

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Quantified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication  
 NSL  NSP  SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement  
 DHC  CTB  PLC  PC  OLS  OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX  PMX  SWD  IPI  EOR  PPR

- [D] Other: Specify \_\_\_\_\_

RECEIVED

OCT 14 2003

Oil Conservation Division

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A]  Working, Royalty or Overriding Royalty Interest Owners
- [B]  Offset Operators, Leaseholders or Surface Owner
- [C]  Application is One Which Requires Published Legal Notice
- [D]  Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E]  For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F]  Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name \_\_\_\_\_  
 Signature *[Handwritten Signature]*

KELLAHIN & KELLAHIN  
 Attorneys At Law  
 P.O. Box 2265  
 Santa Fe, NM 87504-2265

Date 10/14/03

**KELLAHIN & KELLAHIN**  
**Attorney at Law**

**W. Thomas Kellahin**  
New Mexico Board of Legal  
Specialization Recognized Specialist  
in the area of natural resources-  
oil and gas law

P.O. Box 2265  
Santa Fe, New Mexico 87504  
117 North Guadalupe  
Santa Fe, New Mexico 87501

Telephone 505-982-4285  
Facsimile 505-982-2047  
kellahin@earthlink.net

October 14, 2003

HAND DELIVERED

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

**RECEIVED**

OCT 14 2003

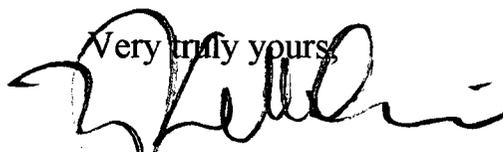
Oil Conservation Division

Re: Administrative Application of Chesapeake Operating, Inc.  
to amend Administrative Order NSL-4912, dated July 9, 2003  
to change the approve unorthodox well location for its  
Caudill "7" Well No. 1, Unit P,  
E/2SW/4 (80-acre) dedication, Section 7,  
T16S, R37E, Lea County New Mexico  
Northeast Lovington Upper Penn Pool

Dear Ms. Wrotenbery:

On behalf of Chesapeake Operating, Inc., please find enclosed our  
referenced application seeking to amend Administrative Order NSL-4912 to  
change the well location from 1310 feet FSL and 560 feet FEL, Unit P of this  
section to 1310 feet FSL and 500 feet FEL of this section.

Very truly yours,



W. Thomas Kellahin

CC: Chesapeake Operating, Inc.  
Attn: Lynda Townsend

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE ADMINISTRATIVE  
APPLICATION OF CHESAPEAKE OPERATING, INC.  
TO AMEND ADMINISTRATIVE ORDER NSL-4912  
LEA COUNTY, NEW MEXICO**

**ADMINISTRATIVE APPLICATION**

Comes now CHESAPEAKE OPERATING, LTD. (“Chesapeake”) and by and through its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division (“Division”) to amend Division Administrative Order NSL-4912 to approve an unorthodox oil well location for its proposed Caudill “7” Well No. 1 to be drilled at a unorthodox location 1310 feet from the South line and 500 feet from the East line (Unit P) of Section 15, T16S, R37E, Lea County, New Mexico to be dedicated to a standard 80-acre Oil spacing unit consisting of the S/2SE/4 of this section for production from the Northeast Lovington-Upper Penn Pool.

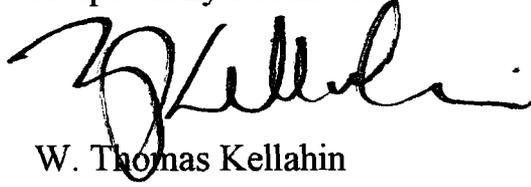
In support, Chesapeake states:

1. Chesapeake is the proposed operator for this well to be dedicated to a standard 80-acre oil spacing and proration unit consisting of the E/2SE/4 of this section. Northeast Lovington-Upper Penn Pool.
2. On June 26, 2003, Chesapeake, based upon geological reasons, filed its applicant with the Division for approval of an unorthodox well location for its Caudill 7-1 well to be located 1310 feet FSL and 560 feet FSL of Section 15, T16S, R37E.
3. On July 9, 2003, The Division issued Administrative Order NSL-4912 approving Chesapeake’s application. **See Exhibit “A” (attached order).**

4. When Chesapeake returned to the location for further inspection, the surface owners advised that he had misunderstood the well's original location and that there is a buried water/irrigation line that would interfere with the pad for this well. With consent of the surface owner, Chesapeake proposed to move the well location 60 feet to the east.
5. The amended application will cause the well is to be located 500 feet FEL and 1310 feet FSL (Unit P) Section 7, T16S, R36E, at an unorthodox oil well location for the Northeast Lovington-Upper Penn Pool. See amended Form C-102, **attached as Exhibit "B"**
6. This well location is subject to the Special Rules and Regulations for the Northeast Lovington-Upper Penn Pool (Order R-3816) that provided for wells to be located within 150-feet of the center of an quarter section.
7. This location, as illustrated on **Exhibit "C"** attached, continue to be based in part upon geologic reasons:
  - a. Based upon 3-D seismic analysis, Chesapeake believes that there is a Strawn alga mound that if best tested at a location outside of the standard location 150" radius drilling window;
  - b. It will reduce the risk if the well is located towards the thicker portions of the reservoir.
5. Because ownership in this Spacing unit is the same persons with the same percentages no notifications were send to the common owners. See Chalfant's ownership summary enclosed as **Exhibit "D."**
6. However, the owners of the SW/4 of Section 8 toward whom the well encroaches are titled to notice that has been provided in accordance with Division notice rules. **See Exhibit "E."**
7. Approval of this application will afford the owners and the applicant the opportunity to produce their just and equitable share of the oil in the Upper Penn formation, will promote the orderly development in this area, 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.

WHEREFORE, Applicant requests that this application be approve by the Division.

Respectfully Submitted:

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

W. Thomas Kellahin



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**Bill Richardson**  
Governor  
**Joanna Prukop**  
Cabinet Secretary

July 9, 2003

**Lori Wrotenbery**  
Director  
Oil Conservation Division

**Chesapeake Operating, Inc.**  
c/o **W. Thomas Kellahin**  
P. O. box 2265  
Santa Fe, New Mexico 87504

*Administrative Order NSL-4912*

Dear Mr. Kellahin:

Reference is made to the following: (i) your application on behalf of the operator, Chesapeake Operating, Inc. ("Chesapeake"), dated June 26, 2003 (**administrative application reference No. pLR0-317754639**); and (ii) the New Mexico Oil Conservation Division's ("Division") records in Santa Fe: all concerning Chesapeake's request for an exception to **Rule 4** of the "*Special Rules and Regulations for the Northeast Lovington-(Upper) Pennsylvanian Pool*," as promulgated by Division Order No. R-3816, as amended, in order to drill its proposed Caudill "7" Well No. 1 at an unorthodox oil well location 1310 feet from the South line and 560 feet from the East line (Unit P) of Section 7, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico.

The E/2 SE/4 of Section 7, being a standard 80-acre stand-up oil spacing and proration unit for the Undesignated Northeast Lovington-(Upper) Pennsylvanian Pool (**40760**), see **Rule 2**, is to be dedicated to this well.

The subject application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, and the applicable provisions of the rules governing the Northeast Lovington-(Upper) Pennsylvanian Pool.

It is our understanding that Chesapeake is seeking this location exception based on a 3-D seismic survey of the immediate area, whereby it contends that a well drilled at this location should penetrate a small algal reef mound within the Strawn formation at a more structurally advantageous position within the subject 80-acre unit than a well drilled at a standard location thereon, thereby increasing the likelihood of obtaining commercial production.

By the authority granted me under the provisions of: (i) **Rule 5** of these special pool rules; and (ii) Division Rule 104.F (2), the unorthodox oil well location of the proposed Caudill "7" Well No. 1 is hereby approved.

Sincerely,

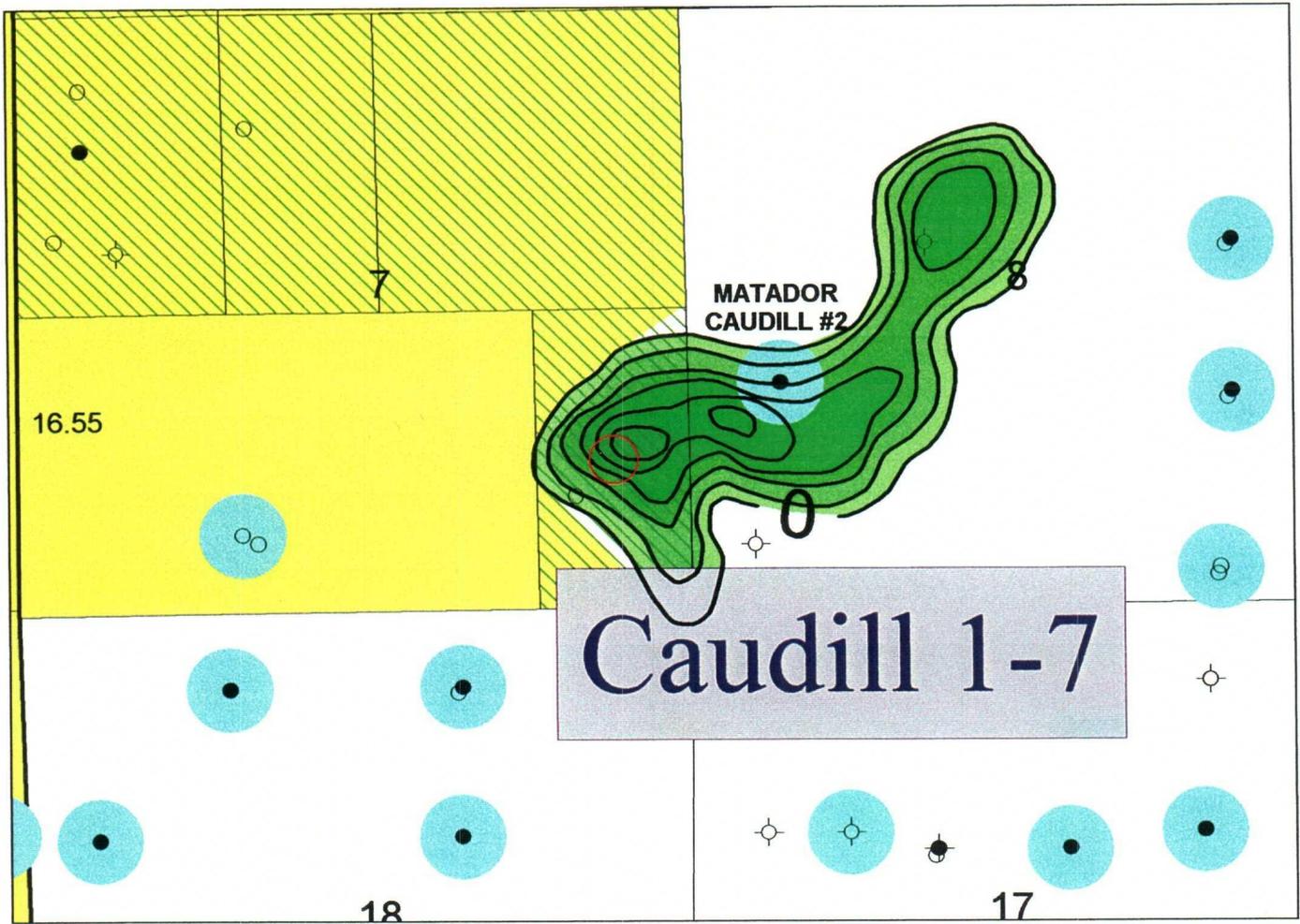
Lori Wrotenbery  
Director

LW/mes

cc: New Mexico Oil Conservation Division - Hobbs







-  STRAWN PRODUCERS
-  ACREAGE



 <p><b>Chesapeake</b> <small>Natural Gas Natural Advantages</small></p>	<p><b>CHESAPEAKE OPERATING, INC.</b></p>
<p>CAUDILL 1-7 Isopach Strawn Porosity E/2 SE/2 Sec 7-16S-37E 1300 FSL 660 FEL NE Lovington Upper Penn Field</p>	
<p>Date: 18 June, 2003</p>	<p>Geologist: DG/CH</p>

Jun 26 03 02:23p

William R. Chalfant

682-2801

P. 2

**CHALFANT PROPERTIES, INC.**  
*Oil and Gas Leasing and Properties*  
 1502 North Big Spring  
 P. O. Box 3123  
 Midland, Texas 79702

915/684-9819 phone  
 915/682-2601 fax

COUNTY: Lea  
 STATE: New Mexico  
 AREA: Lovington  
 DATE: 1/24/03

E/2SE/4 of Section 7, T-16-S, R-37-E, NMPM, containing 80, more or less, from Sovereignty

LEASING RIGHTS	INTEREST (NET ACRES)	COMMENTS
Wells Fargo Bank Texas, N. A., Trustee for the B. H. Simmons Testamentary Trusts and for the J. E. Simmons Testamentary Trusts fbo JJS and MJH, P. O. Box 1959, Midland, Tx. 79702 (682-5148)	.0625 5.0 ac.	OPEN. Sent offer letter on 2-20-03 for \$150.00-1/4 roy.-3 yr..
Nancy L. White, a widow, s & s prop., P. O. Box 2184, Kerrville, Tx. 78029 (James Little, lessors son 1-210-829-7991)	.00390625 3.125 ac.	OPEN. Sent offer letter on 2-20-03 for \$100.00-1/5 roy.-3 yr..
Kathy Augusta Tomlinson, a widow dealing in her s & s prop. by Jim R. Tomlinson, Att. In Fact, P. O. Box 774, Hatch, NM 87987(1-505-267-4190)	.0625 5.0 ac.	OPEN. Sent offer letter on 2-20-03 for \$300.00-1/5 roy.-3 yr.. (C/O: R. F. Fort, P. O. Box 2044, Midland, Tx. 79702. Have not notified him. Waiting for Tomlinson's to reply.)
Larry B. Hall, Life Est. in Lydian Hall Woods Estate, 1007 W. 7 <sup>th</sup> St., Muleshoe, Tx. 79347	.028125 2.25 ac.	Check and run these names. Last used. 414/397 in 1987 included SW/4 of Sec. 8. Appears HBP.
Matador Royalty Co., 8340 Meadow Rd., Ste. 158, Dallas, Tx. 75231(1-214-373-8792)	.234375 18.75 ac.	OPEN. Will probably join.
Ronald J. Byers, s & s prop., 400 W. Fifteenth St., Ste. 1600, Austin, Tx. 78701(1-512-478- 6507)	.0078125 .625 ac.	OPEN. Sent offer letter on 2-20-03 for \$300.00-1/4 roy.-3 yr.. (He will prepare own lease)
Harry A. Miller, Jr., 303 W. Wall St., Ste. 600, Midland, Tx. 79701(682-8731)	.001953125 .15625 ac.	OPEN. Sent offer letter 2-25-03 for \$150-1/4 roy.-3 yr.
Mary Kathryn Grisso, Trustee of the Mary Kathryn Grisso Revocable Trust dated 6-7-96, 2320 N.W. 47 <sup>th</sup> St., Oklahoma City, OK 73112	.046875 3.75 ac.	OPEN. Sent offer letter on 2-20-03 for \$300.00-1/4 roy.-3 yr.
J. H. Van Zant, II	.0234375 1.875 ac.	OPEN-NEED TO RUN FOR ADDRESS OR PROBATE
Dorothy Jeanne Van Zant Sanders, s & s prop., 6737 Brants Lane, Ft. Worth, Tx. 76116-7201(1-817- 732-6697)	.0234375 1.875 ac.	OPEN. Sent offer letter on 2-20-03 for \$100.00-1/4 roy.-3 yr..



Jun 28 03 02:23p

William R. Chalfant

882-2601

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 P. O. Box 3123  
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 DATE: 1/24/03

E/2SE/4 of Section 7, T-16-S, R-37-E, NMPM, containing 80, more or less, from Sovereignty

LEASING RIGHTS	INTEREST (NET ACRES)	COMMENTS
Roy G. Barton, Jr., Trustee of the Roy G. Barton, Sr. and Opal Barton Revocable Trust dated 1-28-82 AND Individually, 1919 N. Turner, Hobbs, NM 88240-2712 and 2120 Redbud Dr., Las Vegas, NV 89134 (1-505-397-3925)	.0041199 .3295897 ac.	OPEN. Sent offer letter on 2-20-03 for \$200.00-1/4 roy.-3 yr.
Barton Brothers Land, 1919 N. Turner, Hobbs, NM 88240-2712. (1-505-397-3925)	.00708 .3664 ac.	OPEN. Sent offer letter on 2-20-03 for \$200.00-1/4 roy.-3 yr.
Coates Energy Interest, Ltd., P. O. Box 171717, San Antonio, Tx. 78217	.0703125 5.625 ac.	OPEN. Sent offer letter on 2-25-03 for \$200.00-1/4 roy.-3 yr.
Coates Energy Trust, Energy Plaza II, Ste. 510, 8610 N. New Braunfels, San Antonio, Tx. 78217	.0703125 5.625 ac.	OPEN. Sent offer letter on 2-25-03 for \$200.00-1/4 roy.-3 yr.
Dorothy Mae Wright, Indiv. & as Trustee Under Declaration of Trust dated 3-17-77 F/B/O Willie Mae Coalson Living Trust, 6227 Camino Corte, San Diego, CA 92120(1-619-583-6228)	.046875 3.75 ac.	OPEN. Sent letter on 2-25-03 for \$100-1/4 roy.-3 yr.
Lela Johnson Brown, s & s prop. (daughter is Dorothy Mae Wright)	.046875 3.75 ac.	OPEN. Sold to several different people. Need to check further.
Harry August Miller, III, s & s prop., 1402 Foxwood Cove, Austin, Tx. 78704	.060976562 .078125 ac.	OPEN. Sent offer letter 2-25-03 for \$150-1/4 roy.-3 yr.
Margaret Anne Miller Carrico, s & s prop., C/O Mr. Frank Carrico, U. S. Embassy Office, Tokyo, Japan, Unit 45004, Box 204, 96337-5004(682-8731)	.000976562 .078125 ac.	OPEN. Sent offer letter 2-25-03 for \$150-1/4 roy.-3 yr.
Aimadelle Crawford, s & s prop., (from Alma Nation), 5049 Ridge Ave., #274, Las Vegas, NV 89103-5029(1-702-251-8911)	.01171875 .9375 ac.	OPEN. Sent offer letter on 2-20-03 for \$100.00-1/4 roy.-3 yr.
Wm. B. Nation, s & s prop., 1400 Sunkist St., #59, Anaheim, CA 92806-5618(1-714-635-9864) (from Alma Nation)	.01171875 .9375 ac.	OPEN. Sent offer letter on 2-20-03 for \$100.00-1/4 roy.-3 yr.

Jun 26 03 02:23p

William A. Chalfant

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P. 4

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LEASING RIGHTS	INTEREST (NET ACRES)	COMMENTS
Joseph M. Nation, Jr., 5221 E. Patterson St., Long Beach, CA 90815-1222 (Joe died - his daughter is Janet Rhodes 1-562-425-3374) (from Alma Nation)	.01171875 .9375 ac.	OPEN. Sent offer letter on 2-20-03 for \$100.00-1/4 roy.-3 yr.
Thomas Keller Nation, 3262 Galveston St., Simi Valley, CA 93063 (from Alma Nation thru Earl F. Nation, et al Trustees) (1-626-355-6652)	.01171875 .9375 ac.	OPEN. Sent offer letter on 2-20-03 for \$100.00-1/4 roy.-3 yr.
Republic Royalty Company, 3738 Oak Lawn Ave., Ste. 300, Dallas, Tx. 75219-4379	.0835875 6.687 ac.	OPEN. Sent offer letter on 2-22-03 for \$200.00-1/4-3 yr..
The Fasken Foundation, P. O. Box 152786, Austin, Tx. 78716-2786 (1-719-685-0131)	.005625 .45 ac.	OPEN. Sent offer letter 2-25-03 for Sent offer letter 2-25-03 for \$150-1/4 roy.-3 yr. \$200.00-1/4 roy.-2 yrs.
Randy Geiselman, 2700 Racquet Club Dr., Midland, Tx. 79707 (682-8108)	.002025 .162 ac.	OPEN. Sent offer letter 2-25-03 for \$250.00-1/4 roy.-3 yr.
Permian Producers, Inc., P. O. Box 1183, Houston, Tx. 77251-1183	.010125 .81 ac.	OPEN. Sent offer letter on 2-25-03 for \$200.00-1/4 roy.-3 yr.
Mascenas Minerals, L. L. P., P. O. Box 176, Abilene, Tx., 79604-0176	.01108725 .887005 ac.	OPEN. Sent offer letter on 2-25-03 for \$200.00-1/4 roy.-3 yr.
Doris Cross McAdoo, s & s prop., 700 N. Stoneman Ave., Alhambra, CA 73154-1525	.00354 .2832 ac.	OPEN. Sent offer letter on 2-25-03 for \$100.00-3/16 roy.-3 yr.
Wm. Gibbs McAdoo, Jr.	.00354 .2832 ac.	Need to run this name.
Mekuskey Oil Co., 201 S. Mekuskey Ave., Wewoka, OK 74884-0816	.00354 .2832 ac.	OPEN. Sent offer letter on 2-25-03 for \$200.00-1/4 roy.-3 yr.
Brice McAdoo Clagett, 1201 Pennsylvania Ave. NW, Washington, D. C. 20004-2401	.00354 .2832 ac.	OPEN. Sent offer letter on 2-25-03 for \$100.00-3/16 roy.-3 yr.
Norma J. (Barton) Chanley, P. O. Box 729, Hobbs, NM 88240 (1-505-397-6139)	.00235 .1879882 ac.	OPEN. Sent offer letter on 2-20-03 for \$200.00-1/4 roy.-3 yr. (She will do what Roy G. Barton does)
William G. Hinshaw, 1447 Humu'ula, Kailua, HI 96734	.00177 .1416 ac.	OPEN. Sent offer letter on 2-20-03 for \$100.00-3/16 roy.-3 yr.

Jun 26 03 02:24p

William R. Chalfant

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p.5

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Richard F. McAdoo, 4817 45 <sup>th</sup> St., N. W., Washington, D. C. 20016	.00177 .1416 ac.	OPEN. Sent offer letter on 2-20-03 for \$100.00-3/16 roy.-3 yr.
Blackstone Mineral Company, L.P., 1001 Fannin, Ste. 2020, Houston, Tx. 77002	.078125 6.25 ac	OPEN. Sent offer letter on 2-20-03 for \$200.00-1/5 roy.-3 yr.
TOTAL:	.999949649 79.995983 ac.	

Posted Date: 12-20-02  
Last Instrument: 1196/14  
Broker: Gary E. Leascher, CPL

NO WARRANTY OF TITLE EITHER EXPRESSED OR IMPLIED IS MADE TO THE CONTENTS OF THIS REPORT. SAME IS FOR YOUR INFORMATION ONLY.

**EXHIBIT "E"**

**Tom Brown, Inc.  
P. O. Box 2608  
Midland, Texas 79702**