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April 7, 2000

HAND DELIVERED

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

#12392

09 APR -7 PM 1:37

OIL CONSERVATION DIV

**Re: Teague "22" Well No. 1
Application of Chesapeake Operating, Inc.
for Compulsory Pooling and an Unorthodox
Well Location, Lea County, New Mexico**

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 4, 2000. 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

12392

CASE ___: 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 Morrow formation underlying the following described acreage in Section 22, T16S, R36E, NMPM, Lea County, New Mexico, in the following manner: the W/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 said vertical extent including but not limited to the Anderson Ranch-Morrow Gas Pool; the NW/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; the S/2NW/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 including but not limited to the Diamond-Strawn Pool; and the SE/4NW/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. This unit(s) is to be dedicated to its Teague "22" Well No. 1 which will be located at an unorthodox well location 2272 feet from the north line and 2125 feet from the west line 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(s) is located approximately 2-1/2 miles south of the center of the City 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 COMPULSORY POOLING AND AN
UNORTHODOX WELL LOCATION
LEA COUNTY, NEW MEXICO.**

CASE NO. 12392

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 22, T16S, R36E, NMPM, Lea County, New Mexico, in the following manner: the W/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 said vertical extent including but not limited to the Anderson Ranch-Morrow Gas Pool; the NW/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; the S/2NW/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 including but not limited to the Diamond-Strawn Pool; and the SE/4NW/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. This unit(s) is to be dedicated to its Teague "22" Well No. 1 which will be located at an unorthodox well location 2272 feet from the north line and 2125 feet from the west line 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.

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 Strawn formation underlying the W/2 Section 22, T16S, R36E, NMPM, Lea County, New Mexico.

2. Chesapeake has proposed this well and its appropriate spacing unit to the working interest and unleased mineral interest owners in the spacing unit as identified on Exhibit "A."

3. This location is unorthodox in both the Diamond-Strawn Pool and the gas formations from the top of the Wolfcamp to the base of the Morrow formations.

4. The unorthodox well location is necessary due to geologic reasons in order to provide the optimum location within this spacing unit to locate this well for purposes of testing the Strawn formation.

5. The offsetting parties located in the E/2 of this section towards whom this well encroaches are listed on Exhibit "B" attached.

6. 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.

7. 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" and to those parties towards whom this well encroaches as listed on Exhibit "B" 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 4, 2000.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on May 4, 2000 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) Approval for the unorthodox location for this well as requested;
- (6) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

EXHIBIT "A"

Ocean Energy Resources, Inc.
4305 N. Garfield, Ste 200-A
Midland, Texas 79705

David H. Arrington, Oil & Gas, Inc.
Box 2071
Midland, Texas 79702

Bellwether Exploration Company
1221 Lamar, Suite 1600
Houston, Texas 77010

Los Quatros
P. O. Box 490
Tulsa, OK 74101

Sylvia Janie Sumruld, individually
and as PR for the Estate of Leroy Sumruld
903 Avenue J
Lovington, NM 88260

Sylvia Jan Sumruld as Trustee of
Leroy and Sylvia Sumruld Trust
903 Avenue J
Lovington, NM 88260

L & J. Sumruld, Ltd.
903 Avenue J.
Lovington, NM 88260

EXHIBIT "B"

Texaco Exploration and Production, Inc.
205 E. Bender Blvd
Hobbs, NM 88240

Ocean Energy Resources, Inc.
4305 N. Garfield, Ste 200-A
Midland, Texas 79705

David H. Arrington
Box 2071
Midland, Texas 79702

Marathon Oil Company
Box 552
Midland, Texas 79702
Attn: Kent Bickham, Esq.

Steve L. Hollyfield, Sr.
P. O. Box 60910
Midland, Texas 79711