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June 9, 1998

VIA FACSIMILE AND HAND DELIVERY

Ms. Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

JUN 10 1998
OIL CONSERVATION DIVISION

Re: ***Chesapeake Operating, Inc.
Application for Permit to Drill
Warehouse 10 Well No. 1
Surface location: 1172' FNL and 2445' FEL
Bottom hole location: 1438' FNL and 1856' FWL
Section 10, Township 16 South, Range 36 East, NMPM
Lea County, New Mexico***

Dear Ms. Wrotenbery:

Bahlburg Exploration Inc. is a working interest owner in the all tracts in the W/2 of Section 10, Township 16 South, Range 36 East on which Chesapeake Operating, Inc. is proposing to drill the above referenced well. Enclosed are copies of Division Form C-101 (Application for Permit to Drill) and C-102 (Well Location and Acreage Dedication Plat) which have been filed with the Division by Chesapeake. As you will note, Form C-102 bears the notation that "NO ALLOWABLE WILL BE ASSIGNED TO THE COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION."

Bahlburg requests the Division not permit the drilling of this well prior to Chesapeake receiving all necessary regulatory approvals. In particular, Bahlburg is opposed to Division approval of the drilling of this well prior to the proper combination of the tracts to be dedicated thereto.

Ms. Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources

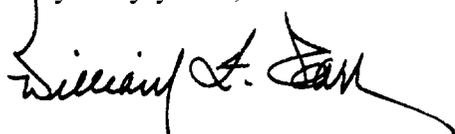
June 9, 1998

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As you will note from the enclosed, the proposed bottom hole location for this well is unorthodox under Rule 4 of the Special Pool Rules for the Northeast Shoe Bar-Strawn Pool for it crowds the NE/4 NW/4 of Section 10. Therefore, as a working interest owner in the NE/4 NW/4 of said Section 10, Bahlburg Exploration Inc. hereby objects to this proposed unorthodox bottom hole location and requests that Chesapeake's application be set for hearing before an Examiner of the Oil Conservation Division.

As of this date, Chesapeake has not proposed a well on the E/2 NW/4 of Section 10 to the other affected working interest owners. Bahlburg believes that standup 80-acre spacing units in the E/2 W/2 of this section, like the one proposed by Chesapeake in the E/2 NW/4, will make it difficult if not impossible to develop the reserves under the W/2 W/2 of this section since this acreage is located in the City of Lovington and the only surface locations for the development of this tract are in the E/2 of the section. Accordingly, until all working interest owners have had an opportunity to negotiate a voluntary agreement for the development of this acreage, Bahlburg requests that the Division withhold approval of the proposed Chesapeake well.

Very truly yours,



WILLIAM F. CARR
Attorney for Bahlburg Exploration Inc.

cc: Mr. Chris Williams (Via Facsimile and U.S. Mail) (505) 393-0720
District Supervisor
Oil Conservation Division, District I
Post Office Box 1980
Hobbs, NM 88240

W. Thomas Kellahin, Esq. (Via Hand Delivery)
Attorney for Chesapeake Operating, Inc.

James E. Snipes, Esq. (Via Facsimile (505) 396-6328)
City of Lovington

DISTRICT I
P.O. Box 1088, Santa Fe, NM 87504-1088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-109
Revised February 14, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Pat Lease - 3 Copies

DISTRICT II
P.O. Box 1088, Santa Fe, NM 87504-1088

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT III
1000 Rio Grande Rd., Santa Fe, NM 87510

AMENDED REPORT

DISTRICT IV
P.O. Box 1088, Santa Fe, NM 87504-1088

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
		N.E. Shoe Bar-Scravn
Property Code	Property Name	Well Number
	WAREHOUSE "10"	1
OSMS No.	Operator Name	Elevation
147179	CHESAPEAKE OPERATING, INC.	3909

Surface Location

TL or Lot No.	Section	Township	Range	Lot No.	Feet from the	North/South Line	Feet from the	East/West Line	County
B	10	16 S	36 E		1172	NORTH	2445	EAST	LEA

Bottom Hole Location If Different From Surface

TL or Lot No.	Section	Township	Range	Lot No.	Feet from the	North/South Line	Feet from the	East/West Line	County
F	10	16 S	36 E		1438	NORTH	1856	WEST	LEA

Estimated Acres	Subst or LHM	Consolidation Code	Order No.
80			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the data information contained herein to be true and complete to the best of my knowledge and belief.</p> <p><i>Barbara J. Bale</i> Signature</p> <p>Barbara J. Bale Printed Name</p> <p>Regulatory Analyst Title</p> <p>05/27/98 Date</p>
	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>MAY 13, 1998 Date</p> <p>JLP Signature</p> <p>Professional Surveyor Title</p> <p></p> <p>Richard G. Edson Name</p> <p>3839 Rural Edson, Ronald Address</p> <p>12188 12188 Phone</p>

REGISTERED

District I
 PO Box 1990, Hobbs, NM 88241-1990
 District II
 PO Drawer DD, Aramis, NM 88211-0719
 District III
 1000 Rio Grande Rd., Aramis, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C-101
 Revised February 10, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 6 Copies
 Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address: Chesapeake Operating, Inc. P. O. Box 18496 Oklahoma City, OK 73154-0496		OGED Number 147179
Property Code		API Number 30.0
Property Name WAREHOUSE 10		Well No. 1

Surface Location

UL or lot no.	Section	Township	Range	Lot Id#	Feet from the	North/South Line	Feet from the	East/West Line	County
B	10	16S	36E		1172	North	2445	East	LEA

Proposed Bottom Hole Location if Different From Surface

UL or lot no.	Section	Township	Range	Lot Id#	Feet from the	North/South Line	Feet from the	East/West Line	County
F	10	16S	36E		1438	North	1856	West	LEA

Proposed Pool 1 N.E. Shoe Bar-Scrawn	Proposed Pool 2
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Well Type Code N	Well Type Code O	Cable/Rotary R	Lease Type Code P	Ground Level Elevation 3,909'
Multiple No	Proposed Depth MD: 12,141 TVD: 11,976'	Formation Scrawn	Contractor Patterson 43	Spud Date 07-15-98

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/lbs	Setting Depth	Sacks of Cement	Estimated TDC
17-1/2"	13-3/8"	48#	450'	500	Surface
12-1/4"	9-5/8"	40#	4,500'	2000	Surface
7-7/8"	5-1/2"	17#	12,150'	1500	± 4,000'

* Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the previous productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Chesapeake Operating, Inc. proposes to drill to drill to 12,141 in the Scrawn formation with Patterson as the drilling contractor.

Patterson's BOP stack consists of 11" 5M# x Blind & pipe rams with 11" 5M# annular.

* I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Barbara J. Hale*
 Printed name: **Barbara J. Hale**
 Title: **Regulatory Analyst**
 Date: **05/29/98**

OIL CONSERVATION DIVISION

Approved by: _____
 Title: _____
 Approved Date: _____
 Expiration Date: _____
 Conditions of Approval: _____
 Approved:

