

DATE IN 8/26	SUSPENSE 9/15	ENGINEER MS	LOGGED IN MS	TYPE NSP	PMESD- APP NO. 323937932
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☒ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name

Signature

KELLAHIN & KELLAHIN

Attorneys At Law

P.O. Box 2265

Santa Fe, NM 87504-2265

Date

8/14/03

RECEIVED
 AUG 26 2003
 Oil Conservation Division

KELLAHIN & KELLAHIN
Attorney at Law

W. Thomas Kellahin
New Mexico Board of Legal
Specialization Recognized Specialist
in the area of Natural resources-
oil and gas law

P.O. Box 2265
Santa Fe, New Mexico 87504
117 North Guadalupe
Santa Fe, New Mexico 87501

Telephone 505-982-4285
Facsimile 505-982-2047
kellahin@earthlink.com

August 26, 2003

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

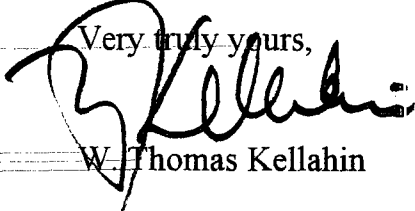
Re: NMOCD Administrative Application of
Chesapeake Operating, Inc and Doyle Hartman
for approval of two non-standard spacing unit:
(a) Barber Adkins "8" Well No. 1 Unit D, W/2 & SE/4NW/4
120-acres Section 8, T20S, R37E
(b) Britt "B-8" Well No. 2 Unit C, NE/4NW/4
40-acres Section 8, T20S, R37E

Dear Ms. Wrotenbery:

On behalf of Chesapeake Operating, Inc. and Doyle Hartman, please
find enclosed our joint application for approval of 2 non-standard spacing
units. This application is being filed jointly based upon our meeting with
Mr. Michael E. Stogner on August 6, 2003.

As a result of Mr. Stogner taking the initiative and because of his
suggestion of a unique solution, we are submitting this joint application in
order avoided a difficult and contentious dispute.

Very truly yours,



W. Thomas Kellahin

cc: J. E. Gallegos, Esq.
Attorney for Doyle Hartman
James Bruce, Esq.
Attorney for Arch Petroleum Inc.
Chesapeake Operating, Inc.
Attn: Lynda Townsend

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

**IN THE MATTER OF THE ADMINSTRATIVE
APPLICATION OF CHESAPEAKE OPERATING, INC.
AND DOYLE HARTMAN FOR APPROVAL OF TWO
NON-STANDARD PRORATION AND SPACING UNITS,
LEA COUNTY, NEW MEXICO.**

JOINT ADMINISTRATIVE APPLICATION

CHESAPEAKE OPERATING, INC. ("Chesapeake") by its attorneys, Kellahin & Kellahin, and DOYLE HARTMAN ("Hartman") by his attorney, J. E. Gallegos, seek the approval of the New Mexico Oil Conservation Division ("Division") for the following two non-standard proration and spacing units:

- (a) a 120-acre non-standard gas spacing unit ("NSP") consisting of the W/2NW/4 and SE/4NW/4 of Section 8, T20S, R37E, Lea County New Mexico to be dedicated to Chesapeake's Barber Adkins "8" Well No. 1 located 660 feet FNL and 660 Feet FWL (Unit D) of this section for production from the West Monument Tubb Gas Pool; and
- (b) a 40-acre non-standard oil proration and spacing unit ("NSP") consisting of the NE/4NW/4 of Section 8, T20S, R37E, Lea County New Mexico to be dedicated to Hartman's Britt "B-8" Well No. 2 located 330 feet FNL and 2310 Feet FWL (Unit C) of this section for oil production from the Monument Tubb Pool.

In support of its joint application Chesapeake and Hartman state:

- (1) Chesapeake's proposed a 120-acre spacing unit consisting of a single fee oil & gas lease the working interest ownership of which is divided such that Chesapeake has 100% of the W/2NW/4 and Arch Petroleum, Inc. ("Arch") has 100% of the SE/4NW/4. **See ownership document attached as Exhibit "A" "B" and "C"**
- (2) Hartman's proposed a 40-acre spacing unit consisting of a single federal oil & gas lease of which Hartman has 100% of the working interest ownership. **See ownership document attached as Exhibit "D"**
- (3) The NW/4 of this section is sandwiched between the West Monument Tubb Gas Pool to the west and the Monument Tubb Oil Pool to the west. Standard spacing units for the West Monument Tubb Gas Pool are 160-acres (Division Rule 104) while standard spacing units for the Monument Tubb Oil Pool are 80-acres (**Division Order R-2800**).
- (4) Chesapeake's Barber Adkins "8" Well No. 1 was originally drilled to the Ellenburger formation. Chesapeake plans to re-enter this wellbore to test the Tubb formation. The well is located at a standard gas well location in the Unit D of Section 8 and normally would be dedicated to a standard gas spacing unit consisting of 160-acre being the NW/4 of this section.
- (5) Chesapeake has filed a compulsory pooling application in order to pool the NW/4 of this section as a standard 160-acre gas spacing unit. **See NMOCD Case 13101.**
- (6) Hartman is opposed to this compulsory pooling case and has advised Chesapeake and the Division that he wants to be excluded from this proposed gas spacing unit based upon his belief that his Britt "B-8" Well No. 2 will be an oil well when he re-completes it.

- (7) Chesapeake believes its geologic interpretation for approval of its 120-acre NSP. **See Exhibit "E"**
- (8) Hartman believes his geologic interpretation for approval of his proposed 40-acre NSP is supported by his study that the active offsetting wells in Section 4, 5, 6, 7, 8 and 9 all demonstrate gas/oil ratios which classify them as oil wells. **See Exhibit "F"**
- (9) At the request of the Division, counsel for Chesapeake and Hartman attended a prehearing conference on August 6, 2003 before Examiner Michael E. Stogner. Counsel for Arch declined to attend but submit a letter stating that Arch has no on objection to these two non-standard spacing units being approved by the Division. **See Exhibit "G"**
- (10) If Chesapeake's Barber Adkins "8" Well No.1 is classified as an oil well, then in accordance with the Division's rules and orders, Chesapeake will dedicate an 80-acre standard oil spacing unit for Tubb production consisting of the W/2NW/4 of this section to this well (See Monument Tubb Oil Pool rules).
- (11) Chesapeake and Arch have agreed to entered into a working interest unit covering Chesapeake's proposed 120-acre NSP such that Arch and the interest owners in the SE/4NW/4 will participate in production from the Barber Adkins "8" Well No. 1 regardless of whether it produced gas or oil. **See Exhibit "E"**
- (12) In accordance with the Division's notice requirements, because Chesapeake, Hartman and Arch are all in agreement with this application and because the royalty interest are common within each of the two oil & gas leases, no additional notices are required.


WHEREFORE, Chesapeake and Hartman, as applicants,
requests that this application be approved as requested.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN

P. O. Box 2265
Santa Fe, New Mexico 87504
Telephone: (505) 982-4285
Facsimile: (505) 982-2047
Attorney for Chesapeake Operating, Inc.



J. E. Gallegos
Gallegos Law Firm
460 St. Michael's Drive
Santa Fe, New Mexico 87505
Telephone (505) 986-1367
Facsimile (505) 986-0741
Attorney for Doyle Hartman

County of Lea
 On this 11th day of August, A. D. 1926, before me personally appeared
Marion S. Adkins and Beattie R. Adkins, husband and wife
 the person is described in and who executed the foregoing instrument, and acknowledged that
 executed the same as their free act and deed.
 WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year in this
 written.
James S. 1928 Notary Public



STATE OF NEW MEXICO
 County of Lea
 On this 11th day of August, A. D. 1926, before me personally appeared
 to me known to be the person is described in and who executed the foregoing instrument, and acknowledged that
 executed the same as their free act and deed.
 IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year in this
 certificate first above written.
 My Commission Expires 1928 Notary Public

54 Lea N Mex
 11-2-26

OIL AND GAS LEASE

FROM
Marion S. Adkins et al
Muskogee, Oklahoma,
 TO
Pratt's Oil & Gas Company

Dated August 10th, 1926
 No. 280
 Term 100 years
 This instrument was filed for record on the 20
 day of August, 1926
 Entered 11-2-26
 Lease Registered 9 of Book 2, N. M., and duly recorded in
 records of this office Page 408 of the



K 56 38

10/05/2000 10:20 FAX 4065/88800 0115 PL 2 0004
Duplicate of original exhibit attached to blanket assignment of leases of The Prairie Oil & Gas Company to

EXHIBIT "A"

File No. 34 100 County New Mexico

Date of lease: August 16, 1924

Lessor: August S. Ashins, and wife Francis S. Ashins.

Lessee: The Prairie Oil & Gas Company

Description: $\frac{1}{2}$ of NE $\frac{1}{4}$ and NE $\frac{1}{4}$ of Section 8 - Township 38N - Range 71E,
S.M.P.M. The NE $\frac{1}{4}$ of Section 7 - Township 38N - Range 71E, S.M.P.M.,
and containing 200 acres, more or less.

Which said lease has been filed for record in the County aforesaid and is
Recorded in the office of the County Clerk (Register of Deeds) in Book 4 Page 221

CHALFANT PROPERTIES, INC.
Oil and Gas Leasing and Properties
1502 North Big Spring
P. O. Box 3123
Midland, Texas 79702

915/684-9819
915/682-2601 fax

COUNTY: Lea
STATE: NM
AREA: Barbara Atkins Area
DATE: 03-22-02, updated to 02-17-03, 3:30 PM

Township 20-S, Range 37-E,
SE/4 NW/4 Section 08, containing 40 acs, m/l

LEASING RIGHTS	INTEREST (NET ACRES)	COMMENTS
Theodore Anderson and Bertie Whitmire	1.00 (40)	HBP O&GL 13/222, dtd 11-10-28, 1/8 th royalty <u>Leasehold:</u> Arch Petroleum, Inc., a Delaware Corp., Forth Worth Club Tower Penthouse II Fort Worth, Tx. 76102 100% WI, 87.50% NRI

Landman Name: T. Hill

TNH:mmc

The Foregoing is based on a review of the indices and records of Caprock Title Company, Midland, Texas. No warranty of title, either express or implied, is made to the foregoing; it is provided for information purposes only.

Subject to:

Bk. 396/124, Assignment of Well, filed 12-4-81, Gulf Oil Corporation, assigned all of its interest in the plugged and abandoned well, known as Bertie Whitmire No. 7, located 1,980 feet FNL & 2,310 feet FEL of Section 8, to be converted to a SWD to Rice Engineering and Operating Company, 122 West Taylor, Hobbs, NM 88240.

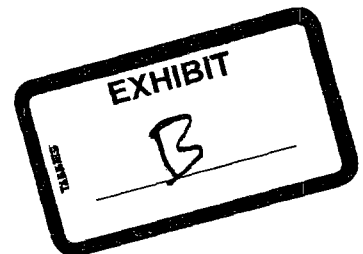
Bk. 131/228, Gas Pooling Agreement, dated 01-25-56, filed 02-24-58, between Gulf Oil Corporation & Cities Service, (Gulf as operator), covering the NE/4 and the SE/4 NW/4 of Section 8, as to dry gas and associated liquid hydrocarbons produced from a gas well, within the vertical limits of the Eumont Gas Pool, as defined by New Mexico Oil Conservation Commission's Order #: R-520. It is the intent that this not affect other production from wells in other formations other than said production from the Eumont Gas Pool.

Bk. 498/163, Assignment, Chevron U.S.A., Inc. to Arch Petroleum Inc., subject to Special Metering Agreement, dtd March 4, 1991, between Southwestern Public Service Company, Chevron U.S.A., Inc. and Jimmie Cooper.

Arch also owns Mineral Interest, Bk. 498/163, Assignment, filed 04-04-1994, Chevron to Arch Petroleum Inc.

Updated in Lea County Clerk's Office including instruments filed as February 17, 2003, 3:30 p.m.

Landman: Sherri Hatfield



CHALFANT PROPERTIES, INC.

Oil and Gas Leasing and Properties

1502 North Big Spring

P. O. Box 3123

Midland, Texas 79702

915/684-9819

915/682-2601 fax

COUNTY: Lea

STATE: NM

AREA: Barbara Atkins Area

DATE: 01-18-02 **updated 02-17-03**

Township 20-S, Range 37-E,
W/2 NW/4 Section 08, containing 80 acs, m/l
below the base of the San Andres

LEASING RIGHTS	INTEREST (NET ACRES)	COMMENTS
Eugene Atkins, et al	1.00 (80)	HBP O&GL 4/408, dtd 8-10-26, 1/8 th royalty <u>Leasehold:</u> SAP Acquisition Corporation, Oklahoma Corporation c/o Chesapeake Operating Inc. P.O. Box 18496 Ok. City, OK 73154 100% WI, 87.50% NRI

Merger PR, Bk. 1129, page 265, dated 12-18-02, *Sapient Energy Corp. into SAP Acquisition Corp.*, an OK corporation, did not include an address for SAP. Document was returned, after recording, to Chesapeake at the address given above.

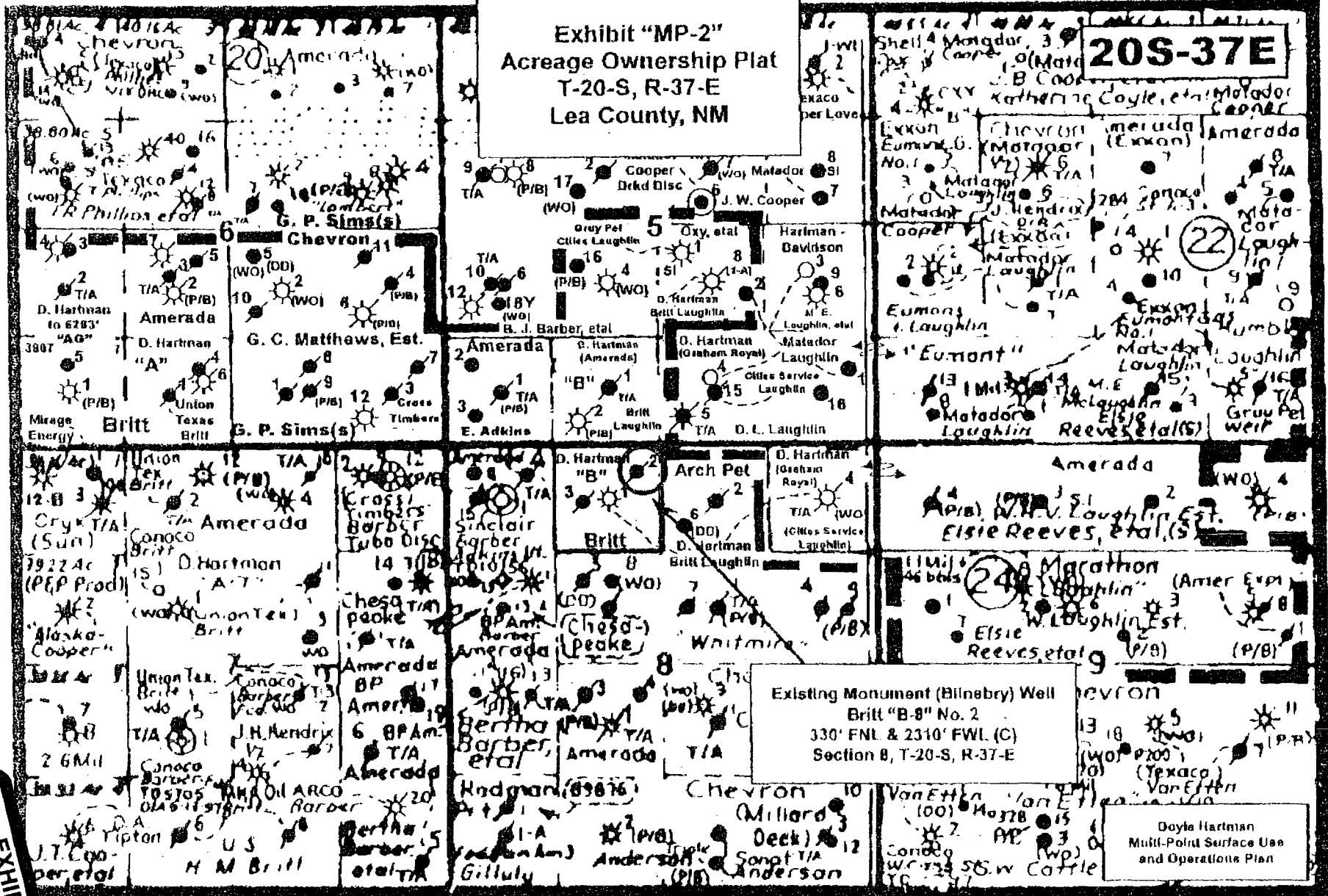
Subject to Purchase and Sales Agreement, dtd 2-28-00, between Cross Timbers Oil Company and Falcon Creek Resources, Bk. 1010/395, (Exhibit pg 65).

Updated in Lea County Clerk's Office including instruments filed as February 17, 2003, 3:30 p.m.

Landman: Sherri Hatfield



20S-37E



U.S. DEPT. OF JUSTICE

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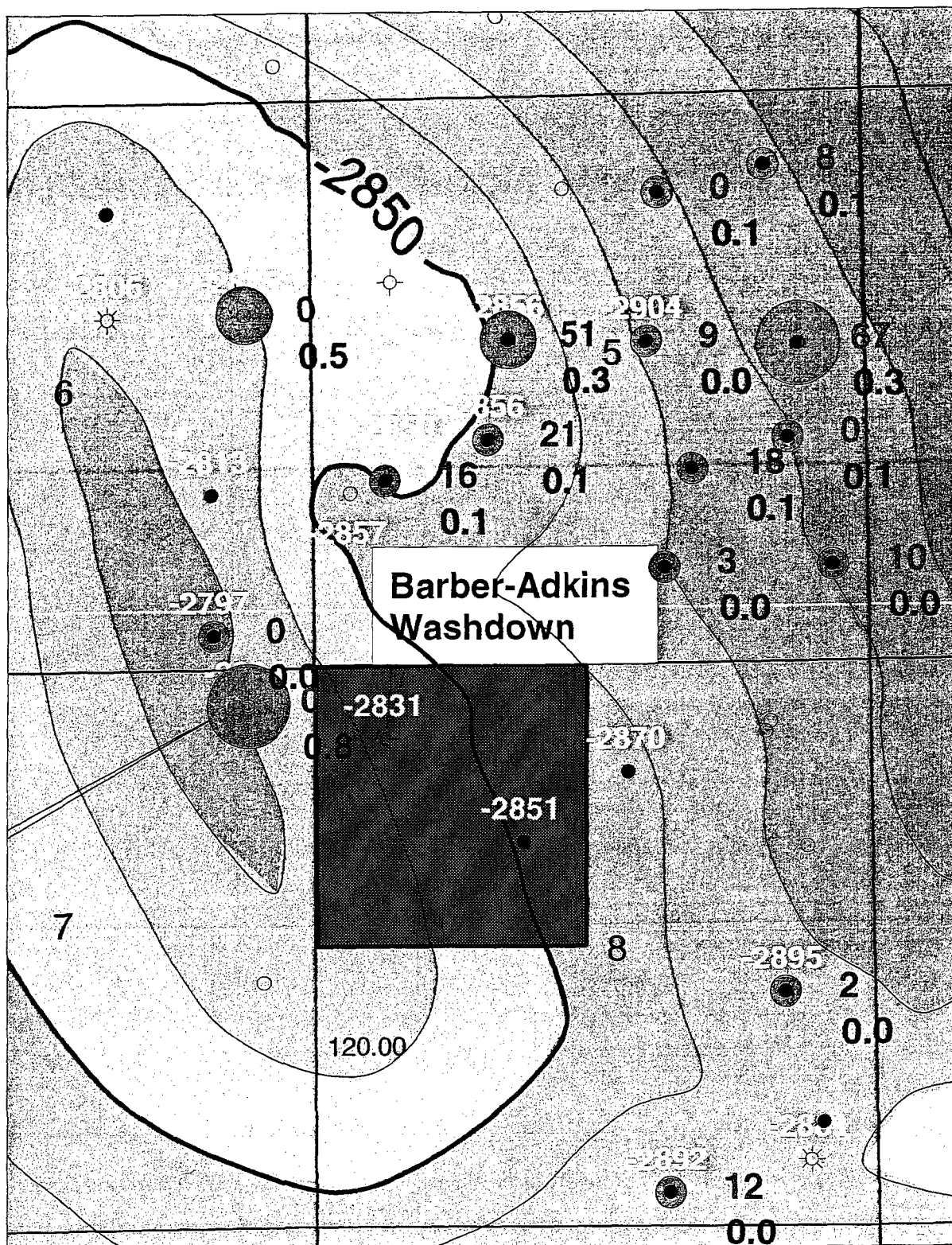



EXHIBIT
E

	CHESAPEAKE OPERATING, INC.
MONUMENT PROSPECT Barber-Adkins Unit	
Lower Tubb Carbonate Structure Map C125	
Tubb Producers Light Blue Circles Lee County, New Mexico	
Well Producing Tubb Shown	Approximate Gas-Oil Contact in Rec
Date: 31 July, 2003	Geologist: Doug Bellis
Scale: 1" = 2000'	

HASMAN
EXHIBIT



JAMES BRUCE

ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501(505) 982-2043 (PHONE)
(505) 982-2151 (FAX)

jamesbruce@aol.com

August 6, 2003

Via FaxMichael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505Re: Case No. 13101/Chesapeake Operating, Inc.
NW¼ S8-20S-37E/Barber Adkins "8" Well No. 1Interested parties: Doyle Hartman
Arch Petroleum Inc.

Dear Mr. Stogner:

Thank you for your call today regarding the proposed non-standard units in the NW¼ of Section 8. It is Arch's understanding that Mr. Hartman is proposing a non-standard 40 acre oil unit comprising the NE¼NW¼ of Section 8. As a result, Chesapeake would form a non-standard gas unit comprising the W¼NW¼ and SE¼NW¼ of Section 8. Arch has no objection to these proposals. In fact, Arch has a verbal agreement with Chesapeake to form the 120 acre unit, and they are working on an operating agreement covering the 120 acres.

You indicated the possibility of forming a non-standard 80 acre gas unit comprising the W¼NW¼ of Section 8, and then forming an E¼NW¼ oil unit. Arch objects to the W¼NW¼ unit. Arch believes that the fee leases covering the W¼NW¼ and SE¼NW¼ of Section 8 should be within one unit, and the federal lease covering the NE¼NW¼ of Section 8 should form a separate unit.

Please call if you have any questions.



Very truly yours,

A handwritten signature in dark ink, appearing to read "Jim Bruce", written over a vertical line.

James Bruce

Attorney for Arch Petroleum Inc.

cc: W. Thomas Kellahin (via fax)
J.E. Gallegos (via fax)