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NSL 5/5/03
DRC

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

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April 15, 2003

HAND DELIVERED

RECEIVED

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

APR 15 2003

Oil Conservation Division

Re: Administrative Application of Chesapeake Operating, Inc.
for approval of a unorthodox well location for its
Billy State "15" State Well No. 1, Unit C,
S/2NW/4 (80-acre) dedication, Section ~~25~~, 15
T16S, R37E, Lea County New Mexico
Northeast Lovington Upper Penn Pool

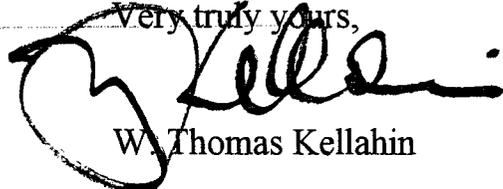
30-025 - 31063

Dear Ms. Wrotenbery:

On behalf of Chesapeake Operating, Inc., please find enclosed our referenced application that is being filed in accordance with the special rules for this pool. This location crowds the exterior line between the S/2NW/4 between the N/2SW/4 (330 feet instead of within 150 feet of the center of the quarter-quarter section).

Concurrently with this application, Chesapeake has directly filed with the OCD-Hobbs its APD and directional drilling request.

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**

RECEIVED
APR 15 2003
Oil Conservation Division

**IN THE MATTER OF THE ADMINISTRATIVE
APPLICATION OF CHESAPEAKE OPERATING, INC.
FOR APPROVAL OF AN UNORTHODOX WELL LOCATION
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") for approval of an unorthodox oil well location for its proposed Billy State "15" State Well No. 1 to be drilled at a standard surface location but to an unorthodox "Bottom Hole" location 2310 feet from the North line and 990 feet from the West line (Unit E) of Section 15, T16S, R37E, Lea County, New Mexico to be dedicated to a standard 80-acre oil spacing unit consisting of the S/2NW/4 of this section for production from the Northeast Lovington-Upper Penn Pool.

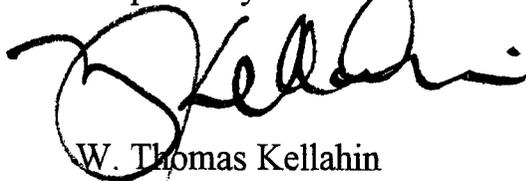
In support, Chesapeake states:

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 S/2NW/4 of this section.
2. The well is to be located 550 feet FNL and 1650 feet FWL (Unit C) Section 22, T16S, R36E, at an unorthodox oil well location for the Northeast Lovington-Upper Penn Pool. See APD and Form C-102, attached as Exhibit "A" and "B"

3. This well location is subject to the Special Rules and Regulations for the Northeast Lovington-Upper Penn Pool (Order R-3816).
4. This location, as illustrated on Exhibit "C" attached, is based 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 within the 60-foot thickness contour line.
5. Notification of this application as been sent to Mobile Producing Texas & New Mexico as the offsetting working interest owner.
6. 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:



W. Thomas Kellahin

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Artec, NM 87410

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code 40760	Pool Name Lovington Upper Penn, Northeast
Property Code	Property Name BILLY STATE "15"	Well Number 1
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 3798'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	15	16-S	37-E		1992'	NORTH	817'	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	15	16-S	37-E		2310'	NORTH,	990'	WEST	LEA

Dedicated Acres 80	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>S/2 NW Sec 15-16S-37E</p> <p>SURF. LOC.</p> <p>B.H. LOC.</p>	<p>SURFACE LOC. GEODETC COORDINATE SPC NME NAD 1927 Y = 701479.1 X = 834462.1 LAT. 32°55'25.28"N LONG. 103°14'36.11"W</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Lynda J. Townsend</i> Signature</p> <p>Lynda Townsend Printed Name</p> <p>Landman Title</p> <p>04/14/03 Date</p>
		<p>Y = 701162.5 X = 834637.0</p>



Standard 640 ac. Section

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
Revised March 17, 1999

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Chesapeake Operating, Inc. P. O. Box 18496 Oklahoma City, OK 73154-0496		² OGRID Number 147179
³ Property Code		³ API Number 30-025-31063
⁵ Property Name Billy State 15		⁶ Well No. 1

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	15	16S	37E		1992	North	817	West	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	15	16S	37E		2310	North	990	West	Lea

⁹ Proposed Pool 1 Lovington Upper Penn, Northeast	¹⁰ Proposed Pool 2
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¹¹ Work Type Code	¹² Well Type Code O	¹³ Cable/Rotary R	¹⁴ Lease Type Code State	¹⁵ Ground Level Elevation 3798'
¹⁶ Multiple N	¹⁷ Proposed Depth	¹⁸ Formation	¹⁹ Contractor	²⁰ Spud Date

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17-1/2	13-3/8	48#	0-442'	±450	Surface
11"	8-5/8	28#	0-4400'	±1740	Surface
7-7/8"	5-1/2	17#	0-11,800'	±1100	4400'

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone.

Describe the blowout prevention program, if any. Use additional sheets if necessary.

This well is a re-entry on a well previously drilled, plugged & abandoned. The 13-3/8" & 8-5/8" have been cemented to surface. The 8-5/8" casing will be repaired, tested & wellhead will be installed. Spud 11/20/90 by Pennzoil Expl. & Prod. Co.

COI proposes to drill to a T.D. of 11,850' in the Strawn formation with Nabors as the drilling contractor.

BOP consists of 13-5/8" 10M# blind & pipe rams & 13-5/8" 5M # Annular (see schematic)

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.		OIL CONSERVATION DIVISION	
Signature: <i>Lynda Townsend</i>		Approved by:	
Printed name: Lynda Townsend		Title:	
Title: Landman		Approval Date:	Expiration Date:
Date: 04/14/03	Phone: (405) 848-8000	Conditions of Approval: Attached <input type="checkbox"/>	



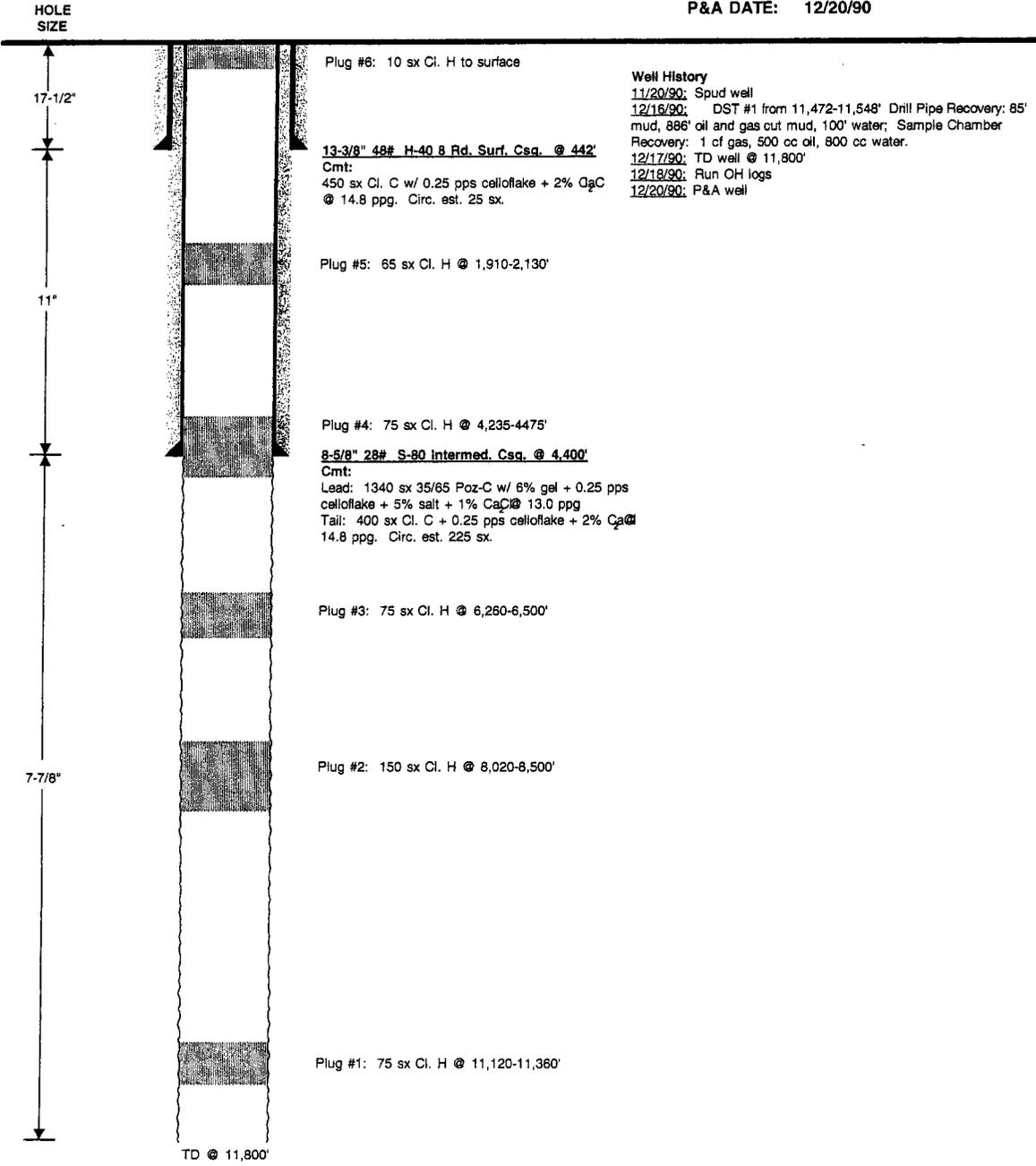
CURRENT WELLBORE SCHEMATIC

CHESAPEAKE OPERATING, INC.



WELL : BILLY STATE 1-15 (PENNZOIL STATE 15-1 RE-ENTRY)
FIELD : LOVINGTON PENN NORTHEAST
COUNTY : LEA **STATE :** NEW MEXICO
SURF. LOC. : 1,980' FNL & 810' FWL, SEC. 15-16S-37E
RE BH LOC. : TARGET: 2,310' FNL & 990' FWL, SEC. 15-16S-37E
ELEVATION : GR 3,798' KB 3,812'

API #: 30-025-31063
SPUD DATE: 11/20/90
P&A DATE: 12/20/90



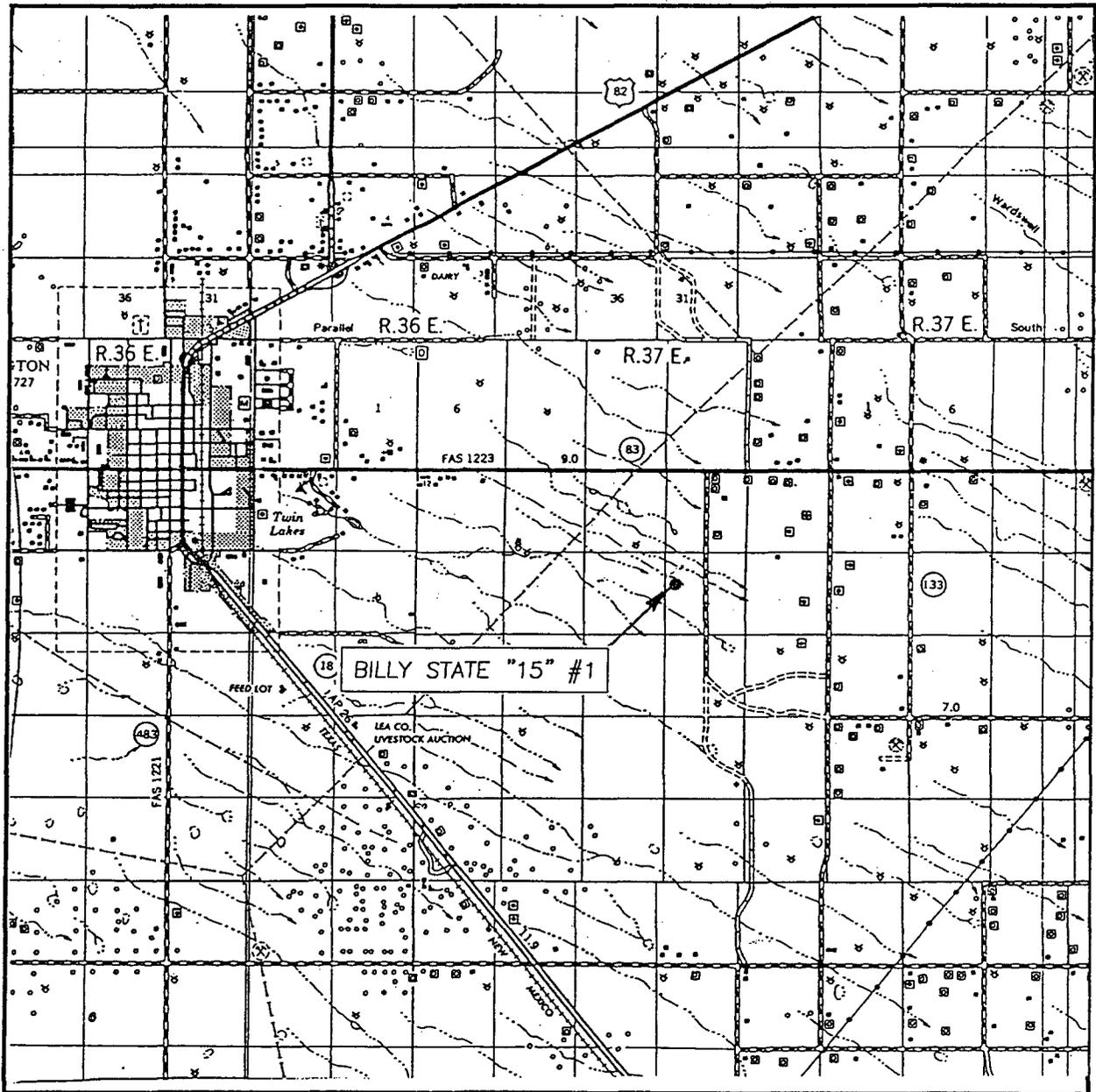
PREPARED BY: Ginni A. Kennedy

DATE: 3/12/03

APPROVED BY: _____

DATE: _____

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 15 TWP. 16-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA

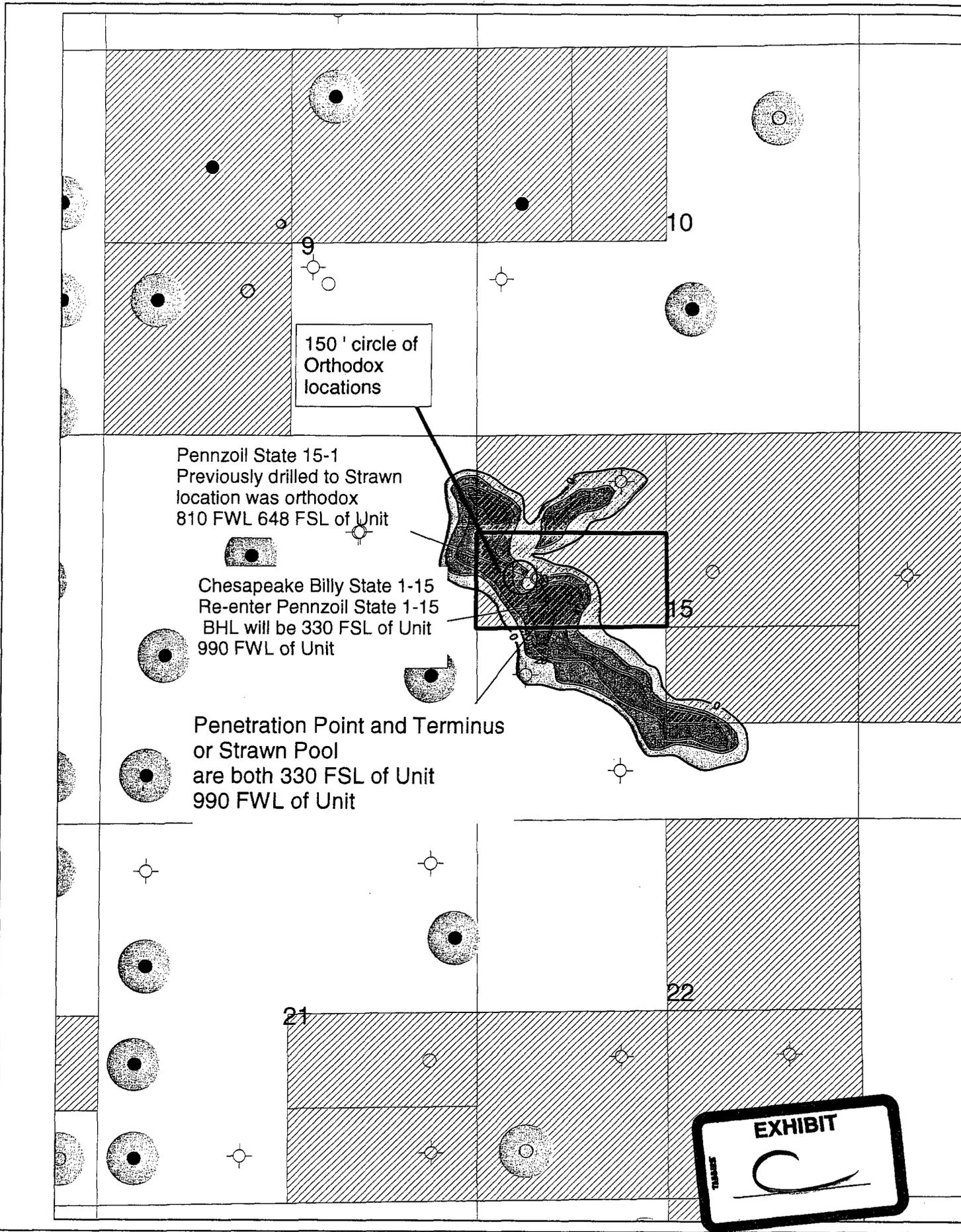
DESCRIPTION 1992' FNL & 817' FWL

ELEVATION 3798'

OPERATOR CHESAPEAKE OPERATING, INC.

LEASE BILLY STATE "15"

JOHN WEST SURVEYING
 HOBBS, NEW MEXICO
 (505) 393-3117



150' circle of Orthodox locations

Pennzoil State 15-1
Previously drilled to Strawn
location was orthodox
810 FWL 648 FSL of Unit

Chesapeake Billy State 1-15
Re-enter Pennzoil State 1-15
BHL will be 330 FSL of Unit
990 FWL of Unit

Penetration Point and Terminus
or Strawn Pool
are both 330 FSL of Unit
990 FWL of Unit

EXHIBIT
C



150' circle of Orthodox locations

Pennzoil State 15-1
Previously drilled to Strawn
location was orthodox
810 FWL 648 FSL of Unit

Chesapeake Billy State 1-15
Re-enter Pennzoil State 1-15
BHL will be 330 FSL of Unit
990 FWL of Unit

Penetration Point and Terminus
or Strawn Pool
are both 330 FSL of Unit
990 FWL of Unit

 Strawn Producers

 Actual Acreage

	CHESAPEAKE OPERATING, INC.
	Chesapeake Operating Billy State 1-7 Sec 15 T 16S R 36 E Strawn Net Porosity > 6% Isopach
Wells Strawn or Deeper shown	
Date: 10 April, 2003 1 in = 1760 ft	Geologist: CH/DB/MB