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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)

June 19, 2000

Hand Delivered

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

Re: Boyce "15" Well No. 3
E/2 Section 15, T16S, R35E, NMPM
Application of Chesapeake Operating, Inc.
for an unorthodox gas well location,
Lea County, New Mexico

12448

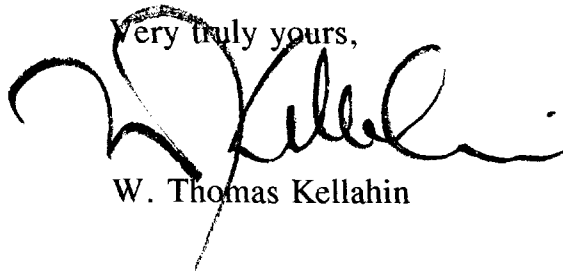
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OIL CONSERVATION DIV.

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 July 13, 2000. Also enclosed is our proposed notice for the advertisement.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Lynda Townsend

Proposed notification/advertisement for OCD docket

Case 12448: Application of Chesapeake Operating, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant seeks approval to produce its Boyce "15" Well No. 3 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, for production from the Townsend-Morrow Gas Pool to be dedicated to a 320-acre gas spacing and proration unit 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 GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO**

CASE: 12448

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 approval to produce its Boyce "15" Well No. 3 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, for production from the Townsend-Morrow Gas Pool to be dedicated to a 320-acre gas spacing and proration unit consisting of the E/2 of this section.

In support thereof, Applicant states:

1. Applicant, Chesapeake, is the operator of the Boyce "15" Well No. 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 Shoebar Strawn Pool.
2. The well was unsuccessful in the Strawn formation and was deepened to the Morrow formation within the Townsend-Morrow Gas Pool.
3. Chesapeake desires to attempt to complete this well in the Morrow formation, but it is at an unorthodox gas well location for any such production

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 660 feet to any boundary of that 160 acre portion of the 320-acre spacing unit in which the well is located.

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

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

9. Chesapeake and Arrington have signed a stipulated penalty and waiver of objection concerning this well.

10. Chesapeake has sent notification of this application and hearing to David H. Arrington Oil & Gas, Inc as set forth on Exhibit A.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over a horizontal line.

BY

W. Thomas Kellahin

P. O. Box 2265

Santa Fe, New Mexico 87504

(505) 982-4285

NMOCD Application
Chesapeake Operating, Inc.
Page 3

EXHIBIT "A"

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