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W. THOMAS KELLAHIN*

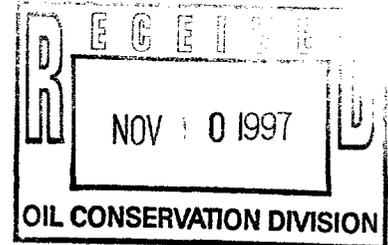
*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

November 10, 1997

HAND DELIVERED

Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505



11894

Re: Salbar "16" Well No. 1
SW/4NW/4 Section 16, T16S, R36E, NMPM
Application of Chesapeake Operating, Inc.
for an Unorthodox Oil Well Location,
Lea County, New Mexico

Dear Mr. LeMay:

On behalf of Chesapeake Operating, Inc., please find enclosed our application for an unorthodox oil well location which we request be set for hearing on the next available Examiner's docket now scheduled for December 4, 1997. Also enclosed is our proposed notice for the advertisement.

Very truly yours,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is fluid and cursive, with a large initial "W".

W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Mike Hazlip

Proposed notification/advertisement for OCD docket

Case 11894: Application of Chesapeake Operating, Inc. for an unorthodox oil well location, Lea County, New Mexico. Applicant seeks approval to drill its proposed Salbar "16" Well No. 1 at an unorthodox oil well location 2456 feet from the north line and 1023 feet from the west line (Unit E) of Section 16, Township 16 South, Range 36 East, NMPM, to the base of the Strawn formation, said location being unorthodox for any and all oil producing formations, and, if productive, to be dedicated to a standard 40-acre oil spacing and proration unit consisting of the SW/4NW/4 of said Section 19.

Said location is located approximately 3 miles south 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 AN UNORTHODOX OIL WELL,
LEA COUNTY, NEW MEXICO

CASE: 11894

APPLICATION

Comes now CHESAPEAKE OPERATING, INC. ("Chesapeake") by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division ("NMOCD") for approval to drill its proposed Salbar "16" Well No. 1 at an unorthodox oil well location 2456 feet from the north line and 1023 feet from the west line (Unit E) of Section 16, Township 16 South, Range 36 East, NMPM, to the base of the Strawn formation, said location being unorthodox for any and all oil producing formations, and, if productive, to be dedicated to a standard 40-acre oil spacing and proration unit consisting of the SW/4NW/4 of said Section 19.

In support thereof, Applicant states:

1. Applicant, Chesapeake, is the proposed operator of the Salbar "16" Well No. 1 to be located 2456 feet from the north line and 1023 east line (Unit E) of Section 16, T16S, R36E, Lea County, New Mexico.
2. Chesapeake proposes to drill this well to a depth sufficient to test for oil production from the Strawn formation.
3. The well location is subject to state wide oil spacing and well location rules because this well is more than one mile from the current boundaries of any pool spaced on other than 40-acre state wide oil spacing.

4. Therefore, well location is subject to the Division's General Rule 104 which provides for 40-acre spacing units and standard well locations not closer than 330 feet to any boundary of said spacing unit.

5. Chesapeake proposes to dedicate the SW/4NW/4 of Section 16 to the well if it is capable of oil production from the Strawn formation.

6. This proposed location is the optimum location in the SW/4NW/4 of said Section 16 at which to drill to test for Strawn oil production.

7. Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the oil underlying this unit, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

8. Notification of this application has been sent to all adjoining and offsetting operators/owners as set forth on Exhibit "A" attached.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

BY 

W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

EXHIBIT "A"

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210