

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

CASE NO. 12787

**APPLICATION OF CHESAPEAKE OPERATING INC.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

RECEIVED
OCT 11 1987
OIL CONSERVATION DIVISION

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by CHESAPEAKE OPERATING INC. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Chesapeake Operating Inc.
P. O. Box 18496
Oklahoma City, OK 73154
(405) 848-8000
attn: Lynda Townsend

ATTORNEY

W. Thomas Kellahin
KELLAHIN & KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

OPPONENT

Southwestern Energy Production Company

ATTORNEY

James Bruce, Esq.

STATEMENT OF THE CASE

1. Chesapeake has the right to drill and develop the oil and gas minerals from the surface to the base of the Morrow formation underlying the E/2 of Section 20, T17S, R35E, NMPM, Lea County, New Mexico.
2. Almost 12 months ago, Chesapeake commenced discussions with Southwestern Energy Production Company ("Southwestern"), who had obtained its interest from Phillips Petroleum Company, concerning Southwestern's participation in a deep gas well to be drilled by Chesapeake in the E/2 of Section 20.
3. On October 30, 2001, Chesapeake formally proposed this well and its appropriate spacing unit to the working interest owners in the spacing unit.
4. Despite good faith effort, Chesapeake has been unable to obtain a voluntary agreement from Southwestern Energy Production Company ("Southwestern").
5. On December 3, 2001, Chesapeake filed a compulsory pooling application.
6. On December 19, 2001, and after receiving a copy of Chesapeake's compulsory pooling application, Southwestern proposed that it should be the operator of the well because it has a majority interest in the spacing unit.
7. Chesapeake desires to operate this well because it developed the geologic opportunity and initiated the first well proposal.
8. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying the various spacing units, 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.

PROPOSED EVIDENCE

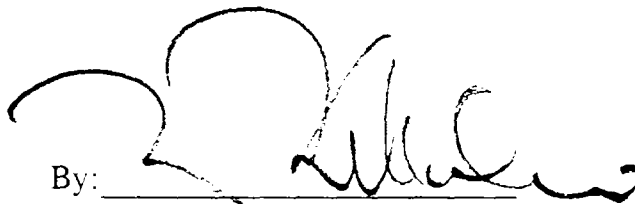
APPLICANT:

WITNESSES	EST. TIME	EXHIBITS
Lynda Townsend (landman)	30 min.	@ 6 exhibits
Robert Hefner (geology)	20 Min.	@ 3 exhibits

PROCEDURAL MATTERS

Chesapeake anticipates that Southwestern will seek a continuance of the Chesapeake case which Chesapeake opposes.

KELLAHIN AND KELLAHIN

By: 
W. Thomas Kellahin