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September 28, 2010

APPLICATION

7097-70576

Honorable James H. Welsh
Commissioner of Conservation
Louisiana Office of Conservation
P.O. Box 94275
Baton Rouge, LA 70804-4275

RE: Cotton Valley Formation, Reservoir A
Haynesville Zone, Reservoir A
Smackover Formation, Reservoir A
Ashland Field
Red River and Natchitoches Parishes, Louisiana

Dear Commissioner Welsh:

Application is hereby made on behalf of **CHESAPEAKE OPERATING, INC.**, for the calling of a public hearing, after thirty (30) days legal notice, to consider evidence relative to the issuance of Orders pertaining to the following matters related to the **Cotton Valley Formation, Reservoir A, Haynesville Zone, Reservoir A, and Smackover Formation, Reservoir A,** in the **Ashland Field**, Red River and Natchitoches Parishes, Louisiana, to-wit:

1. To redefine the Cotton Valley Formation, Reservoir A, in accordance with the definition section hereof;

2. To dissolve the existing CV RA SUA, CV RA SUB, CV RA SUC, CV RA SUD, CV RA SUE, CV RA SUF, and CV RA SUG, and simultaneously therewith create seven (7) revised drilling and production units for the exploration for and production of gas and condensate from the redefined Cotton Valley Formation, Reservoir

A, such units to be designated CV RA SUA, CV RA SUB, CV RA SUC, CV RA SUD, CV RA SUE, CV RA SUF, and CV RA SUG;

3. To create seven (7) additional drilling and production units for the exploration for and production of gas and condensate from the Haynesville Zone, Reservoir A, such units to be designated HA RA SUB, HA RA SUC, HA RA SUD, HA RA SUE, HA RA SUH, HA RA SUJ, and HA RA SUK;

4. To establish rules and regulations and create seven (7) drilling and production units for the exploration for and production of gas and condensate from the Smackover Formation, Reservoir A, such units to be designated SMK RA SUA, SMK RA SUB, SMK RA SUC, SMK RA SUD, SMK RA SUE, SMK RA SUF, and SMK RA SUG;

5. To force pool and integrate all separately owned tracts, mineral leases and other property interests within the proposed units, with each tract sharing in unit production on a surface acreage basis of participation;

6. To revise the field spacing rules applicable to the Cotton Valley Formation, Reservoir A, in that any well drilled to the Cotton Valley Formation, Reservoir A, should be located no closer than 330 feet from any unit boundary and no closer than 660 feet to any other well completed in, drilling to, or for which a permit has been granted to drill to said reservoir;

7. To provide that any future well drilled the Smackover Formation, Reservoir A, within or outside of the proposed units, should be located no closer than 330 feet from any unit boundary and no closer than 660 feet to any other well completed in, drilling to, or for which a permit has been granted to drill to said reservoir;

8. To provide that with respect to horizontal wells drilled to the Cotton Valley Formation, Reservoir A, the Haynesville Zone, Reservoir A, and the Smackover Formation, Reservoir A, within or to serve the proposed units, where the horizontal portion of the well is cased and cemented back above the top of the reservoir to which it is drilled, the distance to any unit boundary and any offset well(s) should be calculated based on the distance to the nearest perforation in the well, and not based on the penetration point or terminus;

9. To designate Chesapeake Operating, Inc. as the operator of, and its Hood 17-13-7H No. 1 Well as the unit well for HA RA SUD, at the location shown on the attached plat;

10. To designate Chesapeake Operating, Inc. as the operator of, and its Petro-Hunt 8H No. 1 Well as the unit well for HA RA SUC, at the location shown on the attached plat;

11. To provide that with respect to the location of the proposed unit well for HA RA SUD, a tolerance distance should be granted that allows for a possible variance between the proposed location and the "as drilled" location so long as the changed location remains at a legal location, provided that said unit well is the initial well drilled for HA RA SUD;

12. To provide that the Commissioner of Conservation should be authorized to reclassify the Smackover Formation, Reservoir A, by supplemental order without the necessity of a public hearing if the producing characteristics of the reservoir change and evidence to justify such reclassification is submitted to and accepted by the Commissioner of Conservation;

13. To continue in full force and effect, except to the extent contrary herewith, all pertinent provisions of Office of Conservation Order No. 1262-D, effective March 21, 2006, as amended and supplemented by the 1262-D Series of Orders, and all applicable Statewide Orders;

14. To continue in full force and effect, except to the extent contrary herewith, all pertinent provisions of Office of Conservation Order No. 1262-E, effective May 4, 2010, as amended and supplemented by the 1262-E Series of Orders, and all applicable Statewide Orders; and

15. To consider such other matters as may be appropriate and justified by the evidence presented at the hearing.

The Cotton Valley Formation, Reservoir A, in the Ashland Field, Natchitoches and Red River Parishes, Louisiana, was previously defined in Office of Conservation Order No. 1262-D, effective March 21, 2006, and is hereby redefined as being the stratigraphic equivalent of that gas and condensate bearing interval encountered between the depths of 10,055 feet and 12,212 feet (electrical log measurements) in the Pioneer Production Corp. - Justin L. Teer No. 1 Well, located in Section 19, Township 13 North, Range 8 West, Red River Parish, Louisiana.

The Haynesville Zone, in the Ashland Field, Natchitoches and Red River Parishes, Louisiana, was previously defined in Office of Conservation Order No. 1262-E, effective May 4, 2010.

The Smackover Formation, Reservoir A, in the Ashland Field, is hereby defined as being the stratigraphic equivalent of that gas and condensate bearing interval encountered between the depths of 14,260 feet and 16,105 feet (electrical log measurements) in the J-W Operating Company - Davis Brothers 20 No. 1 Well, located in Section 20, Township 16 North, Range 4 West, Bienville Parish, Louisiana, and is hereby further defined as the stratigraphic equivalent of that gas and condensate bearing interval with a top being encountered at a depth of 13,725 feet (electrical log measurement) and base not reached in the Pioneer Production Corp. - Justin L. Teer No. 1 Well, located in Section 19, Township 13 North, Range 8 West, Red River Parish, Louisiana.

The pre-application conference tentatively scheduled for October 7, 2010, **WILL NOT BE HELD**, as it was not requested within the delays provided for by the Rules of Procedure; therefore, no opposition to this Application at the hearing is anticipated.

Pertinent data relating to the proposed application can be obtained, AT THE COST OF THE REQUESTING PARTY, by contacting David Comeaux, Leon Comeaux & Associates, P.O. Box 53922, Lafayette, LA, 70505, (337) 233-9839.

There are attached hereto and made a part hereof four (4) plats outlining the units to be dissolved and the proposed units, and a list of the names and addresses of the interested parties to whom this unitization proposal is being sent. Pursuant to the Revised Rules of Procedure, such list of parties is being furnished ONLY to the Commissioner of Conservation and to the District Manager of the Shreveport District of the Office of Conservation. However, the list of parties will be provided to any party requesting a copy of it. A reasonable effort was made to ascertain the names and addresses of all Interested Owners, Represented Parties and Interested Parties.

Finally, enclosed herein is our check in the amount of $2,265.00 made payable to the Office of Conservation in payment of the required hearing application fee.

Very truly yours,

RANDALL C. SONGY
JEREMY B. SHEALY

RCS/JBS/smp/fsc
Enclosures

3205565.1

Enclosures

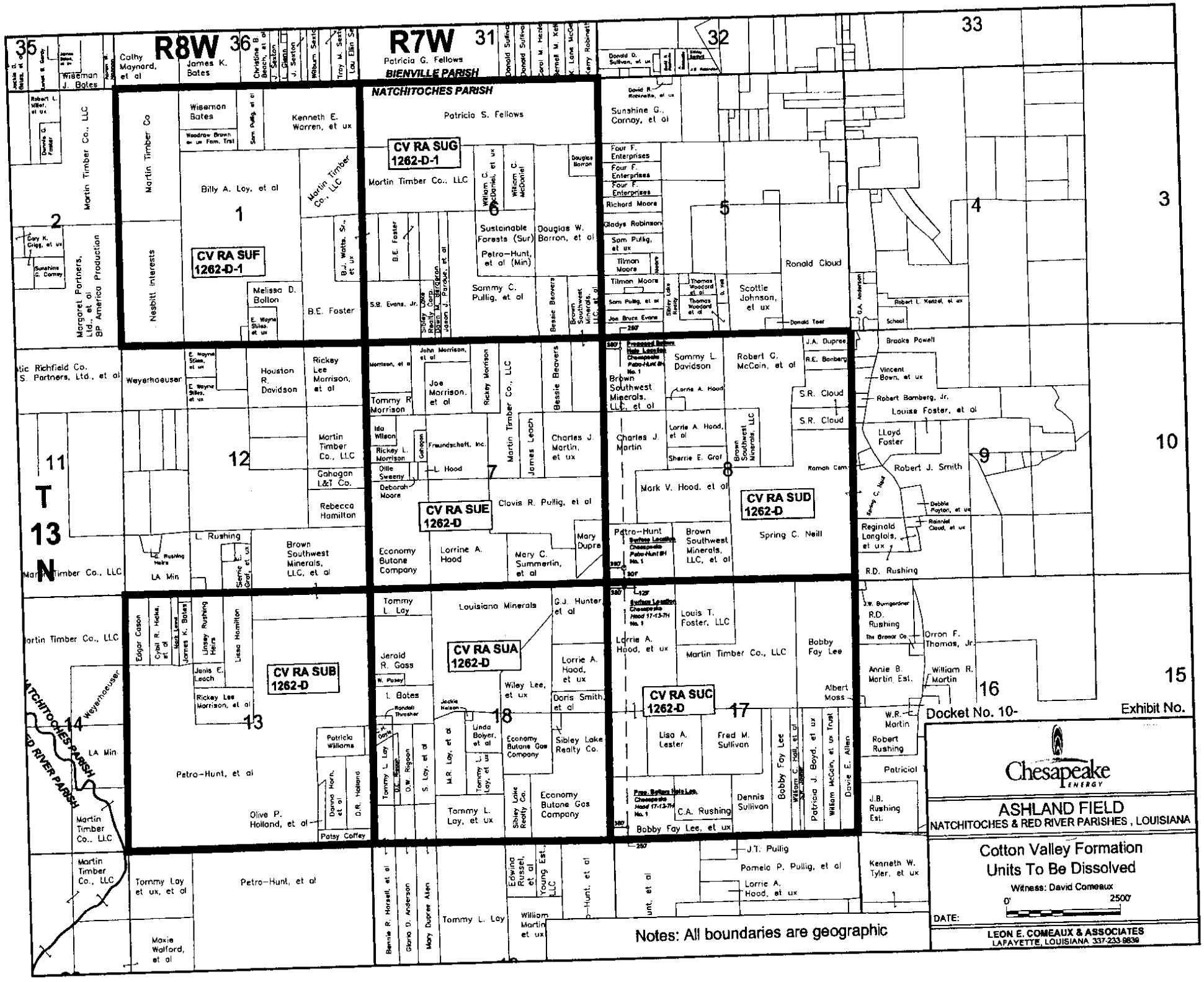
cc: Interested Owners, Represented Parties,
and Interested Parties

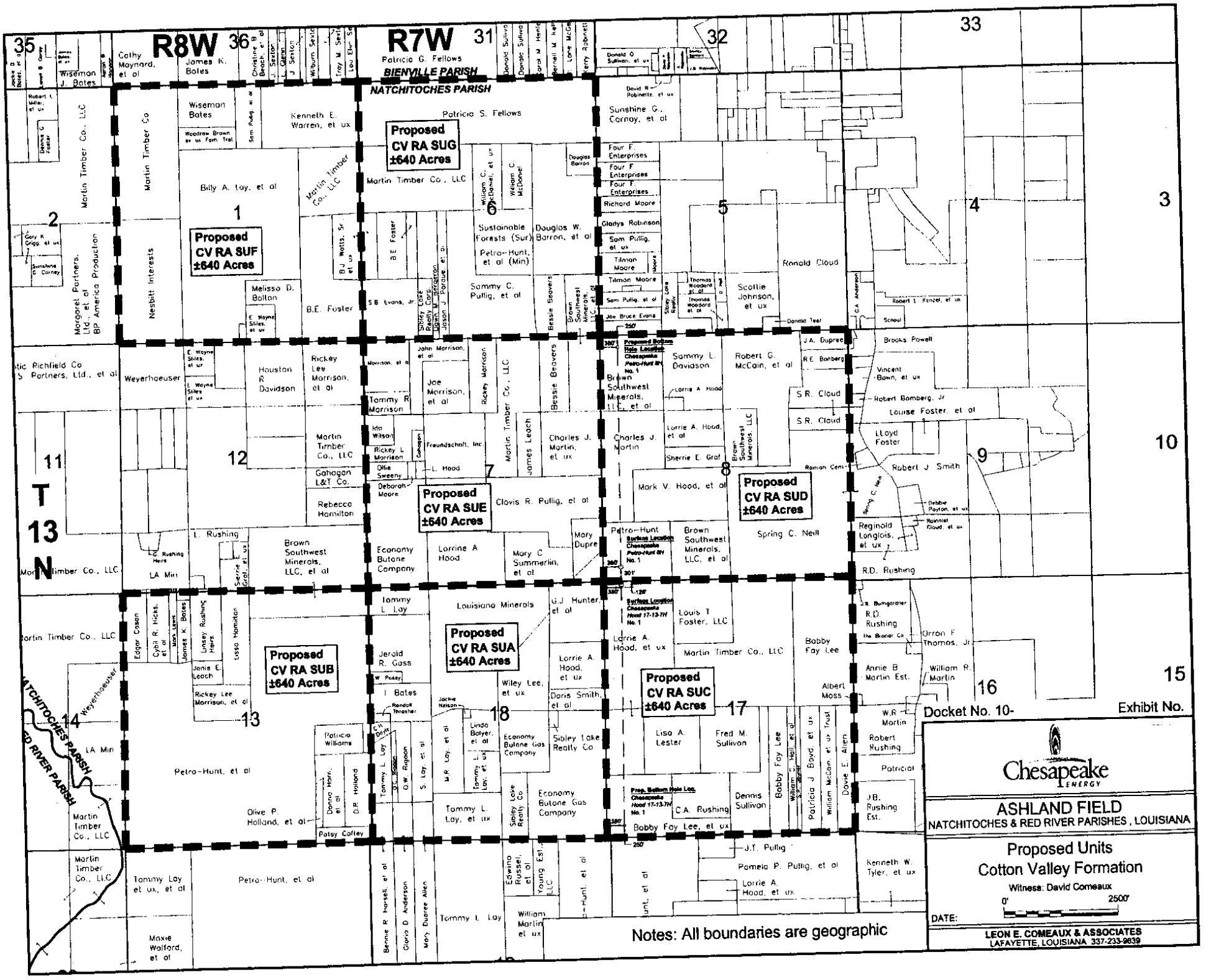
Mr. Jim Broussard, District Manager
Office of Conservation

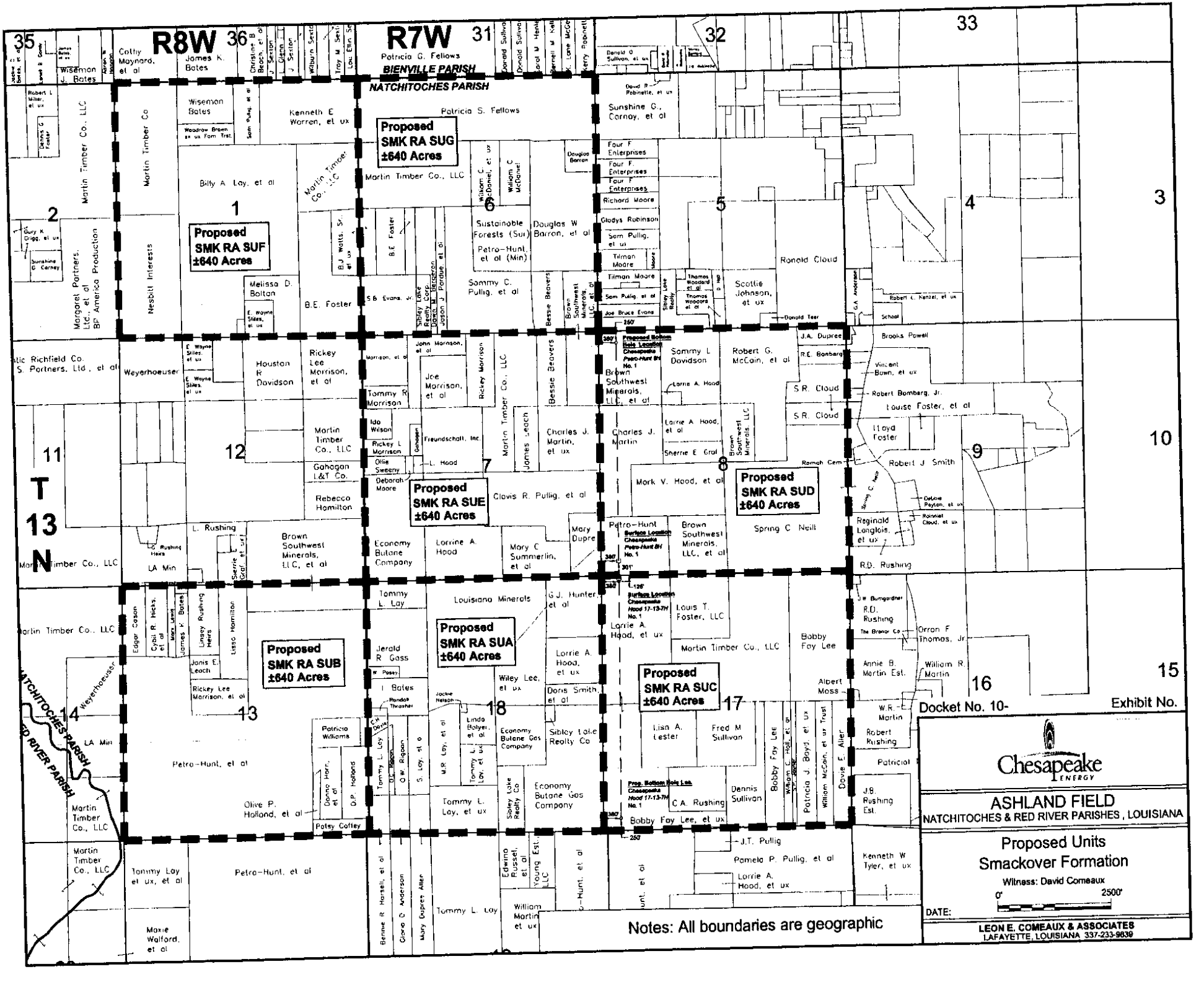
P.S. To all Interested Owners, Represented Parties and Interested Parties:

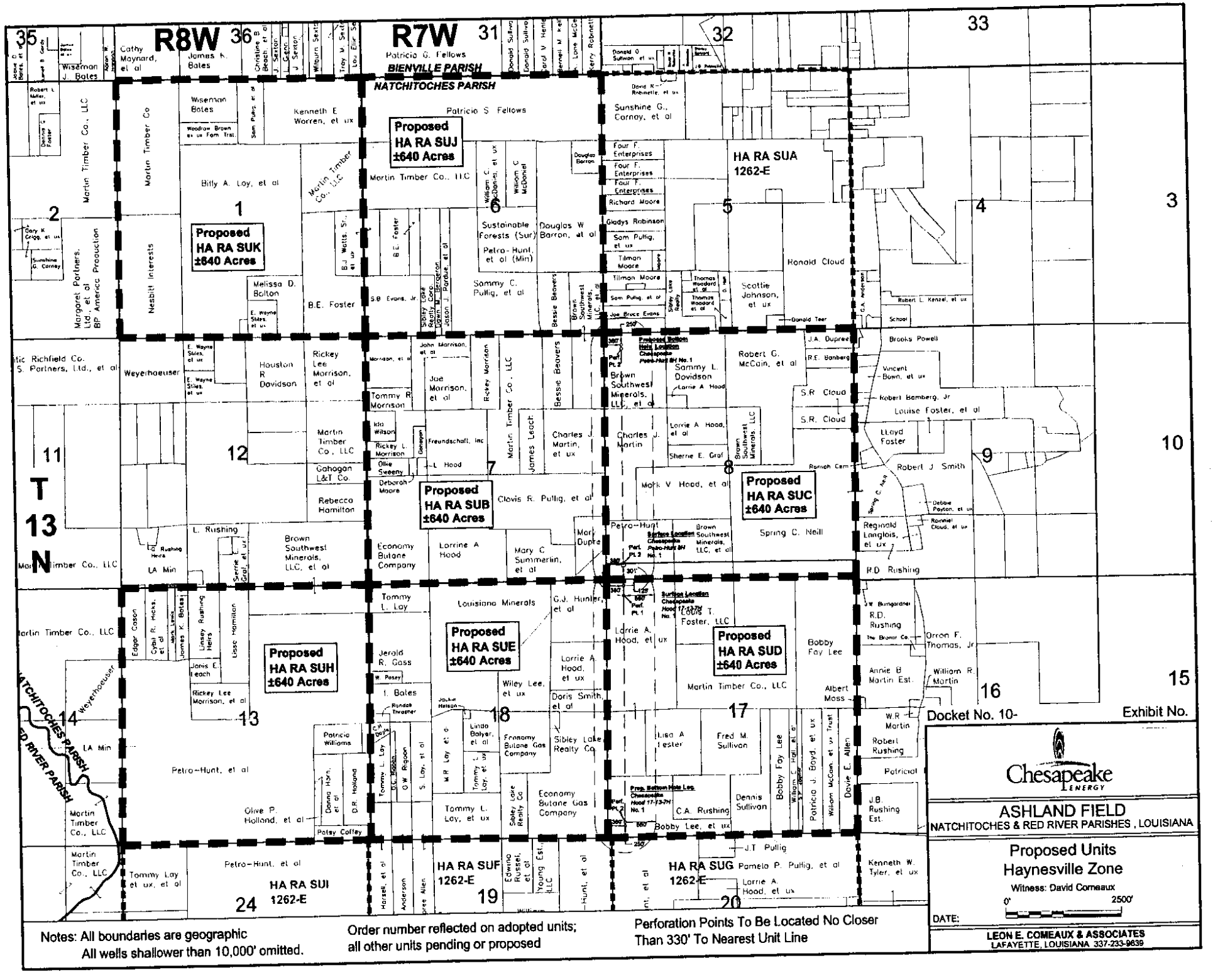
You may have received this Application even though your property is not included in the proposed units, because the Revised Rules of Procedure require us to attempt to also notify everyone owning an interest in the area "proximate to" the proposed units.

Your receipt of this Application does not require you to take any action. It is meant to notify you of these proceedings so that you have the opportunity to participate if you so desire.


R8W
R7W
T 13 N
BIENVILLE PARISH
NATCHITOCHES PARISH
CV RA SUG 1262-D-1
CV RA SUF 1262-D-1
CV RA SUE 1262-D
CV RA SUD 1262-D
CV RA SUA 1262-D
CV RA SUB 1262-D
CV RA SUC 1262-D
Docket No. 10-
Exhibit No.
Chesapeake ENERGY
ASHLAND FIELD
NATCHITOCHES & RED RIVER PARISHES, LOUISIANA
Cotton Valley Formation
Units To Be Dissolved
Witness: David Comeaux
DATE:
0'
2500'
LEON E. COMEAUX & ASSOCIATES
LAFAYETTE, LOUISIANA 337-233-9839
Notes: All boundaries are geographic


R8W
R7W
T 13 N
BIENVILLE PARISH
NATCHITOCHES PARISH
RED RIVER PARISH
Proposed CV RA SUG ±640 Acres
Proposed CV RA SUF ±640 Acres
Proposed CV RA SUE ±640 Acres
Proposed CV RA SUD ±640 Acres
Proposed CV RA SUB ±640 Acres
Proposed CV RA SUA ±640 Acres
Proposed CV RA SUC ±640 Acres
Notes: All boundaries are geographic
Docket No. 10-
Exhibit No.
Chesapeake ENERGY
ASHLAND FIELD
NATCHITOCHES & RED RIVER PARISHES, LOUISIANA
Proposed Units
Cotton Valley Formation
Witness: David Comeaux
0'
2500'
DATE:
LEON E. COMEAUX & ASSOCIATES
LAFAYETTE, LOUISIANA 337-233-9639


R8W
R7W
T 13 N
BIENVILLE PARISH
NATCHITOCHES PARISH
RED RIVER PARISH
Proposed SMK RA SUG ±640 Acres
Proposed SMK RA SUF ±640 Acres
Proposed SMK RA SUE ±640 Acres
Proposed SMK RA SUD ±640 Acres
Proposed SMK RA SUB ±640 Acres
Proposed SMK RA SUA ±640 Acres
Proposed SMK RA SUC ±640 Acres
Notes: All boundaries are geographic
Docket No. 10-
Exhibit No.
Chesapeake ENERGY
ASHLAND FIELD
NATCHITOCHES & RED RIVER PARISHES, LOUISIANA
Proposed Units
Smackover Formation
Witness: David Comeaux
0' 2500'
DATE:
LEON E. COMEAUX & ASSOCIATES
LAFAYETTE, LOUISIANA 337-233-9839



Notes: All boundaries are geographic
All wells shallower than 10,000' omitted.

Order number reflected on adopted units;
all other units pending or proposed

Perforation Points To Be Located No Closer
Than 330' To Nearest Unit Line