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RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

April 29, 1999

HAND DELIVERED

12186

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

**Re: Boyce "15" Well No. 1
Application of Chesapeake Operating, Inc.
for Compulsory Pooling
Lea County, New Mexico**

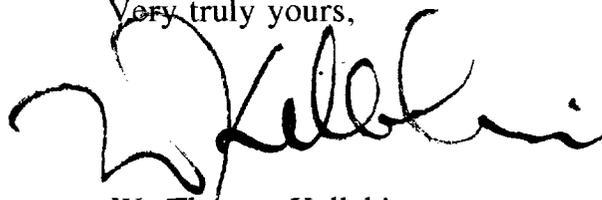
99 APR 29 AM 5:18

OIL CONSERVATION DIV

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 May 27, 1999. 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

12186

CASE ____: 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 Morrow formation underlying the following described acreage in Section 15, T16S, R35E, NMPM, in the following manner: (a) the E/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within that vertical extent, including the Townsend-Morrow Gas Pool, and North Shoe Bar-Atoka Gas Pool; (b) the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within said vertical extent, including the North Shoe Bar-Wolfcamp Gas Pool; (c) the E/2NE/4 to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent; and (d) the SE/4NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within said vertical extent, including the Townsend-Permo Upper Pennsylvanian Pool. This unit(s) is to be dedicated to its Boyce "15" Well No. 1 which will be located at a standard location within Unit H 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 Chesapeake Operating, Inc. as the operator of the well and a charge for risk involved in this well. This unit is located approximately 1/2 miles southwest of the center of the City of Lovington, New Mexico.

59 APR 29 AM 5:50
OIL COMMISSION DIV

**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.**

OIL CONSERVATION DIV.
99 APR 29 AM 5:50

CASE NO. 12186

APPLICATION

Comes now CHESAPEAKE OPERATING, INC. by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) NMSA (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 15, T16S, R35E, NMPM, in the following manner: (a) the E/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within that vertical extent, including the North Shoe Bar-Atoka Gas Pool and Townsend-Morrow Gas Pool; (b) the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within said vertical extent, including the North Shoe Bar-Wolfcamp Gas Pool; (c) the E/2NE/4 to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent; and (d) the SE/4NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within said vertical extent, including the Townsend-Permo Upper Pennsylvanian Pool. This unit(s) is to be dedicated to its Boyce "15" Well No. 1 which will be located at a standard location within Unit H of this section.

In support of its application, Chesapeake Operating, Inc. ("Chesapeake") states:

1. Chesapeake has the right to drill and develop the oil and gas minerals from the surface to the base of the Morrow formation underlying the E/2 of Section 15, T16S, R35E, NMPM, Lea County, New Mexico.
2. This well is located within one mile of the pools described above.
3. Chesapeake has proposed this well to the working interest and unleased mineral interest owners in the spacing unit as identified on Exhibit "A."

4. Chesapeake has not been able to obtain a written voluntary agreement from all the parties listed on Exhibit "A."

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, the applicant 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 are to be pooled and whose current addresses are known as listed on Exhibit "A" of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for May 27, 1999.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on May 27, 1999 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 the drilling of this 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 drilling, completing, equipping and operating the well;
- (3) In the event a 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:

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KELLAHIN & KELLAHIN
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EXHIBIT "A"

Ameristate Oil & Gas, Inc.
1211 W. Texas
Midland, Texas 79701
Attn: Mark K. Nearburg

Patricia J. Cooper
205 W. 6th Street
Roswell, NM 88210

Fuel Products, Inc.
P. O. Box 3098
Midland, Texas 79702
Attn: Thomas M. Beall

Mr. and Mrs. S. P. Johnson, III
205 W. 6th Street
Roswell, NM 88201

TMBER/Sharp Drilling Inc.
P. O. Box 10970
Midland, Texas 79702
Attn: Don Lawson

Louis Mazzullo, Inc.
P. O. Box 66657
Albuquerque, NM 87193
Attn: Louis Mazzullo