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January 27, 2003

**HAND DELIVERED**

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*Case 13006*

Re: Markham "33" Well No. 1  
Unit L, W/2 Section 33, T14S, R35E  
Application of Chesapeake Operating, Inc.  
for Compulsory Pooling  
Lea County, New Mexico

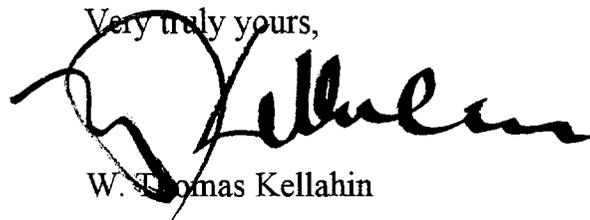
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Dear Ms. Wrotenbery:

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 February 20, 2003. 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

CASE ~~13006~~ Application of Chesapeake Operating, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the W/2 of Section 33, T14S, R35E, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools spaced on 320-acre spacing, including but not limited to the Morton-Mississippian Gas Pool. **In addition, Applicant requested that in the absence of objection filed with the Division on or before February 14, the Division order provide for a 200% risk factor penalty based upon the presentation of technical data by affidavit.** This unit is to be dedicated to its Markham "33" Well No. 1 has been drilled and completed at a standard well location in Unit A of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in this well. This unit is located approximately 3 miles northwest from Loving, New Mexico. **IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT**

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. 13006

**APPLICATION**

CHESAPEAKE OPERATING, INC. ("Chesapeake") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA 1978) seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the W/2 of Section 33, T14S, R35E, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools spaced on 320-acre spacing, including but not limited to the Morton-Mississippian Gas Pool. **In addition, Applicant requested that in the absence of objection filed with the Division on or before February 14, the Division order provide for a 200% risk factor penalty based upon the presentation of technical data by affidavit.** This unit is to be dedicated to its Markham "33" Well No. 1 has been drilled and completed at a standard well location in Unit A of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in this well.

In support of its application Chesapeake states:

1. Chesapeake has a working interest ownership in the oil and gas minerals from the surface to the base of the Mississippian formation underlying the N/2 of Section 33, T14S, R35E, NMPM, Lea County, New Mexico.

2. The subject tract is located within one mile of the Morton-Mississippian Gas Pool.

3. This well was drilled at a standard gas well location in the W/2 (Unit L) of Section 33 to test any and all formations in the pooled interval from the surface to the base of the Mississippian Formation.

4. Chesapeake has the voluntary agreement of certain of the working interest ownership of the oil & gas minerals from the surface to the base of the Mississippian formation underlying the W/2 of this section

5. Chesapeake despite its effort, has been unable to obtain the voluntary agreement the remaining approximately 19% of the mineral and working interest owner(s) in the spacing unit as identified on Exhibit "A."

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, Chesapeake needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

7. Chesapeake requests that this application be processed in accordance with Division Rule 1207.A(1)(b) and at the time of hearing will submit this geological and petroleum engineering evidence and data by AFFIDAVIT.

8. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for February 20, 2003.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on February 14, 2003 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 this well at a standard 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 mineral interest or 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:

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"**  
**PARTIES TO BE POOLED**

Yates Petroleum Corporation  
105 South 4<sup>th</sup> Street  
Artesia, NM 888210

The Estate of Calvin Stebbins  
Richard F. Rowley II, PR  
P. O. Box 790  
Cloves, NM 88102

Kenneth G. Cone  
P.O. Box 11310  
Midland, TX 79708

Wells Fargo Bank Texas N.A. Trustee of the J. E. Simmons Trust A-JSS &  
B-MJH and the Beulah H. Simmons Trust A-JSS & B-MJH  
Attn: Mr. Larry Eudy  
P. O. Box 1959  
Midland, Texas, 79702