

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)

October 12, 2000

Hand Delivered

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

CO OCT 12 AM 3:29

CO OCT 12 AM 3:29

Re: NMOCD Case 12448
Boyce "15" Well No. 3
E/2 Section 15, T16S, R35E, NMPM
Amended Application of Chesapeake Operating, Inc.
to amend Order R-11432 for simultaneous
dedication and an unorthodox gas well location,
Lea County, New Mexico

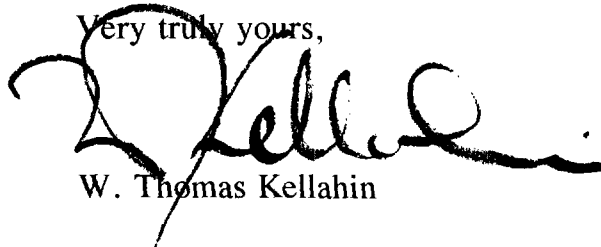
12448

Dear Ms. Wrotenbery:

On behalf of Chesapeake Operating, Inc., please find enclosed our amended application for simultaneous dedication and an unorthodox gas well location. This amendment adds a request for simultaneous dedication to the unorthodox well location request which is currently pending hearing on October 19, 2000.

It is my understanding that both of these requests will be heard on October 19th and then continued to November 16th in order to re-advertise this case.

Very truly yours,



W. Thomas Kellahin

cc: David R. Catanach (OCD Hearing Examiner)
cfx: Chesapeake Operating, Inc.
Attn: Lynda Townsend

Proposed notification/advertisement for OCD docket

Case 12448: Application of Chesapeake Operating, Inc. to reopen Case 12448 and amend Division Order R-11432 which provided for an unorthodox gas well location, Lea County, New Mexico. Applicant seeks to amend this order so that its Boyce "15" Well No. 3 which was drilled at an unorthodox gas well location 2310 feet from the north line and 341 feet from the east line (Unit H) of Section 15, Township 16 South, Range 35 East, NMPM, can be produced from the "Brunson Interval" of the Atoka formation within the North Shoe Bar-Atoka Gas Pool to be dedicated to a 320-acre gas spacing and proration unit consisting of the E/2 of this section. In addition, applicant seeks an exception from Division Rule 104 so that the Boyce "15" Well No. 1 located in Unit A can continue to be produced from the upper portion of the Atoka formation within this same pool and be simultaneously dedicated to this same spacing unit. 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 SIMULTANEOUS DEDICATION AND AN
UNORTHODOX GAS WELL LOCATION,
AND TO AMEND DIVISION ORDER R-11432
LEA COUNTY, NEW MEXICO**

CASE: 12448 (Reopened)

FIRST AMENDED 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") to reopen Case 12448 and amend Division Order R-11432 so that its Boyce "15" Well No. 3 which was drilled at an unorthodox gas well location 2310 feet from the north line and 341 feet from the east line (Unit H) of Section 15, Township 16 South, Range 35 East, NMPM, can be produced from the "Brunson Interval" of the Lower Atoka formation within the North Shoe Bar-Atoka Gas Pool to be dedicated to a 320-acre gas spacing and proration unit consisting of the E/2 of this section. In addition, applicant seeks an exception from Division Rule 104 so that the Boyce "15" Well No. 1 located in Unit A can continue to be produced from the upper portion of the Atoka formation within this same pool and be simultaneously dedicated to this same spacing unit.

In support thereof, Applicant states:

1. Applicant, Chesapeake, is the operator of the Boyce "15" Well No. 1 located in Unit A which is dedicated to the E/2 of Section 15, T16S, R35E and is currently being produced from the upper portion of the North Hoe Bar-Atoka Gas Pool.
2. Chesapeake also is the operator of the Boyce "15" Well No. 3 ("Boyce #3") which was drilled as a Strawn oil well at a standard oil well location 2310 feet from the north line and 341 east line (Unit H) of Section 15, T16S, R35E, Lea County, New Mexico for any production from the Northwest Shoe Bar-Strawn Pool.

3. The Boyce #3's location is subject to the Division's General Rule 104 which (i) provides for 320-acre gas spacing units and standard gas well locations not closer than 660 feet to any boundary of that 160 acre portion of the 320-acre spacing unit in which the well is located; and (ii) precludes 2 wells in the same 160-acre portion of a spacing unit.

4. The Boyce 3 was unsuccessful in the Strawn formation and was deepened to the Morrow formation within the Townsend-Morrow Gas Pool.

5. On August 3, 2000, the Division issued Order R-11432 in Case 12448 which approved this well unorthodox gas well location for any production from the Townsend-Morrow Gas Pool.

6. Chesapeake completed this well in the Morrow formation which is of poor reservoir quality and therefore is marginally economic and now desires to test and produce this well from the "Brunson Interval" of the Atoka formation within the proposed North Shoe Bar-Lower Atoka Gas Pool to be dedicated to a 320-acre gas spacing and proration unit consisting of the E/2 of this section.

7. On September 7, 2000, the Division conducted a hearing in Case 12482 to consider Chesapeake's application to contract the lower vertical limits of the North Shoe Bar-Atoka Gas Pool to exclude the "Brunson Interval" and to redesignate the pool as the North Shoe Bar-Upper Atoka Gas Pool and the concomitant creation of a new gas pool consisting of the Brunson Interval of the Lower Atoka formations to be designated as the North Shoe Bar-Atoka Gas Pool.

8. On September 28, 2000 the Division entered Order R-11460 and declined to create two separate atoka gas pools but, in doing so, found that "in view of the evidence presented in this case, it is likely that Chesapeake can obtain an exception to Division Rule 104 to allow it to simultaneously produce its Boyce "15" Wells No 1 and 3 from the North Shore Bar-Atoka Gas Pool.

9. In accordance with Division Order R-11460, Chesapeake proposes to dedicate the E/2 of Section 15 to the Boyce #3 if it is capable of gas production from the Brunson Interval and to simultaneously dedicate it and the Boyce #1 well to this spacing unit for production from the North Shoe Bar-Atoka Gas Pool.

10. 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.

11. David H. Arrington Oil & Gas, Inc., pursuant to a joint operating agreement, is the operator of Section 14 towards whom this location encroaches.

12. In addition, notice is being sent to all adjoining operators to this spacing concerning the request for simultaneous dedication.

13. Chesapeake has sent notification of this application and hearing as set forth on Exhibit A.

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"

David H. Arrington Oil & Gas, Inc.
P. O. Box 2071
Midland, Texas 79702
Attn: Bill Baker, Jr.

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Attn: Mr. Randy Patterson

EOR Resources
400 N. Big Springs
Midland, Texas 79705

Louis Dreyfus Natural Gas Corp
14000 Quail Spring Parkway Ste 600
Oklahoma City, OK 73134

TMBR/Sharp Drilling, Inc.
Drawer 10970
Midland, Texas 79702
Attn: Jeffery Phillips

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

Nearburg Producing Company
3300 North "A" Street Ste 3100
Midland, Texas 79705-5421
Attn: Mr. Bob Shelton