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October 13, 2003

HAND DELIVERED

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

RECEIVED

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Oil Conservation Division

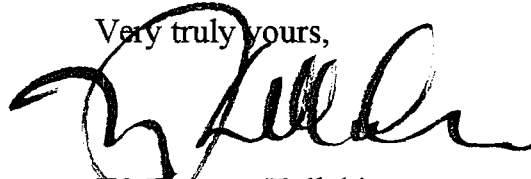
Re: Williams "14" Well No. 1
Unit E, W/2 Section 14, T15S, R35E
Application of Chesapeake Operating, Inc.
for Compulsory Pooling
Lea County, New Mexico

Case 13179

Dear Ms. Wrotenbery:

On behalf of Chesapeake Operating, Inc., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for November 6, 2003. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Lynda Townsend

CASE 1317:⁹ Application of Chesapeake Operating, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the W/2 of Section 14, T15S, R35E, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any production for any and all formations/pools developed on 320-acre spacing within that vertical extent, including the Southwest Austin Morrow Gas Pool and the Southwest Austin-Mississippian Gas Pool. This unit is to be dedicated to its Williams "14" Federal Well No. 1 which is to be drilled at a standard location in Unit E of this section. Also to be considered will be the costs of the re-entering said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well. This unit is located approximately 6 miles north-northeast from Lovington, New Mexico.

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

**IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE OPERATING, INC.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 13179

APPLICATION

CHESAPEAKE OPERATING, INC. ("Chesapeake") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the W/2 of Section 14, T15S, R35E, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any production for any and all formations/pools developed on 320-acre spacing within that vertical extent, including the Southwest Austin-Morrow Gas Pool and the Southwest Austin-Mississippian Gas Pool. This unit is to be dedicated to its Williams "14" Federal Well No. 1 which is to be drilled at a standard location in Unit E of this section. Also to be considered will be the costs of the re-entering said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well.

In support of its application Chesapeake states:

1. Chesapeake has a working interest ownership in the oil and gas minerals underlying the NW/4 of Section 14, T15S, R35E, NMPM, Lea County, New Mexico at propose to dedicate the W/2 of this section to its Williams "14" Well No. 1 located in unit E of this section as a standard 320-acre gas spacing and proration unit.
2. The subject unit is within 1 mile of the Southwest Austin-Mississippian Gas Pool and the Southwest Austin-Morrow Gas Pool, both subject to "statewide rules" pursuant to Division Rule 104.

3. More than 30-days prior to this application, Chesapeake proposed to Pitch Energy, Inc., the working interest over in the SW/4 of this section, the formation of this spacing unit to be dedicated to a well to be drilled in Unit E of this section. Dispute its reasonable efforts; Chesapeake has been unable to obtain the voluntary agreement of Pitch Energy, Inc.

4. Pursuant to Commission Order R-11992, effective August 15, 2003, Chesapeake requests that the 200% risk charge be applied.

5. 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, Chesapeake needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

6. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for November 6, 2003.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on November 6, 2003 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location 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 re-entering, completing, equipping and operating the well;

(3) In the event a mineral interest or 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 penalty 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 black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

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Exhibit "A"

Pitch Energy, Inc.
P. O. Box 304
Artesia, New Mexico 88211
Attn: Ray Miller