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April 12, 2004

**HAND DELIVERED**

**RECEIVED**

Mrs. Carol Leach, Acting Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

**APR 14 2004**

**Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505**

Re: Roueche "5" Well No. 1  
Unit P, E/2SE/4 Section 5, T17S, R37E  
Application of Chesapeake Exploration  
Limited Partnership for Compulsory Pooling  
Lea County, New Mexico

*Case 13265*

Dear Mrs. Leach:

On behalf of Chesapeake Exploration Limited Partnership, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for May 13, 2004. 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 13265: 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 Strawn formation underlying the E/2SE/4 of Section 5, T17S, R37E, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit for any production from these formations, including but not limited to the Shipp-Strawn Pool. This unit is to be dedicated to its Roueche "5" Well No. 1 which is being drilled at an unorthodox well location in Unit P (approved by Administrative Order NSL-5012, dated March 10, 200). Also to be considered will be the costs of drilling and completing 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 risk charge of 200% for the risk involved in this well. This unit is located approximately 9-1/2 miles Northwest from Hobbs, 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. 13265

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 Strawn formation underlying the E/2SE/4 of Section 5, T17S, R37E, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit for any production from these formations, including but not limited to the Shipp-Strawn Pool. This unit is to be dedicated to its Roueche "5" Well No. 1 which is being drilled at an unorthodox well location in Unit P (approved by Administrative Order NSL-5012, dated March 10, 200). Also to be considered will be the costs of drilling and completing 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 risk charge of 200% for the 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 underlying the E/2SE/4 of Section 5, T178S, R37E, NMPM, Lea County, New Mexico.
2. This tract is subject to the Shipp-Strawn Pool and this rules which provides for standard 80-acre oil spacing and proration unit with standard well locations within 150-feet of the center of a quarter-quarter section.

3. On February 19, 2004, Chesapeake sent a written well proposal and AFE to all of the working interest and the unleased mineral interest owners in this spacing unit proposing the formation of this spacing unit to be dedicated to a well to be drilled in Unit P of this section. Dispute its reasonable efforts; Chesapeake has been unable to obtain the voluntary agreement of all of the interest owners.

4. On March 10, 2004, the Division issue Administrative Order NSL-5012 approving Chesapeake administrative application to drill this well at an unorthodox well location 600 feet FSL and 1120 feet FEL in this section dedicate to this oil spacing and proration unit.

5. On April 8, 2004, Chesapeake spudded this well.

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. 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 May 13, 2004.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on May 13, 2004 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;

NMOCD Application  
Chesapeake Operating Inc.

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(2) Provisions for applicant and all working interest owners to participate in the costs of re-entering, 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% in accordance with Order R-11992, effective August 15, 2003;

(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', is written over a faint circular stamp or watermark.

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T-17-S, R-37-E 3/22/04  
Section 5: E/2SE/4  
Lea County, NM

**OWNERS STATUS**

MBR Resources 1.05 net acres  
Attn: Clark Millspaugh  
810 S Cincinnati, Ste. 201  
Tulsa, OK 74119  
918-583-0933, ext 219

Pioneer Natural Resources 3.00 net acres  
P. O. Box 3178  
Midland, TX 79702  
Dan Thorsen  
432-571-3234

Jones Energy .4375 net acres  
Attn: Hal Hawthorn  
500 Capitol of Texas Hwy N  
Bldg 6, Ste 125  
Austin, Texas 78746  
512-328-2953, ext 230

TKM Resources, LLC 1.225 net acres  
Att: Steve Marks  
1775 Sherman Street, Ste 2990  
Denver, Co 80203  
303-861-1974

Sundance Resources Inc. 3.5 net acres  
Attn: Pat Patton  
4925 N. O'Connor Blvd., Ste. 101  
Irving, Texas 75062  
972-717-7441

W. A. Yeager Group 6.25 mineral acres  
Attn: Wilbur Yeager  
P. O. Box 990  
Midland, Texas 79702

LMA Royalties, Ltd. 1.5625 mineral acres  
Attn: Lucy Ross  
P. O. Box 1778  
Colorado Springs, CO 80901

