

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

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)

September 14, 1998

HAND DELIVERED

Ms Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

12062

93 SEP 14 PM 3:53

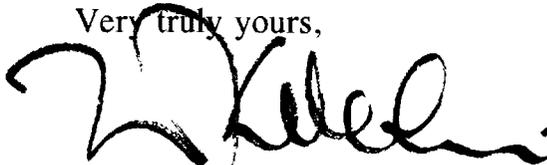
OIL CONSERVATION DIV.

Re: Boyce "15" Well No. 1
E/2 Section 15, T16S, R35E, NMPM
Application of Chesapeake Operating, Inc.
for an Unorthodox Gas Well Location,
Lea County, New Mexico

Dear Ms. Wrotenbery:

On behalf of Chesapeake Operating, Inc., please find enclosed our application for an unorthodox gas well location which we request be set for hearing on the next available Examiner's docket now scheduled for October 22, 1998. Also enclosed is our proposed notice for the advertisement.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Robert Hefner

Proposed notification/advertisement for OCD docket

Case 12062 Application of Chesapeake Operating, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant seeks approval to drill its proposed Boyce "15" Well No. 1 at an unorthodox gas well location 660 feet from the north line and 660 feet from the east line (Unit A) of Section 15, Township 16 South, Range 35 East, NMPM, to be dedicated to a 320-acre gas spacing and proration units consisting of the E/2 of this section. This location is located approximately 5 miles west of 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: 12062-

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 an unorthodox gas well location in order to drill its proposed Boyce "15" Well No. 1 at an unorthodox gas well location 660 feet from the north line and 660 feet from the east line (Unit A) of Section 15, Township 16 South, Range 35 East, NMPM, to be dedicated to a 320-acre gas spacing and proration units consisting of the E/2 of this section.

In support thereof, Applicant states:

1. Applicant, Chesapeake, is the proposed operator of the Boyce "15" Well No 1 to be located 660 feet from the north line and 660 east line (Unit A) of Section 15, T16S, R35E, Lea County, New Mexico.
2. Chesapeake proposes to drill this well to a depth sufficient to test for gas production from the surface to the base of the Morrow formation.
3. The well location is within one mile from the current boundary of the Northeast Shoe Bar-Atoka Gas Pool.
4. This well location is subject to the Division's General Rule 104 which provides for 320-acre spacing units and standard well locations not closer than 1650 feet to any end boundary of a spacing unit.

5. Chesapeake proposes to dedicate the E/2 of Section 15 to the well if it is capable of gas production from formations below the top of the Wolfcamp formation.

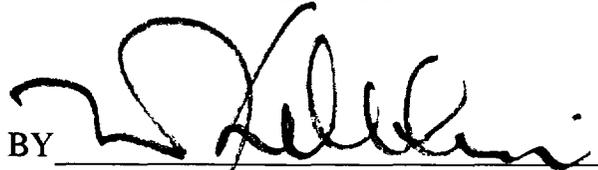
6. This proposed location is the optimum location in the E/2 of said Section 15 at which to drill to test for gas production.

7. Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the gas 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 towards who this location encroaches 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, NM 88210
Attn: Randy Patterson