

KELLAHIN AND KELLAHIN
ATTORNEYS AT LAW
EL PATIO BUILDING
117 NORTH GUADALUPE
POST OFFICE BOX 2265
SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

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)

July 18, 2000

Hand Delivered

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

Re: Warehouse "10" Well No. 2
Application of
Chesapeake Operating, Inc.,
for a unorthodox subsurface location
S/2NE/4 Section 10, T16S, R36E
Lea County, New Mexico

00 JUL 19 AM 7:33
OIL CONSERVATION DIV

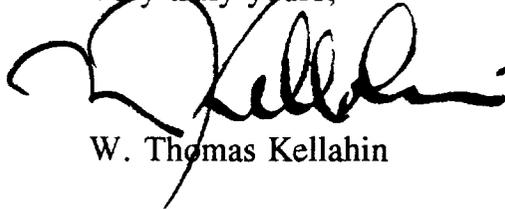
12464

Dear Ms. Wrotenbery:

On behalf of Chesapeake Operating, Inc. and in accordance with Division Rule 104, please find enclosed its application for approval to drill this well directionally to an unorthodox subsurface location. We are seeking a 100 foot radius target around the unorthodox bottom hole location.

This application is being filed so that a hearing can be held at the next available Examiner's docket now scheduled for August 10, 2000, to address the objections of Manzano Oil Corporation who filed an objection to Chesapeake's administrative application in this matter.

Very truly yours,



W. Thomas Kellahin

cc: NMOCD (Santa Fe)
Attn: Michael E. Stogner
Chesapeake Operating, Inc.
Attn: Lynda Townsend
William F. Carr, Esq.
Attorney for Manzano Oil Corporation

ADVERTISEMENT

Case 12964: Application of Chesapeake Operating, Inc. for approval of an unorthodox subsurface well location, Lea County, New Mexico. Applicant seeks approval to drill its Warehouse "10" Well No. 2 at a surface location 1196 feet from the north line and 2463 feet from the East line (Unit B) of Section 10, Township 16 South, Range 36 North, to an unorthodox subsurface location at the top of the Strawn formation within a 100 foot radius of a point 1842 feet from the north line and 2213 feet from the east line (Unit G) of this section and to dedicate the S/2NE/4 of this section as a standard 80-acre oil proration and spacing unit to this well for production from the Northeast Lovington-Pennsylvanian Pool.

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

**APPLICATION OF CHESAPEAKE OPERATING INC.
FOR AN UNORTHODOX SUBSURFACE LOCATION
LEA COUNTY, NEW MEXICO**

CASE 12464

APPLICATION

Comes now Chesapeake Operating, Inc. ("Chesapeake"), by and through its attorneys, Kellahin & Kellahin, and in accordance with Division Rule 104 applies to the New Mexico Oil Conservation Division for approval for an unorthodox subsurface well location for its Warehouse "10" Well No. 2 and in support states:

- (1) Chesapeake proposes to drill its Warehouse "10" Well No. 2 at a surface location 1196 feet from the north line and 2463 feet from the east line (Unit B) of Section 10, T16S, R36E to an unorthodox subsurface location at the top of the Strawn formation within 100 foot radius of a point 1842 feet from the north line and 2213 feet from the east line (Unit G) of this section and to dedicate the well to a standard 80-acre oil spacing unit consisting of the S/2NE/4 of this section for production from the Northeast Lovington Pennsylvanian Pool.
- (2) The special rules for the Northeast Lovington-Pennsylvanian Pool provide for 80-acre oil spacing with a standard location to be within 150 feet of the center of a quarter-quarter section.
- (3) Chesapeake has conducted a 3-D seismic geologic investigation and has concluded that the optimum subsurface location for a well in this spacing unit would be an the proposed unorthodox subsurface location in order to maximize structural attitude and stratigraphic growth over any standard location in this spacing unit.
- (4) The directional wellbore is necessitated by being within the City of Lovington and complying with the various topographical and regulatory limitation of this community.

NMOCD Application
Chesapeake Operating Inc.
-Page 2-

(5) The unorthodox subsurface location encroaches towards a spacing unit operated by Chesapeake for its Warehouse "10" Well No 1 located in the E/2NE/4 of Section 10. Because Chesapeake is the common operator, a copy of this application is being sent to all of the working interest owners in the adjoining spacing unit as set forth on Exhibit "A".

WHEREFORE, Applicant requests that this application be approved.

Respectfully submitted,

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

By: W. Thomas Kellahin
W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

EXHIBIT "A"

NAME	PERCENTAGE INTEREST
TLW Investments, Inc. P. O. Box 54525 Oklahoma City, OK 73154-1525	1.00 %
Trajan Development Co. P. O. Box 16007 Oklahoma City, OK 73113	0.50 %
Northport Production Co. 2601 NW Expressway Ste 902E Oklahoma City, OK 73112-7208	3.68 %
Vestige Inc. DBA Vestige Energies P. O. Box 54316 Oklahoma City, OK 73154	1.00 %
Bahlburg Exploration, Inc. P. O. Box 866937 Plano, TX 75086-6937	2.87 %
Dalco Petroleum, L.L.C. P. O. Box 1904 Lovington, NM 88260-1904	2.46 %
Bandera Minerals III, L.L.C. P. O. Box 701228 Tulsa, OK 74170-1228	2.73 %
Chesapeake Investments P. O. Box 18496 Oklahoma City, OK 73154	1.00 %

