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February 12, 1999

VIA FACSIMILE

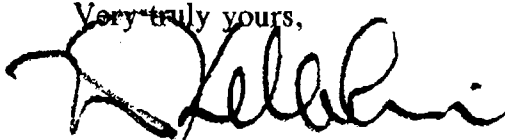
Mr. Mark Ashley
Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: NMOCD Case 11750 (Reopened)
Application of Chesapeake Oil Company
for Creation of a New Oil Pool with
Special Rules and a Discovery Oil Allowable
Lea County, New Mexico

Dear Mr. Ashley:

On behalf of Chesapeake Oil Company, the applicant in this case, I would appreciate you continuing the referenced case from the Examiner docket schedule for February 18, 1999 to the Examiner hearing docket now scheduled for March 4, 1999.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Oil Company
Attn: Lynda Townsend

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos. 7-99 and 8-99 are tentatively set for March 4, and March 18, 1999. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 12120: Continued from January 21, 1999, Examiner Hearing.

Application of Universal Resources Corporation for surface commingling, Rio Arriba and San Juan Counties, New Mexico. Applicant seeks an exception to Division Rules 303-A and 309-A to permit surface commingling of Alamito-Gallup and Lybrook-Gallup Pool production from the following Federal Leases NMNM6682, NMNM6681, NMNM16586, NMNM58878, NMNM10087, NMNM048989A, and State Lease: 00016172 and 00016174, covering parts of Sections 21, 22, 23, 27, 28, 31, 32, 34, Township 23 North, Range 7 West, NMPM, San Juan County, New Mexico; Section 2, Township 22 North, Range 8 West, and Section 36, Township 23 North, Range 8 West, Rio Arriba County, New Mexico. These leases are located approximately 50 miles southeast of Farmington, New Mexico.

CASE 12097: Continued from February 4, 1999, Examiner Hearing.

Application of Merrion Oil Corporation for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool underlying Lots 3 and 4, the S/2 NW/4, and the SW/4 of Section 2, Township 26 North, Range 13 West, thereby forming a standard-acre gas spacing and proration unit for this pool. This unit is to be dedicated to its proposed Shank Corn Well No. 1 (API No. 30-045029516) to be drilled at a previously approved off-pattern unorthodox coal gas well location 1840 feet from the North and West lines (Unit F) of Section 2 (see Division Administrative Order NSL-4166, dated November 19, 1988). Also to be considered will be the cost of drilling and completing this well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling the well. This unit is located approximately 14 miles south of Farmington, New Mexico.

CASE 12125: **Application of Gothic Production Corporation for an unorthodox infill gas well location, Chaves County, New Mexico.** Applicant seeks an exception to the well location requirements provided in the "*Special Rules and Regulations for the Pecos Slope-Abo Gas Pool*" set forth in Division Order No. R-9976-C for an unorthodox Abo infill gas well location in an existing standard 160-acre gas spacing unit for the Pecos Slope-Abo Gas Pool comprising the SE/4 of Section 30, Township 5 South, Range 25 East, which is located approximately 13 miles east of U. S. Highway 285 at mile marker No. 151. The proposed McClellan "MOC" Federal Well No. 17 is to be drilled 2475 feet from the South line and 1495 feet from the East line (Unit J) of Section 30. This unit is currently dedicated to Gothic Production Corporation's McClellan "MOC" Federal Well No. 2 (API No. 30-005-61650), located at a standard gas well location 660 feet from the South line and 1650 feet from the East line (Unit O) of Section 30.

CASE 12126: **Application of Gothic Production Corporation for an unorthodox infill gas well location, Chaves County, New Mexico.** Applicant seeks an exception to the well location requirements provided in the "*Special Rules and Regulations for the Pecos Slope-Abo Gas Pool*" set forth in Division Order No. R-9976-C for an unorthodox Abo infill gas well location in an existing standard 160-acre gas spacing unit for the Pecos Slope-Abo Gas Pool comprising the NE/4 of Section 12, Township 10 South, Range 25 East, which is located approximately 4.5 miles north of the junction of U.S. Highway 380 and State Road 409. The proposed Penjack Federal Well No. 11 is to be drilled 330 feet from the North line and 2310 feet from the East line (Unit B) of Section 12. This unit is currently dedicated to Gothic Production Corporation's Penjack Federal Well No. 3 (API No. 30-005-62495), located at a standard gas well location 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 12.

CASE 11750: (Reopened)

In the matter of Case No. 11750 being reopened pursuant to the provisions of Division Order No. R-10848, which order established temporary special pool rules for the Northeast Shoe Bar-Strawn Pool in Lea County, New Mexico. Operators in the subject pool may appear and show cause why the temporary special rules and regulations for the pool should not be rescinded and the pool not be developed either on statewide 40-acre spacing or with an optional second well on each 80-acre unit. This pool is located approximately 2 miles southwest of Lovington, New Mexico.

CASE 12114: Continued from January 7, 1999, Examiner Hearing.

Application of Chesapeake Operating Inc. for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the SE/4 SW/4 of Section 21, Township 15 South, Range 36 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within that vertical extent. This unit is to be dedicated to its I.M. Allen □21" Well No. 1 which will be located at an unorthodox location 1028 feet from the South line and 1744 feet from the West line (Unit N) of Section 21. Also to be considered will be the cost of drilling and completing this well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling the well. This unit is located approximately 4 miles northeast of the center of the City of Lovington, New Mexico.

CASE 12127:

Application of OXY USA Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the following described acreage in Section 33, Township 16 South, Range 27 East, and in the following manner: the S/2 to form a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within that vertical extent, which presently may include the Dog Canyon-Strawn Gas Pool or the Crow Flats-Morrow Gas Pool. The unit is to be dedicated to OXY's Luck Dog State Well No. 1 to be drilled and completed at a standard gas well location in Unit N of this section. Also to be considered will be the costs of drilling and completing 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 charge for risk involved in this well. This unit is located approximately 7 miles northeast of Artesia, New Mexico.

CASE 12080:

Continued from January 7, 1999, Examiner Hearing.

Application of David H. Arrington Oil and Gas, Inc. for amendment of Division Order No. R-11028, Lea County, New Mexico. Applicant seeks an order amending Order No. R-11028 to pool all mineral interests from the surface to the base of the Lower Mississippian formation, underlying Lots 11 through 14 and the SW/4 for all formations developed on 320-acre spacing including the Undesignated North Shoe Bar-Atoka Gas Pool, Undesignated North Hume-Morrow Gas Pool and the Undesignated Townsend-Morrow Gas Pool, the SW/4 for all formations developed on 160-acre spacing, the N/2 SW/4 for all formations developed on 80-acre spacing including but not limited to the Undesignated Big Dog-Strawn Pool, and the NE/4 SW/4 for all formations developed on 40-acre spacing including the Undesignated Northwest Townsend-Abo Pool, Townsend-Permo Upper Pennsylvanian Pool and the Undesignated Townsend-Strawn Pool, all in Section 3, Township 16 South, Range 35 East. Applicant proposes to dedicate these pooled units to its Parachute Hopper Well No. 1 to be drilled at a standard gas well location in the NE/4 SW/4 of Section 3. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling the well. The area is located approximately 5 miles west of Lovington, New Mexico.

CASE 12128:

Application of Yates Petroleum Corporation for extension of the vertical limits of the Sand Springs-Atoka Gas Pool and for special pool rules, Lea County, New Mexico. Applicant seeks the expansion of the vertical limits of the Sand Springs-Atoka Gas Pool to include both the Atoka and Morrow formations and for the issuance of special pool rules for this expanded pool including provisions for a second gas well on each standard spacing and proration unit in the pool. This Sand Springs-Atoka Gas Pool is located in portions of Sections 1 and 2 of Township 11 South, Range 34 East. This area is located approximately 11 miles northwest of Tatum, New Mexico.

CASE 12129:

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests underlying the following described acreage in Section 33, Township 16 South, Range 27 East, in the following manner: the S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, the SW/4 to form a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent, the S/2 SW/4 to form a standard 80-acre spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within that vertical extent, and the SE/4 SW/4 to form a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent. These units are to be dedicated to a well to be drilled at a standard location 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 33. Also to be considered will be the cost of drilling and completing this well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling this well. This area is located approximately 19 miles northwest of Loco Hills, New Mexico.

CASE 12130:

Application of Yates Petroleum Corporation for an unorthodox gas well location to accommodate the rededication of acreage for geologic reasons, Lea County, New Mexico. Applicant seeks authorization to rededicate the N/2 spacing and proration unit dedicated to its Sand Spring State Well No. 1 located 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 11, Township 11 South, Range 34 East, in the Atoka and Morrow formations, Sand Spring-Atoka Gas Pool to a W/2 spacing and proration unit. These spacing units are approximately 10 miles northwest of Tatum, New Mexico.

CASE 12037:

Readvertised - Continued from February 4, 1999, Examiner Hearing.

Application of Yates Petroleum Corporation for pool contraction, pool extension and special pool rules, or in the alternative, simultaneous dedication, Lea County, New Mexico. Applicant seeks contraction and extension of the boundaries of the North Shoe Bar-Atoka Gas Pool to conform to the acreage dedicated to the wells therein, and the promulgation of Special Pool Rules which authorize a second well on each standard spacing and proration unit in the pool. In the alternative, applicant seeks authorization to simultaneously dedicate its Brunson AQK State Com Well No. 1 located 2260 feet from the North line and 1795 feet from the East line and its Big Flat ASN State Com. Well No. 1 located 1650 feet from the South line and 1980 feet from the East line, both in Section 10, Township 16 South, Range 35 East, to a standard gas spacing unit comprised of the E/2 of Section 10 in the North Shoe Bar-Atoka Gas Pool. Said wells are located approximately 6 miles west of Lovington, New Mexico.