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June 15, 2009

**HAND DELIVERED**

Mr. Mark E. Fesmire, Director  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

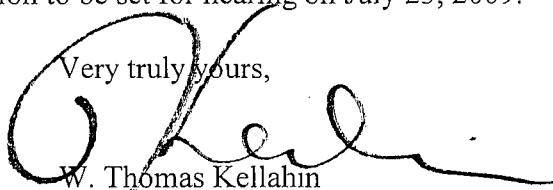
*Case 14340*

**Re: Duncan Well No. 1**  
**(API # 30-025-36235)**  
**NE/4NE/4 Section 19, T20S R39E**  
**Application of Chesapeake Energy Corporation, L.L.C.**  
**to Re-Instate Division Order R-11993-A, Compulsory Pooling**  
**Lea County, New Mexico**

Dear Mr. Fesmire:

On behalf of Chesapeake Energy Corporation, L.L.C., enclosed for filing is our referenced application to be set for hearing on July 23, 2009.

Very truly yours,



W. Thomas Kellahin

CC: Chesapeake Energy Corporation, L.L.C.  
Attn: Ed Birdshead

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CASE 14340: Application of Chesapeake Energy Corporation, L.L.C. to re-instate Division Order R-11993-A for compulsory pooling, Lea County, New Mexico. Applicant seeks to re-instate Order R-11993-A to authorize the pooling and the recompletion of the Duncan Well No. 1 (API #30-025-36235) located in Unit A of Section 19, T20S, R39E into the Tubb and Drinkard formations and to commingle that production with the existing Abo formation. Applicant is the current operator of this wellbore that was formerly operated by Xeric Oil & Gas Corporation who obtained Order R-11993 that pooled all mineral interests from the surface to the base of the Abo formation. This wellbore is currently dedicated to production from the DK-Abo Pool underlying the NE/4NE/4 in Section 19, T20S, R39E, NMPM. If successful production from the Tubb and Drinkard to be dedicated to the existing Abo 40-acre spacing unit Also to be considered are provisions for the subsequent operation of this wellbore and the costs of recompleting this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a 200% charge for risk involved in this recompletion. This unit is located approximately 5-1/2 miles southeast of Nadine, New Mexico.

**IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**

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

**IN THE MATTER OF THE APPLICATION  
OF CHESAPEAKE ENERGY CORPORATION, L.L.C.  
TO RE-INSTATE ORDER R-11993-A  
FOR COMPULSORY POOLING  
LEA COUNTY, NEW MEXICO.**

CASE NO. 14340

**APPLICATION**

Comes now CHESAPEAKE ENERGY CORPORATION, L.L.C. ("Chesapeake") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) NMSA (1978), applies to the New Mexico Oil Conservation Division, seeks to re-instate Order R-11993-A that pooled and authorize subsequent operations for the recompletion of the Duncan Well No. 1 (API #30-025-36235) located in Unit A of Section 19, T20S, R39E into the Tubb and Drinkard formations and to commingle that production with the existing Abo formation. Applicant is the current operator of this wellbore that was formerly operated by Xeric Oil & Gas Corporation who obtained Order R-11993 that pooled all mineral interests from the surface to the base of the Abo formation. This wellbore is currently dedicated to production from the DK-Abo Pool underlying the NE/4NE/4 in Section 19, T20S, R39E, NMPM. Also to be considered are provisions for the subsequent operation of this wellbore and the costs of recompleting this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a 200% charge for risk involved in this recompletion.

In support of its application, Chesapeake Energy Corporation, L.L.C. ("Chesapeake") states:

1. Chesapeake has the right to drill and develop the oil and gas minerals from the surface to the base of the Abo formation underlying the NE/4NE/4 of Section 19, T20S, R39E, NMPM, Lea County, New Mexico.
2. Effective May 7, 2004, Chesapeake Operating, Inc., on behalf of Chesapeake Exploration Company, L.L.C., succeeded Xeric Oil & Gas Corporation as the operator of this spacing unit and this wellbore.
3. This spacing unit is subject to Division's Order R-11993, dated August 1, 2003, compulsory pooling this 40-acre spacing unit.

4. Previously in Case 14165, the Division entered Order R-11993-A, dated October 8, 2008. This order was required because Division Rule 36 does not provide the necessary subsequent operations procedure for this situation.
5. Order R-11993-A expired on December 31, 2008 because, as a result of a clerical oversight, Chesapeake failed to request an extension of the commencement date for the work-over of this well.
6. With the exception of the circumstances involved with the expiration of the order, the estimated work-over well costs and other facts for this pooling order remain the same as on October 2, 2008 the date of the original hearing for Order R-11993-A
7. At this point, Chesapeake still has not been able to obtain a written voluntary agreement from all the party listed on Exhibit "A."
8. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, the applicant needs an order of the Division re-instating Order R-11993-A, including a method for subsequent operations in order to recover incremental hydrocarbons, protect correlative rights and prevent waste.
9. Pursuant to Commission Order R-11992, effective August 15, 2003, Chesapeake requests that a 200% risk charge be applied for this recompletion.
10. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest have been previously pooled and whose current addresses are known as listed on Exhibit "A" of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for July 23, 2009.
11. That in the absence of objection, Chesapeake requests that this matter to processed in accordance with Division Rule 19.15.4.12A(1)(b).

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on July 23, 2009 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order re-instating Order R-11993-A that pooling the mineral interest described in the appropriate spacing unit, adopting subsequent operations procedures for the recompletion of this well and other subsequent operations upon terms and conditions which include:

- (1) Chesapeake Operating, Inc. be named operator;

(2) Provisions for applicant and all working interest owners to participate in the costs of recompleting and operating the well and the subsequent operations of these spacing units;

(3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor charge of 200%;

(4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;

(5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', written over the typed name and firm name.

W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN  
706 Gonzales Road, Santa Fe  
Santa Fe, New Mexico 87501

Heirs and Unknown Heirs of  
M.S. Bannatyne, aka Matthew  
Bannatyne, including Alice T  
Bannatyne (address unknown)

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Heirs and Unknown Heirs of  
Harald Muller and Helen  
Muller, including:

Todd Burns  
425 Market Street, Ste 2200  
San Francisco, CA 94105-  
2434

Kari Burns Rader  
425 Market Street, Ste 2200  
San Francisco, CA 94105-  
2434

Robert Burns  
425 Market Street. Ste 2200  
San Francisco, CA 94105-  
2434

Bruce Burns  
425 Market Street. Ste 2200 San  
Francisco, CA 94105-2434

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Concord Oil Co.  
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San Antonio, TX 78205-1424

Newton Financial Corp. 100  
West Houston, Ste 1500 San  
Antonio TX 78205-1424

Dalco Petroleum, LLC P.O.  
Box 1904  
Lovington, NM 88260-1904

(successor to William J. Foster  
and Mary C. Foster Geddes)

