Conservation Division's Santa Fe Office. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Sincerely,

William F. Carr
ATTORNEY FOR CHESAPEAKE OPERATING INC.

2009 MAY 1 AM 11 15
RECEIVED