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\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

November 10, 2000

**HAND DELIVERED**

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

*Case 10-554*

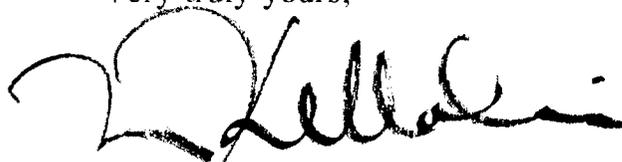
OIL CONSERVATION DIV  
NOV 10 AM 12:33

**Re: Hartgrave "12" Well No. 1  
Application of Chesapeake Operating, Inc.  
for compulsory pooling  
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 December 7, 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: Linda Townsend

**CASE <sup>12-554</sup> 12-554**: 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 Strawn formation underlying the W/2NW/4 of Section 12, T16S, R36E, NMPM, Lea County, New Mexico, forming 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 the Northeast Lovington-Pennsylvanian Pool. This unit is to be dedicated to its Hartgrave "12" Well No. 1 which will be located at a standard location in Unit E 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 mile east 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  
LEA COUNTY, NEW MEXICO.**

CASE NO. 12554

**A P P L I C A T I O N**

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 Strawn formation underlying the W/2NW/4 of Section 12, T16S, R36E, NMPM, Lea County, New Mexico, forming 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 the Northeast Lovington-Pennsylvanian Pool. This unit is to be dedicated to its Hartgrave "12" Well No. 1 which will be located at a standard location in Unit E 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/2NW/4 of Section 12, T16S, R36E, NMPM, Lea County, New Mexico.

2. This well is subject to the special rules for the Northeast Lovington Pennsylvanian Pool which provide for standard 80-acre spacing unit with well to be located within 150 feet of the center of a governmental quarter-quarter section.

3. 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."

4. Chesapeake, despite its good faith efforts, has been unable to obtain written voluntary agreement from all the parties listed on Exhibit "A."

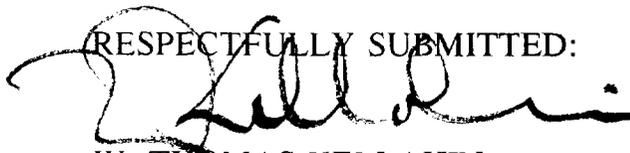
5. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, the applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and 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 December 7, 2000.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on December 7, 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) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



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

**EXHIBIT "A"**  
Parties to be pooled

Manzano Oil Corporation  
P. O. Box 2107  
Roswell, New Mexico 88202  
Attn: Mr. Ken Barbe

Matador Petroleum Corporation  
Suite 158, Pecan Creek  
8340 Meadow Road  
Dallas TX 75231  
Attn: Mark Virant

William C. Bahlburg  
2115 Teakwood  
Plano, TX 75075

Bandera Minerals, LLC  
P. O. Box 701228  
Tulsa, OK 74170

Gary J. Lamb  
Gary J. Lamb, In.c  
P. O. Box 3383  
Midland, TX 79702

Magnolia Royalty Co. Inc.  
PO Box 10703  
Midland, TX 79702  
Attn: John R. Norwood

Attebury Elevators, Inc.  
Employees Retirement Plan  
c/o Sam Attebury, Trustee  
PO Box 2707  
Amarillo, TX 79106

1986 Anadarko Joint Venture  
c/o Joe Foran  
8340 Meadow Road  
Ste 158, Pecan Creek Circle  
Dallas, TX 75231

Joe Foran  
8340 Meadow Road  
Ste 158, Pecan Creek Circle  
Dallas, TX 75231

J.W.F. Energy Partners  
c/o Joe Foran  
8340 Meadow Road  
Ste 158, Pecan Creek Circle  
Dallas, TX 75231