

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-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 _____

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 AUG 26 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 Kellahin Title KELLAHIN & KELLAHIN Date 8/14/03
 Attorneys At Law
 P.O. Box 2265
 Santa Fe, NM 87504-2265

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.com

August 26, 2003

HAND DELIVERED

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

Re: NMOCD Administrative Application of
Chesapeake Operating, Inc and Doyle Hartman
for approval of two non-standard spacing unit:
(a) Barber Adkins "8" Well No. 1 Unit D, W/2 & SE/4NW/4
120-acres Section 8, T20S, R37E
(b) Britt "B-8" Well No. 2 Unit C, NE/4NW/4
40-acres Section 8, T20S, R37E

Dear Ms. Wrotenbery:

On behalf of Chesapeake Operating, Inc. and Doyle Hartman, please find enclosed our joint application for approval of 2 non-standard spacing units. This application is being filed jointly based upon our meeting with Mr. Michael E. Stogner on August 6, 2003.

As a result of Mr. Stogner taking the initiative and because of his suggestion of a unique solution, we are submitting this joint application in order avoided a difficult and contentious dispute.

Very truly yours,



W. Thomas Kellahin

cc: J. E. Gallegos, Esq.
Attorney for Doyle Hartman
James Bruce, Esq.
Attorney for Arch Petroleum Inc.
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.
AND DOYLE HARTMAN FOR APPROVAL OF TWO
NON-STANDARD PRORATION AND SPACING UNITS,
LEA COUNTY, NEW MEXICO.**

JOINT ADMINISTRATIVE APPLICATION

CHESAPEAKE OPERATING, INC. ("Chesapeake") by its attorneys, Kellahin & Kellahin, and DOYLE HARTMAN ("Hartman") by his attorney, J. E. Gallegos, seek the approval of the New Mexico Oil Conservation Division ("Division") for the following two non-standard proration and spacing units:

- (a) a 120-acre non-standard gas spacing unit ("NSP") consisting of the W/2NW/4 and SE/4NW/4 of Section 8, T20S, R37E, Lea County New Mexico to be dedicated to Chesapeake's Barber Adkins "8" Well No. 1 located 660 feet FNL and 660 Feet FWL (Unit D) of this section for production from the West Monument Tubb Gas Pool; and
- (b) a 40-acre non-standard oil proration and spacing unit ("NSP") consisting of the NE/4NW/4 of Section 8, T20S, R37E, Lea County New Mexico to be dedicated to Hartman's Britt "B-8" Well No. 2 located 330 feet FNL and 2310 Feet FWL (Unit C) of this section for oil production from the Monument Tubb Pool.

In support of its joint application Chesapeake and Hartman state:

- (1) Chesapeake's proposed a 120-acre spacing unit consisting of a single fee oil & gas lease the working interest ownership of which is divided such that Chesapeake has 100% of the W/2NW/4 and Arch Petroleum, Inc. ("Arch") has 100% of the SE/4NW/4. **See ownership document attached as Exhibit "A" "B" and "C"**
- (2) Hartman's proposed a 40-acre spacing unit consisting of a single federal oil & gas lease of which Hartman has 100% of the working interest ownership. **See ownership document attached as Exhibit "D"**
- (3) The NW/4 of this section is sandwiched between the West Monument Tubb Gas Pool to the west and the Monument Tubb Oil Pool to the west. Standard spacing units for the West Monument Tubb Gas Pool are 160-acres (Division Rule 104) while standard spacing units for the Monument Tubb Oil Pool are 80-acres (**Division Order R-2800**).
- (4) Chesapeake's Barber Adkins "8" Well No. 1 was originally drilled to the Ellenburger formation. Chesapeake plans to re-enter this wellbore to test the Tubb formation. The well is located at a standard gas well location in the Unit D of Section 8 and normally would be dedicated to a standard gas spacing unit consisting of 160-acre being the NW/4 of this section.
- (5) Chesapeake has filed a compulsory pooling application in order to pool the NW/4 of this section as a standard 160-acre gas spacing unit. **See NMOCD Case 13101.**
- (6) Hartman is opposed to this compulsory pooling case and has advised Chesapeake and the Division that he wants to be excluded from this proposed gas spacing unit based upon his belief that his Britt "B-8" Well No. 2 will be an oil well when he re-completes it.

- (7) Chesapeake believes its geologic interpretation for approval of its 120-acre NSP. **See Exhibit "E"**
- (8) Hartman believes his geologic interpretation for approval of his proposed 40-acre NSP is supported by his study that the active offsetting wells in Section 4, 5, 6, 7, 8 and 9 all demonstrate gas/oil ratios which classify them as oil wells. **See Exhibit "F"**
- (9) At the request of the Division, counsel for Chesapeake and Hartman attended a prehearing conference on August 6, 2003 before Examiner Michael E. Stogner. Counsel for Arch declined to attend but submit a letter stating that Arch has no objection to these two non-standard spacing units being approved by the Division. **See Exhibit "G"**
- (10) If Chesapeake's Barber Adkins "8" Well No.1 is classified as an oil well, then in accordance with the Division's rules and orders, Chesapeake will dedicate an 80-acre standard oil spacing unit for Tubb production consisting of the W/2NW/4 of this section to this well (See Monument Tubb Oil Pool rules).
- (11) Chesapeake and Arch have agreed to entered into a working interest unit covering Chesapeake's proposed 120-acre NSP such that Arch and the interest owners in the SE/4NW/4 will participate in production from the Barber Adkins "8" Well No. 1 regardless of whether it produced gas or oil. **See Exhibit "E"**
- (12) In accordance with the Division's notice requirements, because Chesapeake, Hartman and Arch are all in agreement with this application and because the royalty interest are common within each of the two oil & gas leases, no additional notices are required.

WHEREFORE, Chesapeake and Hartman, as applicants,
requests that this application be approved as requested.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN

P. O. Box 2265

Santa Fe, New Mexico 87504

Telephone: (505) 982-4285

Facsimile: (505) 982-2047

Attorney for Chesapeake Operating, Inc.



J. E. Gallegos

Gallegos Law Firm

460 St. Michael's Drive

Santa Fe, New Mexico 87505

Telephone (505) 986-1367

Facsimile (505) 986-0741

Attorney for Doyle Hartman

PRODUCERS
NEW MEXICO

OIL AND GAS LEASE

AGREEMENT, Made and entered into this 10th day of August, 1935
by and between August H. Adkins and Bertha E. Adkins (husband and wife)
(Both of Muskogee, Oklahoma)

of _____ hereinafter called lessor (whether one or more) and
The Pratts Oil and Gas Co. (A Texas Corporation) hereinafter called lessee.

WITNESSETH that the said lessor for and in consideration of Seven hundred dollars (\$700.00) cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained in this lease to be paid, kept and performed, has granted, demised, leased and let and by these presents does give, demise, lease and let unto the said lessee certain acre and only purposes of mining and operating for oil and gas and letting pipe lines, well casing, tanks, power lines and other things necessary to produce and take care of said products, all that certain tract of land known as the County of LeFlore State of New Mexico, described as follows to-wit:

The west half of the north west quarter and the west half of the north east quarter of section 20, Township 20 North, Range 37 East, and containing 640 acres of land.
Twenty (20) South, Range thirty seven (37) East, containing 640 acres of land.
The east half of east half of section 20, Township 20 North, Range 37 East, containing 320 acres of land.

of Section 20 Township 20 North Range 37 East and containing 640 acres.

It is agreed that this lease shall remain in force for a term of 10 years and if no oil or gas is produced from said land by the expiration of the term of this lease, this lease shall terminate and the same shall remain in force and the lessee shall continue to lease as long as production continues.

- In consideration of the premises the said lessee covenants and agrees:
1. To deliver to the credit of lessee the net proceeds of the production of oil and gas from the leased premises.
 2. To pay the lessor one-eighth, at the market price for the gas so used, for the gas from any well or wells on the leased premises being used, and lessor to have gas free of cost from any such well for all purposes and for the use of the lessee's house on said land during the same time by making his own connections with the well at his own cost and expense.
 3. To pay lessor for gas produced from any oil-well used off the premises or for the manufacture of steamships or for the market price for the gas to be used, for the time during which such gas shall be used, said payments to be made Monthly.

If no well be commenced on said land on or before the 10th day of August, 1935, this lease shall terminate as to both parties, whereupon the lessor and the lessee shall have no further obligations to each other.

That if at any time the ownership of said land, the sum of _____ DOLLARS which shall operate as a rental and cover the privilege of developing and commencing a well for _____ months from said date. In like manner upon the expiration of the term of this lease, the lessee shall be entitled to the same amount of months as aforesaid. And it is understood and agreed that the consideration first recited herein, the above payment, covers not only the privilege granted to the lessee to mine and operate as aforesaid, but also the lessee's option of extending that period as aforesaid, and use and all other rights.

Should the first well drilled on the above described land be a dry hole, then, and in that event, if a second well is not commenced on said land within twelve months from the expiration of the first rental period which rental has been paid, this lease shall terminate as to both parties, whereupon the lessee shall be entitled to the same amount of months as aforesaid. And it is agreed that upon the resumption of the payment of rentals, as above provided, that the first paragraph hereof, governing the payment of rentals and the effect thereof, shall continue in force just as though there had been no interruption in the rental payments.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the lessee only in the proportion which his interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from wells of lessor.

When requested by lessor, lessee shall bury its pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the owners.

Lessee shall pay for damages caused by its operations to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove oil and gas.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of royalty or royalties shall be binding on the lessor until after the lessee has been furnished with a written warranty or assignment of a true copy thereof; and it is hereby agreed that in the event this lease shall be assigned as to a part or to the whole of the above described lands and the privilege of mining or other part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said lands upon which the said lessee or any assignee thereof shall make the payment of said rents.

Lessee hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor, by payment of any mortgage, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof.

The above stated consideration of seven hundred dollars (\$700.00) is understood by both parties to constitute payment in full of bonuses and rentals, for the full ten year period in the event an oil well is drilled on the above described premises during the ten year period.

In Testimony Whereof We Sign, this the _____ day of _____, 1935.

WITNESSES:

720-1003-01



County of LEAS
On this 11th day of AUGUST A. D. 1926 before me personally appeared



Ernest S. Adams and Beasis R. Adams, husband and wife
be the person or persons described in and who executed the foregoing instrument, and acknowledged that
they executed the same as their free act and deed.

WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year in this
written.

Witness my hand and seal this 11th day of August, 1926.
Wm. H. Adams Notary Public

STATE OF NEW MEXICO
County of LEAS

On this 11th day of August A. D. 1926 before me personally appeared
to me known to be the person or persons described in and who executed the foregoing instrument,
and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year in this
certificate first above written.
My Commission Expires _____
Wm. H. Adams Notary Public

54 Lea N Mex
COMPARATIVE
No. _____

OIL AND GAS LEASE

FROM
Ernest S. Adams et al
Muskogee, Oklahoma,
TO
Exxon Oil & Gas Company

Dated August 10th, 1926.
No. 280
Leas Leas County, N. M.

This instrument was filed for record on the 11th
day of August, 1926.
Entered 9 o'clock P.M., and duly recorded in
Leas Register's Book 408 of the
County of Leas, State of New Mexico.



K 56 38

Duplicate of original exhibit attached to blanket assignment of leases of The Prairie Oil & Gas Company to

EXHIBIT "A"

File No. 34 122 County New Mexico

Date of lease: August 16, 1924

Lessor: Dugan S. Ashin, and wife Beulah B. Ashin.

Lessee: The Prairie Oil & Gas Company

Description: $\frac{1}{4}$ of $\frac{1}{4}$ and $\frac{1}{4}$ of Section 6 - Township 22S - Range 7E,
R.M.P.M. The $\frac{1}{4}$ $\frac{1}{4}$ of Section 7 - Township 22S - Range 7E, R.M.P.M.,
and containing 200 acres, more or less.

Which said lease has been filed for record in the County aforesaid and is
Recorded in the office of the County Clerk (Register of Deeds) in Book 4 Page 222

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

915/684-9819
 915/682-2601 fax

COUNTY: Lea
 STATE: NM
 AREA: Barbara Atkins Area
 DATE: 03-22-02, updated to 02-17-03, 3:30 PM

Township 20-S, Range 37-E,
 SE/4 NW/4 Section 08, containing 40 acs, m/1

LEASING RIGHTS	INTEREST (NET ACRES)	COMMENTS
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Theodore Anderson and Bertie Whitmire	1.00 (40)	HBP O&GL 13/222, dtd 11-10-28, 1/8 th royalty <u>Leasehold:</u> Arch Petroleum, Inc., a Delaware Corp., Forth Worth Club Tower Penthouse II Fort Worth, Tx. 76102 100% WI, 87.50% NRI
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Landman Name: T. Hill

TNH:mmc'

The Foregoing is based on a review of the indices and records of Caprock Title Company, Midland, Texas. No warranty of title, either express or implied, is made to the foregoing; it is provided for information purposes only.

Subject to:

Bk. 396/124, Assignment of Well, filed 12-4-81, Gulf Oil Corporation, assigned all of its interest in the plugged and abandoned well, known as Bertie Whitmire No. 7, located 1,980 feet FNL & 2,310 feet FEL of Section 8, to be converted to a SWD to Rice Engineering and Operating Company, 122 West Taylor, Hobbs, NM 88240.

Bk. 131/228, Gas Pooling Agreement, dated 01-25-56, filed 02-24-58, between Gulf Oil Corporation & Cities Service, (Gulf as operator), covering the NE/4 and the SE/4 NW/4 of Section 8, as to dry gas and associated liquid hydrocarbons produced from a gas well, within the vertical limits of the Eumont Gas Pool, as defined by New Mexico Oil Conservation Commission's Order #: R-520. It is the intent that this not affect other production from wells in other formations other than said production from the Eumont Gas Pool.

Bk. 498/163, Assignment, Chevron U.S.A., Inc. to Arch Petroleum Inc., subject to Special Metering Agreement, dtd March 4, 1991, between Southwestern Public Service Company, Chevron U.S.A., Inc. and Jimmie Cooper.

Arch also owns Mineral Interest, Bk. 498/163, Assignment, filed 04-04-1994, Chevron to Arch Petroleum Inc.

Updated in Lea County Clerk's Office including instruments filed as February 17, 2003, 3:30 p.m.

Landman: Sherri Hatfield



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

915/684-9819
 915/682-2601 fax

COUNTY: Lea
 STATE: NM
 AREA: Barbara Atkins Area
 DATE: 01-18-02 updated 02-17-03

Township 20-S, Range 37-E,
 W/2 NW/4 Section 08, containing 80 acs, m/l
 below the base of the San Andres

LEASING RIGHTS	INTEREST (NET ACRES)	COMMENTS
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Eugene Atkins, et al	1.00 (80)	HBP O&GL 4/408, dtd 8-10-26, 1/8 th royalty <u>Leasehold:</u> SAP Acquisition Corporation, Oklahoma Corporation c/o Chesapeake Operating Inc. P.O. Box 18496 Ok. City, OK 73154 100% WI, 87.50% NRI
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Merger PR, Bk. 1129, page 265, dated 12-18-02, Sapient Energy Corp. into SAP Acquisition Corp., an OK corporation, did not include an address for SAP. Document was returned, after recording, to Chesapeake at the address given above.

Subject to Purchase and Sales Agreement, dtd 2-28-00, between Cross Timbers Oil Company and Falcon Creek Resources, Bk. 1010/395, (Exhibit pg 65).

Updated in Lea County Clerk's Office including instruments filed as February 17, 2003, 3:30 p.m.

Landman: Sherri Hatfield



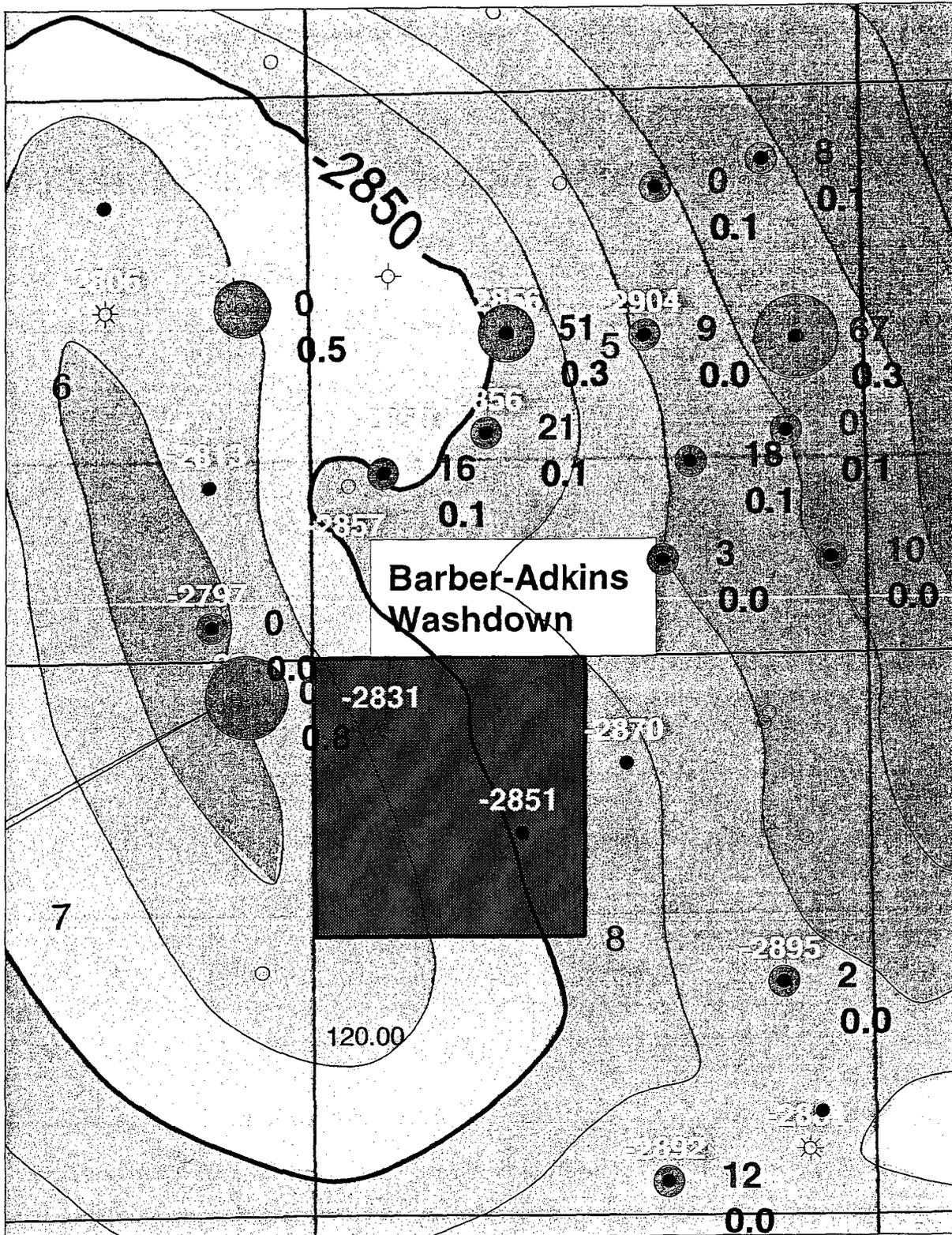


EXHIBIT
E

 CHESAPEAKE OPERATING, INC.	MONUMENT PROSPECT Barber-Adkins Unit Lower Tubb Carbonate Structure Map CI 25'
Tubb Producers Light Blue Circles Lee County, New Mexico <small>Wells penetrating Tubb Shown Approximate Gas-Oil contact in Rec</small>	
Date: 31 July, 2003	Geologist: Doug Bellis
Scale: 1" = 2000'	

HARMAN
EXHIBIT



JAMES BRUCE

ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501(505) 982-2043 (PHONE)
(505) 982-2151 (FAX)

jamesbruc@aol.com

August 6, 2003

Via FaxMichael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505Re: Case No. 13101/Chesapeake Operating, Inc.
NW $\frac{1}{4}$ S8-20S-37E/Barber Adkins "8" Well No. 1Interested parties: Doyle Hartman
Arch Petroleum Inc.

Dear Mr. Stogner:

Thank you for your call today regarding the proposed non-standard units in the NW $\frac{1}{4}$ of Section 8. It is Arch's understanding that Mr. Hartman is proposing a non-standard 40 acre oil unit comprising the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 8. As a result, Chesapeake would form a non-standard gas unit comprising the W $\frac{1}{2}$ NW $\frac{1}{4}$ and SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 8. Arch has no objection to these proposals. In fact, Arch has a verbal agreement with Chesapeake to form the 120 acre unit, and they are working on an operating agreement covering the 120 acres.

You indicated the possibility of forming a non-standard 80 acre gas unit comprising the W $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 8, and then forming an E $\frac{1}{2}$ NW $\frac{1}{4}$ oil unit. Arch objects to the W $\frac{1}{2}$ NW $\frac{1}{4}$ unit. Arch believes that the fee leases covering the W $\frac{1}{2}$ NW $\frac{1}{4}$ and SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 8 should be within one unit, and the federal lease covering the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 8 should form a separate unit.

Please call if you have any questions.



Very truly yours,

A handwritten signature in cursive script, appearing to read "James Bruce".

James Bruce

Attorney for Arch Petroleum Inc.

cc: W. Thomas Kellahin (via fax)
J.E. Gallegos (via fax)