

CMD :
OG5SECTONGARD
INQUIRE LAND BY SECTION06/26/00 12:22:13
OGOMES -TQF:
PAGE NO: 1

Sec : 10 Twp : 16S Rng : 36E Section Type : NORMAL

D 40.00 Fee owned	C 40.00 Fee owned	B 40.00 Fee owned A	A 40.00 Fee owned
E 40.00 Fee owned	F 40.00 Fee owned	G 40.00 Fee owned	H 40.00 Fee owned

PF01 HELP
PF07 BKWDPF02
PF08 FWDPF03 EXIT
PF09 PRINTPF04 GoTo
PF10 SDIVPF05
PF11PF06
PF12

CMD :
OG5SECTONGARD
INQUIRE LAND BY SECTION06/26/00 12:22:15
OGOMES -TQF
PAGE NO: 2

Sec : 10 Twp : 16S Rng : 36E Section Type : NORMAL

L 40.00 Fee owned	K 40.00 Fee owned	J 40.00 Fee owned	I 40.00 Fee owned
M 40.00 Fee owned	N 40.00 Fee owned	O 40.00 Fee owned	P 40.00 Fee owned

PF01 HELP
PF07 BKWDPF02
PF08 FWDPF03 EXIT
PF09 PRINTPF04 GoTo
PF10 SDIVPF05
PF11PF06
PF12

COUNTY Lea

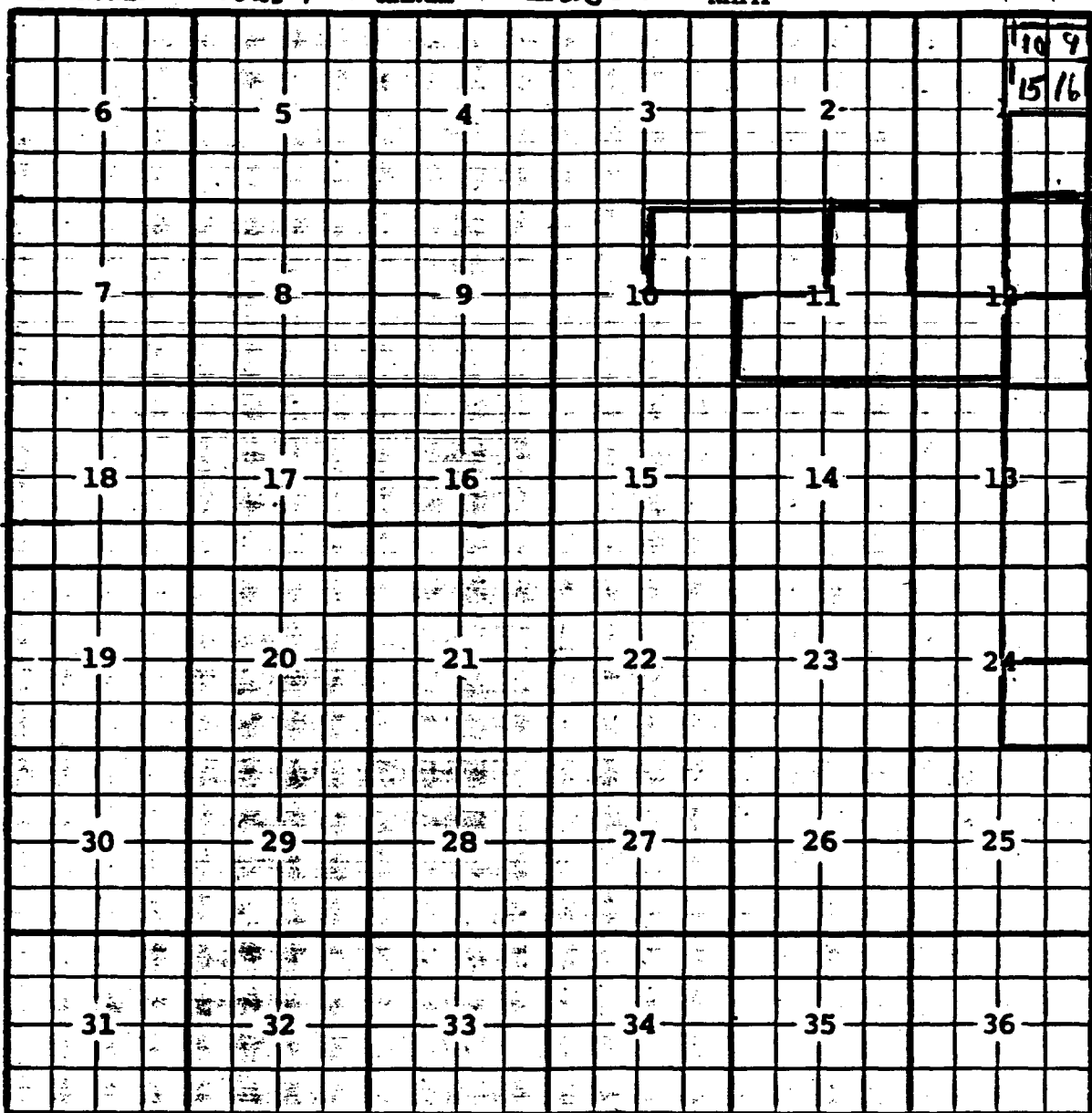
POOL

Northeast Lovington - PennsylvanianTOWNSHIP 16 South

RANGE

36 East

NMPM



Description: SE 1/4 Sec. 24 (R-3816, 8-14-69 Effective date 9-1-69)

Ext: 1/2 sec 13, NE 1/4 Sec. 24 (R-6576, 2-10-81) EXT: 5/4 Sec. 1 (R-8561, 1/4/87)

EXT: SE 1/4 sec 12 (R-8946, 7-1-89) EXT: 1/2 and SW 1/4 Sec. 11, SW 1/4 Sec. 12 (R-10776, 2-28-97)

Ext: NE 1/4 Sec. 12 (R-10910, 10-31-97) EXT: Lots 9, 10, 15 and 16 Sec. 1 (R-11116, 1-7-99)

Ext: NE 1/4 Sec. 10, NE 1/4 Sec. 11 (R-11183, 5-19-99)

- (d) The applicant shall submit a statement attesting that the applicant, on or before the date the application was submitted to the Division, sent notification to the affected persons by submitting a copy of the application, including a copy of the plat described in (c) above, by certified mail, return receipt requested, advising them that if they have an objection it must be filed in writing within 20 days from the date the Division receives the application. The Director may approve the application upon receipt of waivers from all the notified persons or if no person has filed an objection within the 20-day period.
- (e) The Director may set for hearing any application for administrative approval.

(3) Number of Wells Per Spacing Unit. Exceptions to the provisions of statewide rules or special pool orders concerning the number of wells allowed per spacing unit may be permitted by the Director only after notice and opportunity for hearing. Notice shall be given to those affected persons defined in Rule 1207.A.(2).

104.E. FORMS

Form C-102 "Well Location and Acreage Dedication Plat" for any well shall designate the exact legal subdivision dedicated to the well. Form C-101 "Application for Permit to Drill, Deepen, or Plug Back" will not be approved without an acreage designation on Form C-102.

104.F. UNORTHODOX LOCATIONS

(1) Well locations for producing wells and/or injection wells that are unorthodox based on the requirements of B above and are necessary for an efficient production and injection pattern within a secondary recovery, tertiary recovery, or pressure maintenance project are hereby authorized, provided that the unorthodox location within the project is no closer than the required minimum distance to the outer boundary of the lease or unitized area, and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. These locations shall only require such prior approvals as are necessary for an unorthodox location.

(2) The Director may grant an exception to the well location requirements of B and C above or special pool orders after notice and opportunity for hearing when the exception is necessary to prevent waste or protect correlative rights.

(3) Applications for administrative approval pursuant to F(2) above shall be submitted to the Division's Santa Fe Office accompanied by (a) a plat showing the spacing unit, the proposed unorthodox well location and the adjoining spacing units and wells; (b) a list of affected persons as defined in Rule 1207.A(2); and (c) information evidencing the need for the exception. Notice shall be given as required in Rule 1207.A(2).

(4) The applicant shall submit a statement attesting that applicant, on or before the date that the application was submitted to the Division, sent notification to the affected persons by submitting a copy of the application, including a copy of the plat described in F(3) above, by certified mail, return receipt requested, advising them that if they have an objection it must be filed in writing within 20 days from the date the Division receives the application. The Director may approve the unorthodox location upon receipt of waivers from all the affected persons or if no affected person has filed an objection within the 20-day period.

(5) The Director may set for hearing any application for administrative approval of an unorthodox location.

(6) Whenever an unorthodox location is approved, the Division may order any action necessary to offset any advantage of the unorthodox location.

104.G. EFFECT ON ALLOWABLES

(1) If the drilling tract is within a prorated/allocated oil pool or is subsequently placed within such pool and the drilling tract consists of less than $39\frac{1}{2}$ acres or more than $40\frac{1}{2}$ acres, the top unit allowable for the well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

(2) If the drilling tract is within a prorated/allocated gas pool or is subsequently placed within such pool and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, or less than 316 acres or more than 324 acres in 320-acre pools, or less than 632 acres or more than 648 acres in 640-acre pools, the top allowable for the well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard spacing unit for the pool.

(3) In computing acreage under (1) and (2) above, less than $\frac{1}{2}$ acre shall not be counted but $\frac{1}{2}$ acre or more shall count as one acre.

(4) The provisions of (1) and (2) above shall apply only to wells completed after January 1, 1950.

104.H. DIVISION-INITATED EXCEPTIONS

In order to prevent waste, the Division may, after hearing, set different spacing requirements and require different acreage for drilling tracts in any defined oil or gas pool.

104.I. POOLING OR COMMUNITIZATION OF SMALL OIL LOTS

(1) The Division may approve the pooling or communitization of fractional oil lots of 20.49 acres or less with a contiguous oil spacing unit when the ownership is common and the tracts are part of the same lease with the same royalty interests if the following requirements are satisfied:

(e) At the request of any interested person or upon the Division's own initiative, any pooling application submitted shall be set for full hearing with oral testimony by the applicant. [Rn, 19 NMAC 15.N.1207.A.(4), 7-15-99; A, 7-15-99]

Rule 1207.A

(2) **Unorthodox Well Locations:** [1-1-87...2-1-96; Rn, 19 NMAC 15.N.1207.A.(5), 7-15-99; A, 7-15-99]

(a) Definition: "Affected persons" are the following persons owning interests in the adjoining spacing units:

1. the Division-designated operator;
2. in the absence of an operator, any lessee whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application is filed; and
3. in the absence of an operator or lessee, any mineral interest owner whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application was filed.

In the event the operator of the proposed unorthodox well is also the operator of an existing adjoining spacing unit and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then "affected persons" include all working interest owners in that spacing unit. [1-1-87...2-1-96; N, 7-15-99]

(b) If the proposed location is unorthodox by being located closer to the outer boundary of the spacing unit than permitted by rule, notice shall be given to the affected persons in the adjoining spacing units towards which the unorthodox location encroaches. [Rn, 19 NMAC 15.N.1207.A.(5).(a), 7-15-99, A, 7-15-99]

(c) If the proposed location is unorthodox by being located in a different quarter-quarter section or quarter section than provided in special pool orders, notice shall be given to all affected persons. [Rn, 19 NMAC 15.N.1207.A.(5).(a), A, 7-15-99]



Manzano Oil Corporation

P.O. Box 2107
Roswell, New Mexico 88202-2107
(505) 623-1996
FAX (505) 625-2620

July 11, 2000

Mr. Michael E. Stogner
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

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

Dear Mr. Stogner:

We have just received word that Chesapeake Operating, Inc. has applied for administrative approval of the above referenced unorthodox subsurface location. Although we are an offset operator and working interest owner, we have not received notice from Chesapeake for their proposed unorthodox location.

Due to various problems concerning this location, in addition to not receiving notice, we hereby request that this application be set up for a hearing in front of the appropriate examiner.

Thank you for your consideration of this request.

Very truly yours,

Kenneth Barbe, Jr.

KB:ah

cc: Kellahin & Kellahin

(d) The applicant shall submit a statement attesting that the applicant, on or before the date the application was submitted to the Division, sent notification to the affected persons by submitting a copy of the application, including a copy of the plat described in (c) above, by certified mail, return receipt requested, advising them that if they have an objection it must be filed in writing within 20 days from the date the Division receives the application. The Director may approve the application upon receipt of waivers from all the notified persons or if no person has filed an objection within the 20-day period.

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In the event the operator of the proposed unorthodox well is also the operator of an existing adjoining spacing unit and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then "affected persons" include all working interest owners in that spacing unit. [1-1-87...2-1-96; N, 7-15-99]

(b) If the proposed location is unorthodox by being located closer to the outer boundary of the spacing unit than permitted by rule, notice shall be given to the affected persons in the adjoining spacing units towards which the unorthodox location encroaches. [Rn, 19 NMAC 15.N.1207.A.(5).(a), 7-15-99, A, 7-15-99]

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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury
Cabinet Secretary

July 12, 2000

Lori Wrotenbery

Director

Oil Conservation Division

Case 12464

Chesapeake Operating, Inc.
c/o W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Telefax No. (505) 982-2047

Manzano Oil Corporation
P. O. Box 2107
Roswell, New Mexico 88202-2107

Telefax No. (505) 625-2620

Attention: Kenneth Barbe, Jr.

Re: *Administrative application of Chesapeake Operating, Inc. for a non-standard subsurface oil producing area/bottomhole oil well location, as defined by Rule 4 of the "Special Rules and Regulations Northeast Lovington-Pennsylvanian Pool," as promulgated by Division Order No. R-3816, as amended, and Division Rule 111.A (7), within a project area [see Division Rule 111.A (9)] comprising the S/2 NE/4 of Section 10, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, being a standard 80-acre oil spacing and proration unit for the Northeast Lovington-Pennsylvanian Pool for its proposed Warehouse "10" Well No. 2 to be directionally drilled from a surface location 1196 feet from the North line and 2463 feet from the East line (Unit B) of Section 10 to a targeted bottomhole location at a depth of 11,900 feet (TVD), or 12,033 feet (MD), to be within 100 feet of a point 1842 feet from the North line and 2213 feet from the East line (Unit G) of Section 10.*

Dear Messrs. Kellahin and Barbe:

The Division is in receipt of an objection telefaxed by Manzano Oil Corporation ("Manzano") today (July 12, 2000), see copy attached, on the grounds of: (i) various problems concerning this location; and (ii) absence of notice. Insufficient notice to all "*affected persons*," pursuant to Division Rules 104.F (3), 104.F (4), and 1207.A (2), by an applicant is considered to be a very serious violation of the *New Mexico Oil and Gas Act*, Chapter 70, Article 2 NMSA 1978. Likewise however, the filing of a frivolous objection in order to slow the processing of an appropriate and legitimate application for Division consideration is considered to be equally offensive and can quit possibly be seen as an obstruction of this agency's duties in carrying out its statutory mandates.

As not to clutter the Division's hearing docket with applications that can be processed administratively, I need to verify the validity of Manzano's objections by: (i) requesting from Manzano a detailed description of the various problems mentioned in Mr. Barbe's letter of objection and to identify its mineral interest and/or operations on a land plat; and (ii) having Chesapeake respond to Manzano charges in such a manner appropriate to its own findings.

Manzano Oil Corporation/Chesapeake Operating, Inc.

July 12, 2000

Page 2

In order for the Division to act on this matter in a timely fashion, responses must be in my possession by 5:00 p.m. MDST on Wednesday, July 26, 2000. In the mean time I strongly urge both parties to seek an equitable solution on their own.

Please submit your responses to me in Santa Fe at 2040 South Pacheco Street; Santa Fe, New Mexico 87505, and/or via telefax at (505) 827-1389. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal line extending to the right.

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs
Ms. Lori Wrotenbery, Director - NMOCD, Santa Fe
Ms. Lyn Hebert, Legal Counsel - NMOCD, Santa Fe

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

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)

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

July 18, 2000

OIL CONSERVATION DIV.
00 JUL 18 AM 7:38

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

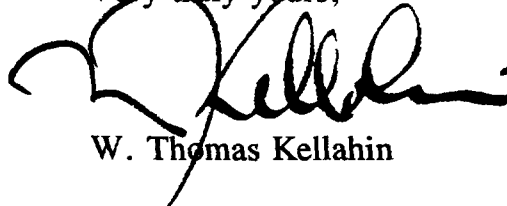
#12464

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 12464: 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 12469

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 at 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 %

NMOCD Application
Chesapeake Operating Inc.
-Page 4-

Chesapeake Exploration LP	76.42 %
P. O. Box 18496	
Oklahoma City, OK 73154	

Magnolia Royalty Co. Inc.	2.73 %
P. O. Box 10703	
Midland, Texas 79702	

Gary J. Lamb, Inc.	2.73 %
P. O. Box 3383	
Midland, Texas 79702	

Manzano Oil Corporation	2.87 %
P. O. Box 2107	
Roswell, New Mexico 88202-2107	

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

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NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

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

July 18, 2000

Hand Delivered

Mr. Michael E. Stogner
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

Dear Mr. Stogner:

On behalf of Chesapeake Operating, Inc. ("Chesapeake") I am responding to your letter dated July 12, 2000.

Manzano Oil Corporation ("Manzano") was not sent a notice of Chesapeake's administrative application filed on June 23, 2000 because the information I had been provided only indicated Manzano as an offset operator in Section 11. As you know, Rule 1207.A(2) does not recognize Manzano as being an affected person when the well is intended to be located some 1,700 feet farther from Manzano than a standard well could be located.

However, a review of the ownership in the E/2NW/4 discloses that Manzano Oil Corporation has a 2.87% interest and is entitled to notice because it is a working interest owner in the adjoining spacing unit operated by Chesapeake towards which this well encroaches.

Unfortunately, as a result of an undetected clerical error in the facsimile transmission to me, I only received the first page of the tabulation of working interest owners in the E/2NW/4 of this section. There was only one company listed on the second page and that was Manzano Oil Corporation which obtained a 2.87% interest from Balhburg Exploration, Inc.

Mr. Michael E. Stogner
Oil Conservation Division
July 18, 2000
-Page 2-

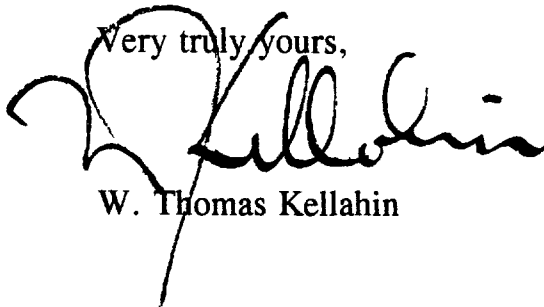
On July 12, 2000, upon receipt of your letter and as you directed in that letter, I immediately contacted William F. Carr, attorney for Manzano Oil Corporation and Lynda Townsend of Chesapeake attempted to contact Mr. Ken Barbe of Manzano Oil Corporation concerning his objection.

Chesapeake is hopeful it can resolve this matter with Manzano Oil Corporation and requests that you hold this administrative application in abeyance for the time being.

However, in the event we are unable to resolve this objection, I have filed an application to have Manzano's objection heard at the next available Examiner's hearing now scheduled for August 10, 2000.

Chesapeake and I wish to apologize for the error in notification. We make every effort to provide the proper notice in cases submitted to the Division, but on rare occasions, all of us have experienced errors in notification which need to be cured. In this case, we have done our best to make that correction.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name.

W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Lynda Townsend
William F. Carr, Esq.
Attorney for Manzano Oil Corporation

ILLEGIBLE

MA
8.8.00

KELLAHIN AND KELLAHIN

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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LITIGIAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
MINERAL RESOURCES OIL AND GAS LAW

W. KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285

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August 8, 2000

VIA FACSIMILE

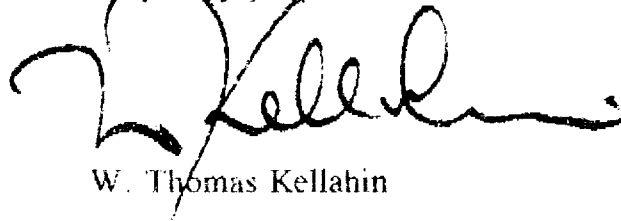
Mr. Mark Ashley, Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: **REQUEST FOR CONTINUANCE**
NMOCD Case No. 12464
Application of Chesapeake Operating, Inc. for an
Unorthodox Subsurface Well Location, Lea County, New Mexico

Dear Mr. Ashley:

Chesapeake Operating, Inc. requests that this case continued please continue the referenced case from the August 10, 2000 docket to the Examiner's docket now scheduled for August 24, 2000.

Very truly yours


W. Thomas Kellahin

cfr: *Chesapeake Operating, Inc.*
Attn: Lynda Townsend
Manzano Oil Company
Attn: Ken Barbe
William F. Carr, Esq.

DOCKET: EXAMINER HEARING - THURSDAY - AUGUST 10, 2000

8:15 A.M. - 2040 South Pacheco
Santa Fe, New Mexico

Dockets Nos. 23-00 and 24-00 are tentatively set for August 24 and September 7, 2000. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 12462: Continued from July 27, 2000, Examiner Hearing.

Application of Santa Fe Snyder Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant seeks approval to produce its Outland State Unit Well No. 1 at an unorthodox gas well location 638 feet from the South line and 739 feet from the West line (Unit M) of Section 12, Township 21 South, Range 34 East, for production from the Morrow formation, Wilson-Morrow Gas Pool, to be dedicated to a standard 320-acre gas spacing and proration unit consisting of the W/2 of this section. This location is approximately 16 miles west-northwest of Eunice, New Mexico.

CASE 12464: **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 East, 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/2 NE/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.

CASE 12420: Continued from July 13, 2000, Examiner Hearing.

Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests underlying the W/2 of Section 5, Township 17 South, Range 27 East, to form a standard 320-acre gas spacing and proration unit or units for all formations and/or pools developed on 320-acre spacing within that vertical extent, including, but not limited to the Undesignated Crow Flats Morrow Gas Pool. The units are to be dedicated to applicant's proposed Dog Canyon 5 Fed. Com. Well No. 1 to be drilled at a standard location 660 feet from the South and West lines of Section 5. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company, L.L.C. as operator of the well and a charge for risk involved in drilling said well. The proposed well location is approximately 2 miles northeast of Artesia, New Mexico.

CASE 12382: Continued from July 27, 2000, Examiner Hearing.

Application of Nearburg Exploration Company, L.L.C. for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 21, Township 19 South, Range 28 East, and in the following manner: (a) the S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent which presently includes the Undesignated South Millman-Atoka Gas Pool, Undesignated Winchester-Atoka Gas Pool, Undesignated South Millman-Morrow Gas Pool, Undesignated Winchester-Morrow Gas Pool, and Undesignated North Winchester-Morrow Gas Pool; (b) the SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and (c) the SW/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within this vertical extent which presently includes but is not necessarily limited to the East Millman Yates-Seven Rivers-Queen-Grayburg-San Andres Pool and the Undesignated North Winchester-Wolfcamp Pool. These units are to be dedicated to a single well to be drilled at a location considered to be standard for all three units 660 feet from the South line and 1650 feet from the East line (Unit O) of Section 21. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and the three above-described units, and a charge for risk involved in drilling the well. Further, the East Millman Yates-Seven Rivers-Queen-Grayburg-San Andres Pool underlying the SW/4 SE/4 of Section 21 is currently dedicated to C.F.M. Oil Company's Monsanto State Well No. 1 (API No. 30-015-24252), located at a standard oil well location 986 feet from the South line and 1650 feet from the East line (Unit O) of Section 21. At the time of the hearing it will be necessary for the applicant to address certain issues created by the forced pooling of producing acreage currently operated by another operator. The proposed well location is approximately eleven miles east of Lakewood, New Mexico.

CASE 12465: **Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests underlying the E/2 of Section 19, Township 18 South, Range 28 East and in the following manner: a) E/2 to form a standard 320-acre gas spacing and proration unit or units for all formations and/or pools developed on 320-acre spacing within that vertical extent, including the undesignated North Illinois Camp Morrow Gas Pool and the undesignated South Empire Morrow Gas Pool; b) NE/4 for all 160 acre formations; c) N/2 NE/4 for all 80 acre formations and d) NW/4 NE/4 for all 40 acre formations, including the Artesia-Queen-Grayburg-San Andres pool. The units are to be dedicated to applicant's proposed Pathfinder 19 State Com. No. 1 Well to be drilled at a standard location 660 feet from the North line and 1,980 feet from the East line of Section 19. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company, L.L.C. as operator of the well and a charge for risk involved in drilling the well. The proposed well location is approximately 10 miles southeast of Artesia, New Mexico.

CHESAPEAKE OPERATING, INC.

P.O. BOX 18496
OKLAHOMA CITY, OKLAHOMA 73154-0496
405/879-9414
405/879-9535 FAX
ltownsend@chesapeake-energy.com

LAND DEPARTMENT

LYNDA F. TOWNSEND, CPL/ESA
LANDMAN

M. S.

July 26, 2000

VIA FACSIMILE (505) 625-2620

Mr. Ken Barbe, Jr.
Manzano Oil Corporation
P. O. Box 2107
Roswell, NM 88202

*Case
12464*

Re: Warehouse 2-10
1096' FNL & 2444' FEL
Section 10-16S-36E
Lea County, New Mexico

Dear Ken:

As agreed to in our telephone conversation of this week, Manzano will receive well data on the captioned well commencing with actual spud date of the Warehouse 2-10 well. Also, Chesapeake will credit Manzano and its et als with their proportionate share of one-half of all charges related to the building and preparation of the surface location for the Warehouse 1-10 well that will be utilized by the Warehouse 2-10 well, including the chain link fencing surrounding the surface location.

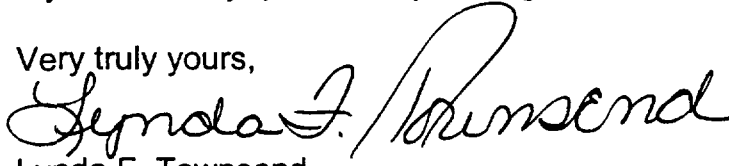
In return, Manzano will notify, in writing, Mr. Michael Stogner with the New Mexico Oil Conservation Division of its withdrawal of protest of the unorthodox location application for the Warehouse 2-10 well. Upon Chesapeake's receipt of Manzano's withdrawal letter, Chesapeake will withdraw the application for hearing of same presently set for August 10, 2000.

Chesapeake would like to spud the Warehouse 2-10 well approximately August 15, 2000. I certainly want to thank you for the position you have expressed in not wanting to hold us up on our intended drilling date and also for your cooperation in this matter. I will forward a list of charges to be credited to Manzano within the following week, and will keep you advised as to the commencement of the well.

Mr. Ken Barbe, Jr.
July 26, 2000
Page 2

If you have any questions, please give me a call.

Very truly yours,


Lynda F. Townsend

cc: Mr. Tom Kellahin
P. O. Box 2265
Santa Fe, NM 87504

Mr. Michael Stogner
2040 South Pacheco
Santa Fe, NM 87505

DOCKET: EXAMINER HEARING - THURSDAY - JULY 27, 2000**8:15 A.M. - 2040 South Pacheco****Santa Fe, New Mexico**

Dockets Nos. 22-00 and 23-00 are tentatively set for August 10 and August 24, 2000. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 12461: **Application of Chevron USA Inc. for approval of a unit agreement, Lea County, New Mexico.** Applicant seeks approval of its proposed Arkansas Junction South State Unit as an exploratory unit for an area comprising 1957.76 acres, more or less, of state lands consisting of the NW/4 SW/4 of Section 1 and all of Sections 2, 3, and 10, Township 19 South, Range 36 East. This unit is located approximately 1 mile southeast of Arkansas Junction, New Mexico.

CASE 12449: **Continued from July 13, 2000, Examiner Hearing**

Application of Santa Fe Snyder Corporation for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage within Section 18, Township 23 South, Range 34 East, in the following manner: the E/2 of this section to form a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within this vertical extent, including but not limited to the Antelope Ridge-Morrow Gas Pool; the NE/4 of this section to form a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within this vertical extent; and the SE/4 NE/4 of this section to form a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within this vertical extent. The units are to be dedicated to its Paloma Blanco "18" Federal Well No. 1 to be drilled and completed at a standard well location in Unit H of this section. Also to be considered will be the costs of drilling and completing the well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in this well. This unit is located approximately 22 miles southwest of Eunice, New Mexico.

CASE 12462: **Application of Santa Fe Snyder Corporation for an unorthodox gas well location, Lea County, New Mexico.** Applicant seeks approval to produce its Outland State Unit Well No. 1 at an unorthodox gas well location 638 feet from the South line and 739 feet from the West line (Unit M) of Section 12, Township 21 South, Range 34 East, for production from the Morrow formation, Wilson-Morrow Gas Pool, to be dedicated to a standard 320-acre gas spacing and proration unit consisting of the W/2 of this section. This location is approximately 16 miles west-northwest of Eunice, New Mexico.

CASE 12382: **Continued from July 13, 2000, Examiner Hearing.**

Application of Nearburg Exploration Company, L.L.C. for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 21, Township 19 South, Range 28 East, and in the following manner: (a) the S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent which presently includes the Undesignated South Millman-Atoka Gas Pool, Undesignated Winchester-Atoka Gas Pool, Undesignated South Millman-Morrow Gas Pool, Undesignated Winchester-Morrow Gas Pool, and Undesignated North Winchester-Morrow Gas Pool; (b) the SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and (c) the SW/4 SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within this vertical extent which presently includes but is not necessarily limited to the East Millman Yates-Seven Rivers-Queen-Grayburg-San Andres Pool and the Undesignated North Winchester-Wolfcamp Pool. These units are to be dedicated to a single well to be drilled at a location considered to be standard for all three units 660 feet from the South line and 1650 feet from the East line (Unit O) of Section 21. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and the three above-described units, and a charge for risk involved in drilling the well. Further, the East Millman Yates-Seven Rivers-Queen-Grayburg-San Andres Pool underlying the SW/4 SE/4 of Section 21 is currently dedicated to C.F.M. Oil Company's Monsanto State Well No. 1 (API No. 30-015-24252), located at a standard oil well location 986 feet from the South line and 1650 feet from the East line (Unit O) of Section 21. At the time of the hearing it will be necessary for the applicant to address certain issues created by the forced pooling of producing acreage currently operated by another operator. The proposed well location is approximately eleven miles east of Lakewood, New Mexico.

CASE 12451: **Continued from July 13, 2000, Examiner Hearing**

Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N/2 of Section 8, Township 19 South, Range 31 East, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the Undesignated Shugart-Morrow Gas Pool. The unit is to be dedicated to its Red Cloud Fed. Com. Well No. 1, to be drilled at a location 1650 feet from the North line and 660 feet from the East line of Section 8. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as operator of the well, and a charge for the risk involved in drilling and completing the well. The units are located approximately 12½ miles southeast of Loco Hills, New Mexico.

Examiner Hearing – July 13, 2000

Docket No. 21-00

Page 2 of 4

CASE 12463: **Application of Pogo Producing Company to amend the special pool rules for the McMillan-Morrow Gas Pool, or in the alternative for an unorthodox gas well location, Eddy County, New Mexico.** Applicant seeks an order amending the special rules and regulations for the McMillan-Morrow Gas Pool to provide for 640-acre well units, with four wells allowed per well unit and one well per quarter section, with wells to be located no closer than 660 feet to a quarter section line nor closer than 10 feet to a quarter-quarter section line or subdivision inner boundary, and one operator per well unit. The subject pool covers Sections 13 and 24, Township 20 South, Range 26 East, and Sections 7, 18, and 19, Township 20 South, Range 27 East. In the alternative, applicant requests an unorthodox gas well location in the McMillan-Morrow Gas Pool for its Davis "18" Well No. 1, to be located 660 feet from the North and West lines of Section 13, Township 20 South, Range 27 East, with Lots 1-4, E/2 W/2 and E/2 (all) of Section 18 to be dedicated to the well. The subject pool and the proposed well are located approximately 6½ miles southeast of Lakewood, New Mexico.

CASE 12439: **Continued from July 13, 2000 Examiner Hearing.**

Application of Arch Petroleum Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from 7100 feet subsurface to the base of the Ellenburger formation underlying the SW/4 SE/4 of Section 27, Township 23 South, Range 37 East, to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, including but not limited to the Teague (Simpson) Pool. The unit is to be dedicated to applicant's E.C. Hill "A" Well No. 7, to be drilled at a location 540 feet from the South line and 1850 feet from the East line of Section 27. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 11 ½ miles south of Eunice, New Mexico.

CASE 12414: **Continued from July 13, 2000, Examiner Hearing**

Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing in the W/2 which includes but is not necessarily limited to the Undesignated West Anderson Ranch-Pennsylvanian Gas Pool and the Undesignated Anderson Ranch-Morrow Gas Pool, in all formations developed on 160-acre spacing in the NW/4, in all formations developed on 80-acre spacing in the W/2 NW/4 which includes but is not necessarily limited to the Undesignated North Anderson Ranch-Wolfcamp Pool, and in all formations developed on 40-acre spacing in the NW/4 NW/4 which includes but is not necessarily limited to the Undesignated West Anderson Ranch-Grayburg Pool, all in Section 32, Township 15 South, Range 32 East. The unit is to be dedicated to its Anderson Ranch "32" State Com Well No. 1 to be drilled at a standard location 1650 feet from the North and West lines of Section 32 to a depth sufficient to test all formations from the surface to the base of the Morrow formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as operator of the well and a charge for risk involved in drilling the well. The area is located approximately 7 miles North of Maljamar, New Mexico.

CASE 12384: **Continued from July 13, 2000, Examiner Hearing.**

Application of Louis Dreyfus Natural Gas for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from a depth of 4,000 feet to the base of the Morrow formation, underlying the following described acreage in Section 34, Township 17 South, Range 28 East, and in the following manner: (a) the W/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent which presently includes the Empire-Pennsylvanian Gas Pool; (b) the NW/4 to form a standard 160-acre gas spacing and proration unit for all formations developed on 160-acre spacing within said vertical extent; and (c) the SW/4 NW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within this vertical extent which presently includes the Undesignated Empire-Wolfcamp Pool. These three units are to be dedicated to a single well, the proposed Geronimo "34" State Com. Well No. 1, to be drilled within the SW/4 NW/4 (Unit E) of Section 34 at a location considered to be standard for all three units. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and units, and a charge for risk involved in drilling the well. The proposed well location is approximately one-quarter mile southwest of the junction of U. S. Highway No. 82 and New Mexico State Road No. 360.

CASE 12450: **Continued from July 13, 2000, Examiner Hearing.**

Application of Ocean Energy Resources, Inc. for a non-standard oil spacing and proration unit, Lea County, New Mexico. Applicant seeks an order approving a non-standard oil spacing and proration unit in the South Big Dog-Strawn Pool comprised of the NW/4 SE/4 of Section 2, Township 16 South, Range 35 East. The unit will be dedicated to its Townsend "2" State Well No. 11, to be located at an orthodox oil well location. The unit is located approximately 4½ miles west of Lovington, New Mexico.

Examiner Hearing – July 13, 2000

Docket No. 21-00

Page 3 of 4

CASE 12407: Continued from June 29, 2000, Examiner Hearing.

Application of Southwestern Energy Production Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 18, Township 23 South, Range 34 East, and in the following manner: the E/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools spaced on 320-acre spacing within that vertical extent, including but not limited to the Undesignated West Antelope Ridge-Atoka Gas Pool and Undesignated North Bell Lake-Morrow Gas Pool; the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent; and the SE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, including but not limited to the Undesignated North Bell Lake-Delaware Pool and Undesignated North Bell Lake-Bone Spring Pool. The units are to be dedicated to its Paloma Blanco "18" Fed. Com. Well No. 1, to be drilled at a location 1980 feet from the North line and 660 feet from the East line of Section 18. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing the well. The units are located approximately 20 miles southwest of Oil Center, New Mexico.

CASE 12441: Continued from June 29, 2000, Examiner Hearing.

Application of LG&E Natural Pipeline LLC for special rules for the Grama Ridge Morrow Gas Storage Unit, Lea County, New Mexico. Applicant seeks an order establishing special rules applicable to wells drilled and completed or recompleted in the Morrow formation within its Grama Ridge Morrow Gas Storage Unit and within each 320-acre spacing unit immediately adjacent to the Unit in the following described area:

Grama Ridge Morrow Gas Storage Agreement

Township 21 South, Range 34 East

Section 33: All

Section 34: All

Township 22 South, Range 34 East

Section 3: All

Section 4: All

Section 10: All

Acreage Adjacent to Unit

Township 21 South, Range 34 East

Section 26: NW/4, S/2

Section 27: All

Section 28: All

Section 29: E/2, SW/4

Section 32: All

Section 35: All

Township 22 South, Range 34 East

Section 2: All

Section 5: All

Section 8: N/2, SE/4

Section 9: All

Section 11: All

Section 14: N/2, SW/4

Section 15: All

Section 16: N/2, SE/4

The application requests the Division establish rules requiring operators of all newly drilled or recompleted wells in the Morrow formation to provide the operator of the Unit with information and data obtained during drilling, completion, and production to determine whether such wells are in communication with the unitized formation or would otherwise interfere with Unit operations. The special project rules would also include provisions requiring the operators of wells determined to be in communication with the Unitized Interval to demonstrate how such well may be produced without interfering with Unit operations or to take such other action determined to be appropriate. The Grama Ridge Morrow Gas Storage Unit is approximately 18 miles west of Eunice, New Mexico.

Examiner Hearing – July 13, 2000

Docket No. 21-00

Page 4 of 4

CASE 12446: Continued from July 13, 2000, Examiner Hearing.

Application of Fuel Products, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests underlying the E/2 of Section 18, Township 18 South, Range 28 East, in the following manner: all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the Undesignated North Illinois Camp-Morrow Gas Pool; all formations developed on 160-acre spacing underlying the SE/4; and all formations developed on 40-acre spacing underlying the SE/4 SE/4, which includes, but is not necessarily limited to, the Undesignated Empire-Abo Pool, the Undesignated Artesia Queen-Grayburg-San Andres Pool, and the undesignated Red Lake Queen-Grayburg-San Andres Pool. Said spacing and proration units are to be dedicated to Fuel Products' proposed Illinois Camp 18 State Well No. 1, to be drilled at a standard location in the SE/4 (Unit P) of Section 18. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling the well. The area is located approximately 10 miles Southeast of Artesia, New Mexico.

CASE 12438: ✓ Continued from July 13, 2000, Examiner Hearing

Application of the Oil Conservation Division for an order requiring Salado Operating, L.L.C. to properly plug four wells, Eddy County, New Mexico. Applicant seeks an order requiring Salado Operating L.L.C. to appear and show cause why four (4) wells located in Section 2, Township 16 South, Range 30 East, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug these wells, the Division seeks an order (i) requiring operator to properly plug these wells; (ii) authorizing the Division to plug these wells; (iii) ordering a forfeiture of the plugging bond, and (iv) assessing fines for failure to comply with the order. *In The Absence of Objection, This Case Will be Taken Under Advisement.*

CASE 12457: ✓ Continued from July 13, 2000, Examiner Hearing

Application of the Oil Conservation Division for an order requiring Jack J. Grynberg to properly plug five wells, Chaves County, New Mexico. Applicant seeks an order requiring Jack J. Grynberg to appear and show cause why five (5) wells located in Sections 16 and 32, Township 5 South, Range 24 East, should not be plugged and abandoned in accordance with a Division-approved plugging program. Further, should the operator fail to properly plug these wells, the Division seeks an order (i) requiring operator to properly plug these wells; (ii) authorizing the Division to plug these wells; (iii) ordering a forfeiture of the plugging bond, and (iv) assessing fines for failure to comply with the order. *In The Absence of Objection, This Case Will be Taken Under Advisement.*



Manzano Oil Corporation

P.O. Box 2107
Roswell, New Mexico 88202-2107
(505) 623-1996
FAX (505) 625-2620

August 10, 2000

Mr. Michael E. Stogner
Chief Hearing Officer/Engineer
New Mexico Energy Minerals and
Natural Resource Department
2040 South Pacheco
Sante Fe, NM 87505

Re: Administrative Application of Chesapeake Operating, Inc.
for an unorthodox subsurface location
S/2 NE/4 Section 10, T16S, R36E
Warehouse "10" Well # 2
Lea County, NM

Dear Mr. Stogner:

Manzano Oil Corporation has reached an agreement with Chesapeake regarding the above referenced unorthodox well application, therefore we are waiving our objection to the proposed location.

Sincerely,



Kenneth Barbe, Jr..

cc: Lynda Townsend
Thomas Kellahin
Bill Carr

DOCKET: EXAMINER HEARING - THURSDAY - AUGUST 24, 2000

8:15 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos. 25-00 and 26-00 are tentatively set for September 7 and September 21, 2000. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 12476: Application of Dugan Production Corporation for two non-standard gas proration units and an unorthodox gas well location, San Juan County, New Mexico. Applicant seeks to form two non-standard 320-acre, more or less, gas spacing and proration units within the Basin-Fruitland Coal (Gas) Pool to comprise: (i) the NW/4 of Section 25 (160 acres) and the NE/4 of Section 26 (160 acres), both in Township 30 North, Range 14 West; and (ii) Lots 5 and 6 and the N/2 SW/4 (SW/4 equivalent) of Section 25 (160.36 acres) and the SE/4 of Section 26 (160 acres). The applicant further seeks approval for its Carpenter Com. Well No. 90 (API No. 30-045-30095) to be drilled at an unorthodox coal gas well location 1767 feet from the South line and 280 feet from the West line (Unit L) of Section 25 in which the above-described 320.36-acre non-standard gas spacing and proration unit comprising the SW/4 equivalent of Section 25 and the SE/4 of Section 26 is to be dedicated. These units are located approximately 3.5 miles northwest of the Farmington Four Corner Regional Airport (FMN). IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.

CASE 12477: Application of Burlington Resources Oil and Gas Company for four non-standard gas spacing and proration units, San Juan County, New Mexico. Applicant seeks an exception to Division Rule 104.C (3) in order to create four non-standard gas spacing and proration units for Pictured Cliffs gas production in irregular Section 11, Township 32 North, Range 7 West. This section is bounded on the north by the state of Colorado at Mile Post No. 247.

CASE 12464: Continued from August 10, 2000, Examiner Hearing.

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 East, 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 2 NE/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.

CASE 12478: Application of Richardson Operating Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant seeks an exception to Division Rule 104.C (3), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, for its W. F. Federal "3" Well No. 2 (API No. 30-045-30168) recently drilled at an unorthodox Fruitland Sand/Pictured Cliffs gas well location 2495 feet from the South line and 1290 feet from the West line (Unit L) of Section 3, Township 29 North, Range 14 West. The SW/4 of Section 3 is to be dedicated to this well in order to form a standard 160-acre gas spacing and proration unit for the Undesignated Twin Mounds-Fruitland Sand-Pictured Cliffs Pool. This well is located approximately 3.5 miles east-northeast of Kirtland, New Mexico.

CASE 12411: Continued from August 10, 2000 Examiner Hearing.

Application of EnerQuest Oil & Gas, L.L.C. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 160-acre spacing in the SW/4 of Section 18, Township 20 South, Range 39 East, including but not limited to the Blinbry formation, Blinbry Oil and Gas Pool. The unit is to be dedicated to its McCasland "18" Fee Well No. 1 located at a standard location in the SW/4 of Section 18 which has been drilled and completed in the Blinbry formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of EnerQuest Resources, L.L.C. as operator of the well and a charge for risk involved in drilling the well. The area is located approximately 4 miles southeast of Nadine, New Mexico.

CASE 12471: Continued from August 10, 2000, Examiner Hearing.

Application of EnerQuest Oil & Gas, L.L.C. for amendment of Division Order No. R-10986, Lea County, New Mexico. Applicant seeks amendment of Division compulsory pooling Order No. R-10986 to increase the acreage pooled to include the SW/4 of Section 18, Township 20 South, Range 39 East, and to accurately identify the working interest which is subject to the pooling order. The area is located approximately 4 miles southeast of Nadine, New Mexico.

CASE 12439: Continued from August 10, 2000 Examiner Hearing.

Application of Arch Petroleum Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from 7100 feet subsurface to the base of the Ellenburger formation underlying the SW/4 SE/4 of Section 27, Township 23 South, Range 37 East, to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, including but not limited to the Teague (Simpson) Pool. The unit is to be dedicated to applicant's E.C. Hill "A" Well No. 7, to be drilled at a location 540 feet from the South line and 1850 feet from the East line of Section 27. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 11 1/2 miles south of Eunice, New Mexico.

August 11, 2000

Chesapeake Operating, Inc.
c/o W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Administrative Order NSL-____(NSBHL)

Re: Administrative application of Chesapeake Operating, Inc. for a non-standard subsurface oil producing area/bottomhole oil well location for its proposed Warehouse "10" Well No. 2 to be directionally drilled from a surface location 1196 feet from the North line and 2463 feet from the East line (Unit B) of Section 10 to within 100 feet of a point 1842 feet from the North line and 2213 feet from the East line (Unit G) of Section 10, Township 16 South, Range 36 East, NMPM, Lea County New Mexico, being the targeted unorthodox subsurface location at the top of the Strawn formation estimated to be at a depth of 11,900 feet (TVD) or 12,033 feet (MD).

Dear Mr. Kellahin:

Reference is made to the following: (i) your application on behalf of the operator, Chesapeake Operating, Inc. ("Chesapeake") dated June 23, 2000; (ii) objection letter dated July 12, 2000 from Mr. Ken Barbe of Manzano Oil Corporation; (iii) the New Mexico Oil Conservation Division's ("Division") response from Mr. Michael E. Stogner, Chief Hearing Officer/Engineer in Santa Fe, dated July 12, 2000; and (iv) a letter dated August 10, 2000 from Mr. Ken Barbe of Manzano Oil Corporation withdrawing its objection; all concerning the reference application.

The Division Director Finds That:

(1) The subject application has been duly filed under the provisions of Division Rules 104.f, Revised by Division Order R-11231, issued by the New Mexico Oil Conservation Commission in Case 12119 on August 12, 1999 and Rule 111.C(2)

(2) The proposed Warehouse "0" Well No. 2 is subject to the location requirements of Rule 4 of the "Special Rules and Regulations of the Northeast Lovington-Pennsylvanian Pool" as promulgated by Division Order R-3816, as amended, and Division Rule 111.A(7) within a project area [see Division Rule 111.A(9)] comprising the S/2NE/4 of Section 10, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico.

(3) The rules for the Northeast Lovington-Pennsylvanian Pool provide for 80-acre oil spacing and proration units with a standard location to be within 150 feet of the center of a governmental quarter-quarter section.

(4) Chesapeake has presented 3-D seismic geologic data which demonstrates that the optimum subsurface location would be at the proposed unorthodox subsurface location in order to maximize structural attitude and stratigraphic growth over any standard location in this spacing unit.

(5) The directional wellbore is necessitated by being within the City of Lovington and complying with the various topographical and regulatory limitations of this community.

(6) 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, notice has been sent to all of the working interest owners in this spacing unit, including Manzano Oil Corporation.

(7) Of those owners, only Manzano Oil Corporation with a 2.87% interest, filed a timely objection which has been withdrawn as a result of a settlement with Chesapeake.

(8) It appears that the applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C(2) and 104.F and Division Memorandum 4-86 (dated June 2, 1986); therefore the subject application should be approved and a producing area should be established for this well based on Chesapeake's proposed directional drilling plan.

It is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104.F(2), Chesapeake Operating, Inc. is hereby authorized to drill its Warehouse "10" Well No. 2 directionally from a surface location 1196 feet from the North line and 2463 feet from the East line (Unit B) of Section 10 to a targeted subsurface location at the top of the Strawn formation being a depth of 11,900 feet (TVD) or 12,033 feet (MD), being within 100 feet of a point 1842 feet from the North line and 2213 feet from the East line (Unit G) of Section 10, Township 16 South, Range 36 East, NMPM, Lea County New Mexico and to produce the well from the Strawn formation of the Northeast Lovington-Pennsylvanian Pool.

(2) The "project area" for this well shall consists of a single standard 80-acre oil spacing and proration unit comprising the S/2NE/4 of Section 10.

(3) The operator shall comply with all applicable requirements and conditions set forth in Division Rule 111.

(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY
Director.

SEAL

cc: New Mexico Oil Conservation Division-Hobbs.



Manzano Oil Corporation

P.O. Box 2107
Roswell, New Mexico 88202-2107
(505) 623-1996
FAX (505) 625-2620

August 10, 2000

Mr. Michael E. Stogner
Chief Hearing Officer/Engineer
New Mexico Energy Minerals and
Natural Resource Department
2040 South Pacheco
Sante Fe, NM 87505

Re: Administrative Application of Chesapeake Operating, Inc.
for an unorthodox subsurface location
S/2 NE/4 Section 10, T16S, R36E
Warehouse "10" Well # 2
Lea County, NM

Dear Mr. Stogner:

Manzano Oil Corporation has reached an agreement with Chesapeake regarding the above referenced unorthodox well application, therefore we are waiving our objection to the proposed location.

Sincerely,


Kenneth Barbe, Jr..

cc: Lynda Townsend
Thomas Kellahin
Bill Carr



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

July 12, 2000

Lori Wrotenbery
Director
Oil Conservation Division

Chesapeake Operating, Inc.
c/o W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Telefax No. (505) 982-2047

Manzano Oil Corporation
P. O. Box 2107
Roswell, New Mexico 88202-2107

Telefax No. (505) 625-2620

Attention: Kenneth Barbe, Jr.

Re: *Administrative application of Chesapeake Operating, Inc. for a non-standard subsurface oil producing area/bottomhole oil well location, as defined by Rule 4 of the "Special Rules and Regulations Northeast Lovington-Pennsylvanian Pool," as promulgated by Division Order No. R-3816, as amended, and Division Rule 111.A (7), within a project area [see Division Rule 111.A (9)] comprising the S/2 NE/4 of Section 10, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, being a standard 80-acre oil spacing and proration unit for the Northeast Lovington-Pennsylvanian Pool for its proposed Warehouse "10" Well No. 2 to be directionally drilled from a surface location 1196 feet from the North line and 2463 feet from the East line (Unit B) of Section 10 to a targeted bottomhole location at a depth of 11,900 feet (TVD), or 12,033 feet (MD), to be within 100 feet of a point 1842 feet from the North line and 2213 feet from the East line (Unit G) of Section 10.*

Dear Messrs. Kellahin and Barbe:

The Division is in receipt of an objection telefaxed by Manzano Oil Corporation ("Manzano") today (July 12, 2000), see copy attached, on the grounds of: (i) various problems concerning this location; and (ii) absence of notice. Insufficient notice to all "affected persons," pursuant to Division Rules 104.F (3), 104.F (4), and 1207.A (2), by an applicant is considered to be a very serious violation of the *New Mexico Oil and Gas Act*, Chapter 70, Article 2 NMSA 1978. Likewise however, the filing of a frivolous objection in order to slow the processing of an appropriate and legitimate application for Division consideration is considered to be equally offensive and can quite possibly be seen as an obstruction of this agency's duties in carrying out its statutory mandates.

As not to clutter the Division's hearing docket with applications that can be processed administratively, I need to verify the validity of Manzano's objections by: (i) requesting from Manzano a detailed description of the various problems mentioned in Mr. Barbe's letter of objection and to identify its mineral interest and/or operations on a land plat; and (ii) having Chesapeake respond to Manzano charges in such a manner appropriate to its own findings.

Manzano Oil Corporation/Chesapeake Operating, Inc.

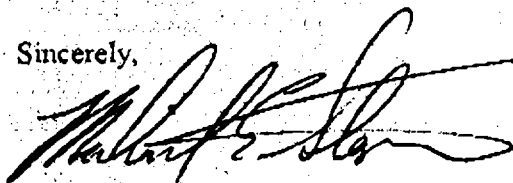
July 12, 2000

Page 2

In order for the Division to act on this matter in a timely fashion, responses must be in my possession by 5:00 p.m. MDST on Wednesday, July 26, 2000. In the mean time I strongly urge both parties to seek an equitable solution on their own.

Please submit your responses to me in Santa Fe at 2040 South Pacheco Street; Santa Fe, New Mexico 87505, and/or via telefax at (505) 827-1389. Thank you.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs
Ms. Lori Wrotenbery, Director - NMOCD, Santa Fe
Ms. Lyn Hebert, Legal Counsel - NMOCD, Santa Fe



Manzano Oil Corporation

P.O. Box 2107
Roswell, New Mexico 88202-2107
(505) 623-1996
FAX (505) 625-2620

July 11, 2000

Mr. Michael E. Stogner
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

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

Dear Mr. Stogner:

We have just received word that Chesapeake Operating, Inc. has applied for administrative approval of the above referenced unorthodox subsurface location. Although we are an offset operator and working interest owner, we have not received notice from Chesapeake for their proposed unorthodox location.

Due to various problems concerning this location, in addition to not receiving notice, we hereby request that this application be set up for a hearing in front of the appropriate examiner.

Thank you for your consideration of this request.

Very truly yours,

Kenneth Barbe, Jr.

KB ah

cc: Kellahin & Kellahin

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

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)

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

June 23, 2000

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

**NOTICE OF THE FOLLOWING NEW MEXICO OIL CONSERVATION
DIVISION ADMINISTRATIVE CASE:**

***Re: Administrative Application of Chesapeake
Operating, Inc. for an unorthodox subsurface
location, Lea County, New Mexico.***

On behalf of Chesapeake Operating, Inc., please find enclosed our a copy of its referenced administrative application. Should you have any objection to the Division approving this application, then it will be necessary for you to file a written objection with the New Mexico Oil Conservation Division, 2040 South Pacheco, Santa Fe, New Mexico 87505 within twenty (20) days of the date of this letter.

Very truly yours,

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

W. Thomas Kellahin

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

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)

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

June 23, 2000

Hand Delivered

Mr. Michael E. Stogner
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

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

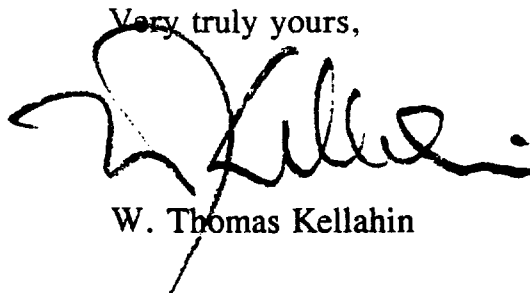
Dear Mr. Stogner:

On behalf of Chesapeake Operating, Inc. and in accordance with Division Rule 104, please find enclosed the enclosed original of this 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.

Concurrently with this application, we have filed a separate application with OCD-Hobbs requesting approval of the directional wellbore in accordance with Rule 111.

Please call me if you have any questions.

Very truly yours,



W. Thomas Kellahin

cc: Mr. Chris Williams (OCD-Hobbs)
Chesapeake Operating, Inc.
Attn: Lynda Townsend

**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**

ADMINISTRATIVE 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 the Northeast Lovington Pennsylvanian Pool and to dedicate the well to a standard 80-acre oil spacing unit consisting of the S/2NE/4 of this section.
- (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.
- (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 6.

(6) Chesapeake proposes the following:

- (a) **Project Area:**
80-acre oil dedication
(S/2NE/4 Section 10)
- (b) **Producing Area & Producing Interval:**
being within an area at the top of the Strawn formation within
a standard 80-acre spacing unit;
- (c) **Subsurface location:**
within 100 foot radius of a point 1842 feet from the North
line and 2213 feet from the East line of this section.

(6) The following exhibits are attached:

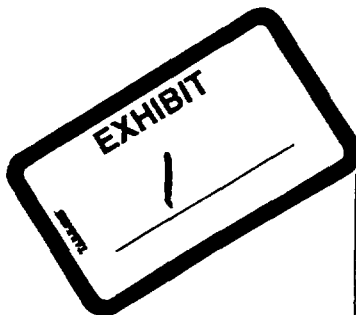
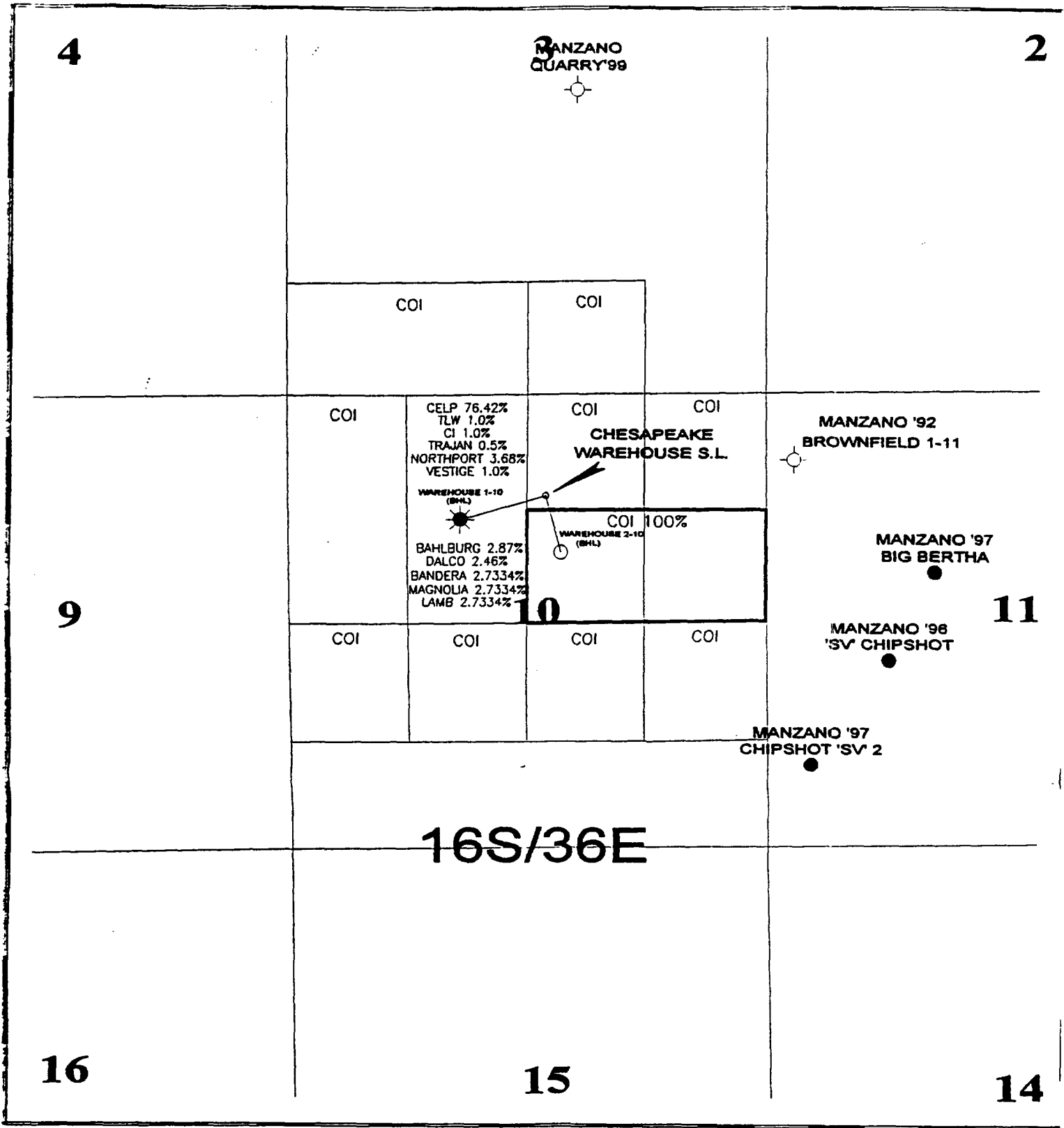
- Exhibit 1: Area Locator Plat indicating spacing unit, surface and
subsurface well location, offset owners
- Exhibit 2: C-102
- Exhibit 3: APD
- Exhibit 4: Scientific Drilling International's vertical oriented plan view
and horizontal plan view and
3 pages of numerical tabulation of program.
- Exhibit 5: 3-D seismic displays of Strawn feature
- Exhibit 6: Notice list.

WHEREFORE, Applicant requests that this application be approved.

Respectfully submitted,

By: 

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



CHESAPEAKE OPERATING, INC.

Warehouse 2-10
Lea County, NM

CHESAPEAKE

1" = 1000'

Legend

DISTRICT I
P.O. Box 1880, Hobbs, NM 88241-1080

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

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

DISTRICT IV
P.O. Box 2088, Santa Fe, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

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

OIL CONSERVATION DIVISION

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 40760	Pool Name N.E. Lovington Penn
Property Code	Property Name WAREHOUSE 10	Well Number 2
GRID No. 147179	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 3901

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	10	16 S	36 E		1196	NORTH	2463	EAST	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
G	10	16 S	36 E		1842	NORTH	2213	EAST	LEA

Dedicated Acres 80	Joint or Infill	Consolidation Code	Order No.
-----------------------	-----------------	--------------------	-----------

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

<div>Y=707333 X=804327 NMSPC EZ NAD 27</div> <div>SURFACE</div> <div>1196'</div> <div>1842'</div> <div>2463'</div> <div>2213'</div> <div>Y=706690 X=804585 NMSPC EZ NAD 27</div> <div>BOTTOM HOLE</div> <div>1806'</div> <div>(TRUE)</div>	<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>Barbara J. Bale</i></p> <p>Signature</p> <p>Barbara J. Bale</p> <p>Printed Name</p> <p>Regulatory Analyst</p> <p>Title</p> <p>06/20/2000</p> <p>Date</p> <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>MAY 26, 2000</p> <p>Date Surveyed</p> <p>LMP</p> <p>Signature & Seal of Professional Surveyor</p> <p><i>Gary J. Edson</i> 5/31/2000</p> <p>00-11-0678</p> <p>Certificate No. - RONALD J. EDSON 3239 GARY EDSON 12841 MACON McDONALD 12185</p>
--	--



District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-101
Revised February 10, 1994
Instructions on back
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

Operator Name and Address: Chesapeake Operating, Inc. P. O. Box 18496 Oklahoma City, OK 73154-0496		OGRID Number 147179
		API Number 30 - 0
Property Code	Property Name Warehouse 10	Well No. 2

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
B	10	16S	36E		1196	North	2463	East	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
Proposed Pool 1					Proposed Pool 2				
N.E. Lovington Penn									

Work Type Code N	Well Type Code O/G	Cable/Rotary Rotary	Lease Type Code P	Grossed Level Elevation 3901'
Multiple No	Proposed Depth 12,033'	Formation Strawn	Contractor Patterson	Spud Date 09/01/2000

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#	450'	495	Surface
12-1/4"	9-5/8"	40#	4850'	2464	Surface
7-7/8"	5-1/2"	17#	12,033'	1600	± 3900'

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.

Chesapeake proposes to drill to 12,033' T.D. in the Strawn formation with Patterson as the drilling contractor.

Patterson's BOP stack consists of 11" 5M# blind & pipe rams & 11" 5M# Annular.

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature:

Barbara J. Bale

Printed name:

Barbara J. Bale

Title:

Regulatory Analyst

Date:

06/20/2000

Phone:

(405) 848-8000

OIL CONSERVATION

Approved by:

Title:

Approval Date:

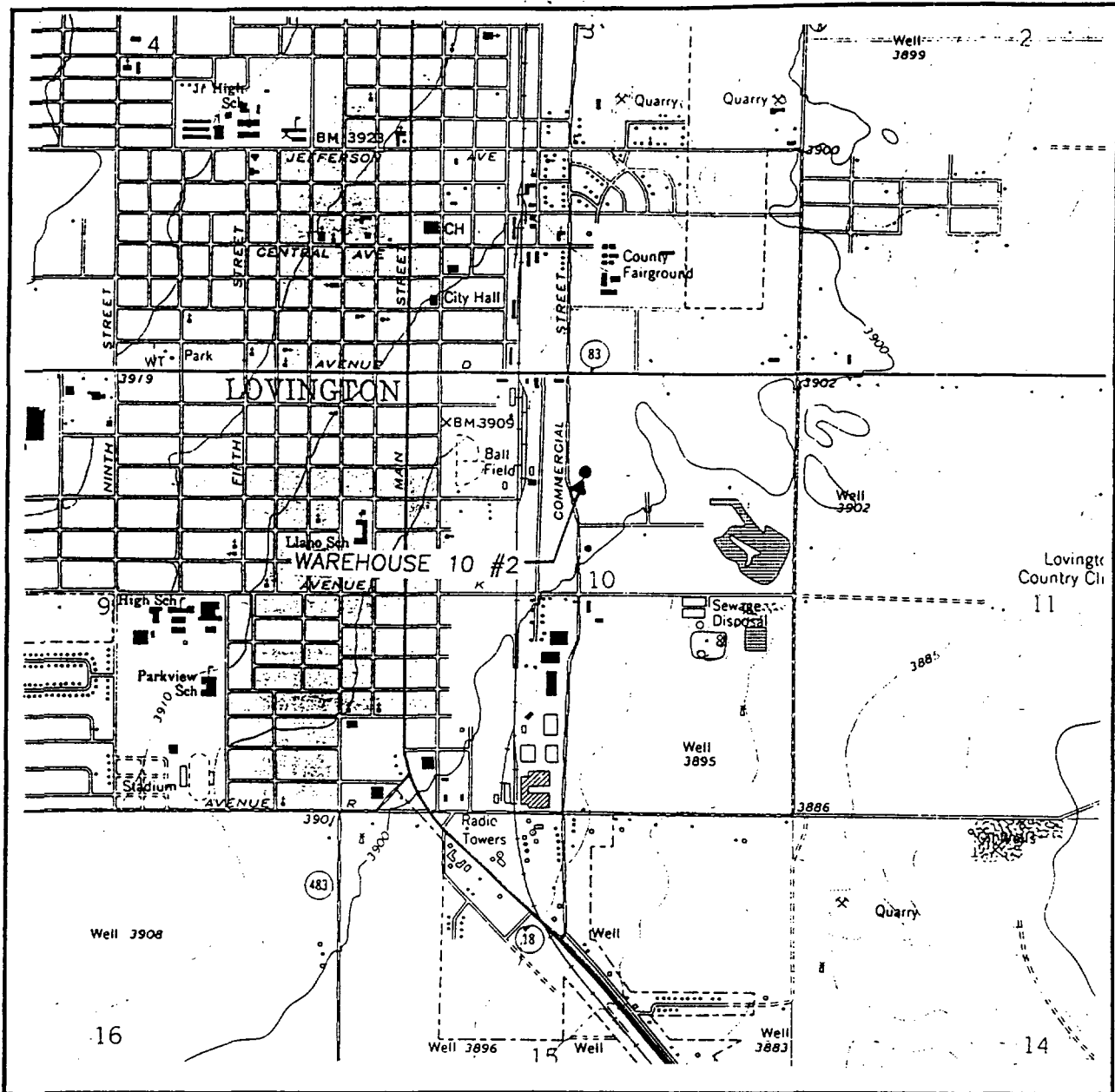
Expiration Date:

Conditions of Approval:

Attached ☐

EXHIBIT
3

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
LOVINGTON, N.M. - 5'

SEC. 10 TWP. 16-S RGE. 36-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1196' FNL & 2463' FEL

ELEVATION 3901

OPERATOR CHESAPEAKE OPERATING, INC.

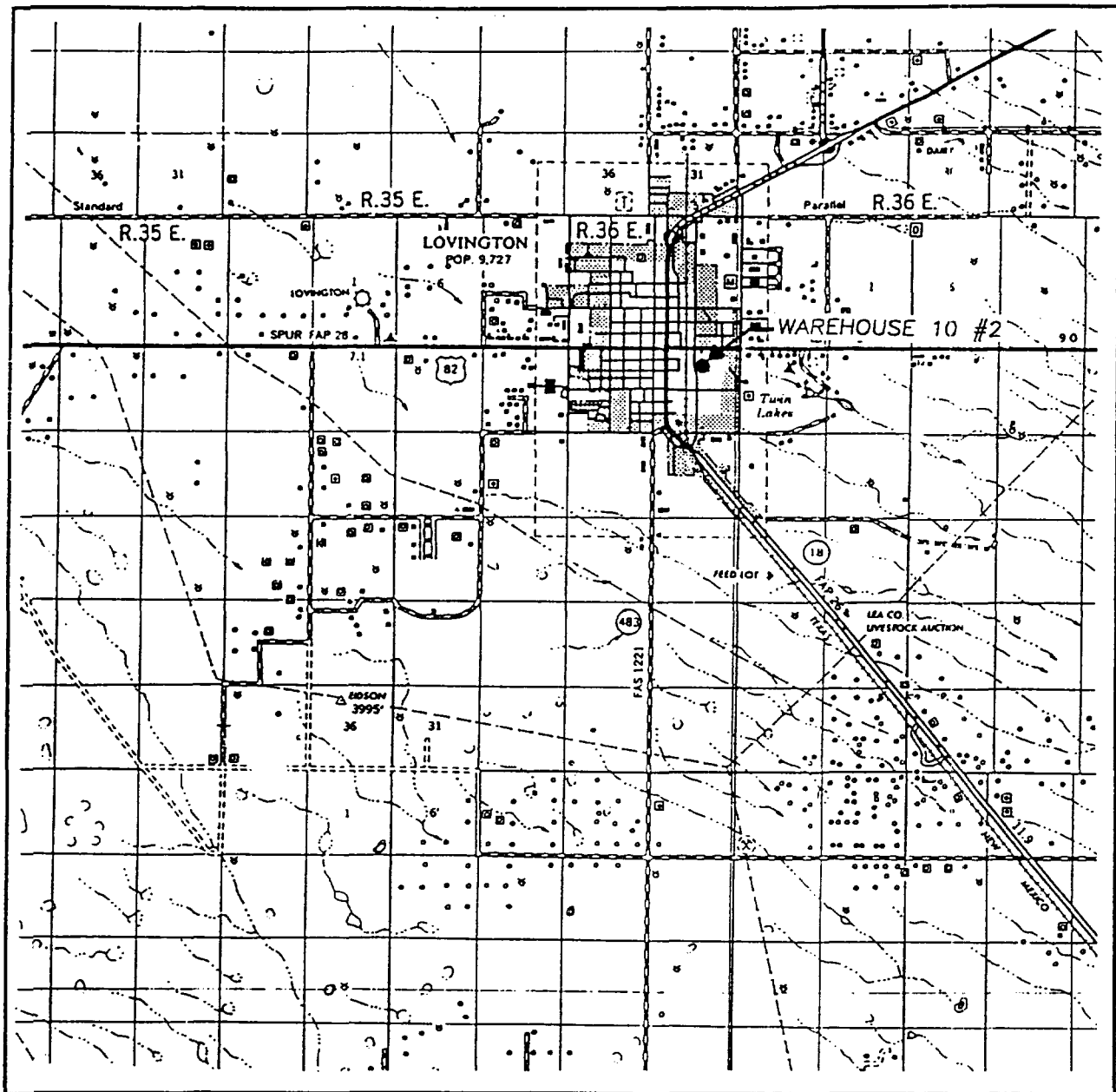
LEASE WAREHOUSE 10

U.S.G.S. TOPOGRAPHIC MAP

LOVINGTON, N.M.

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

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 10 TWP. 16-S RGE. 36-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1196' FNL & 2463' FEL

ELEVATION 3901

OPERATOR CHESAPEAKE OPERATING, INC.

LEASE WAREHOUSE 10

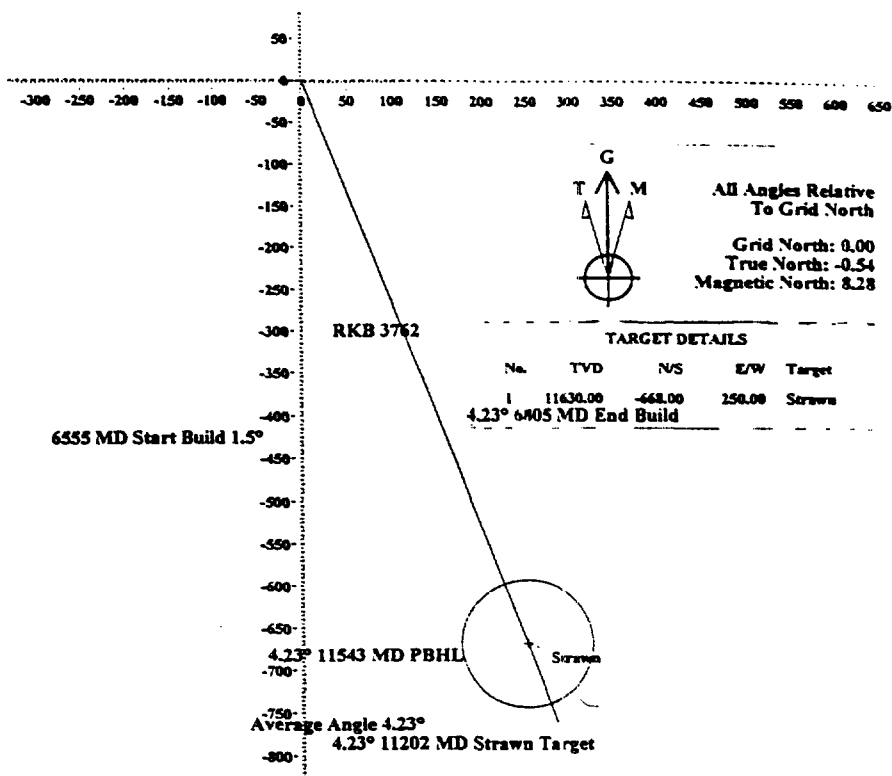
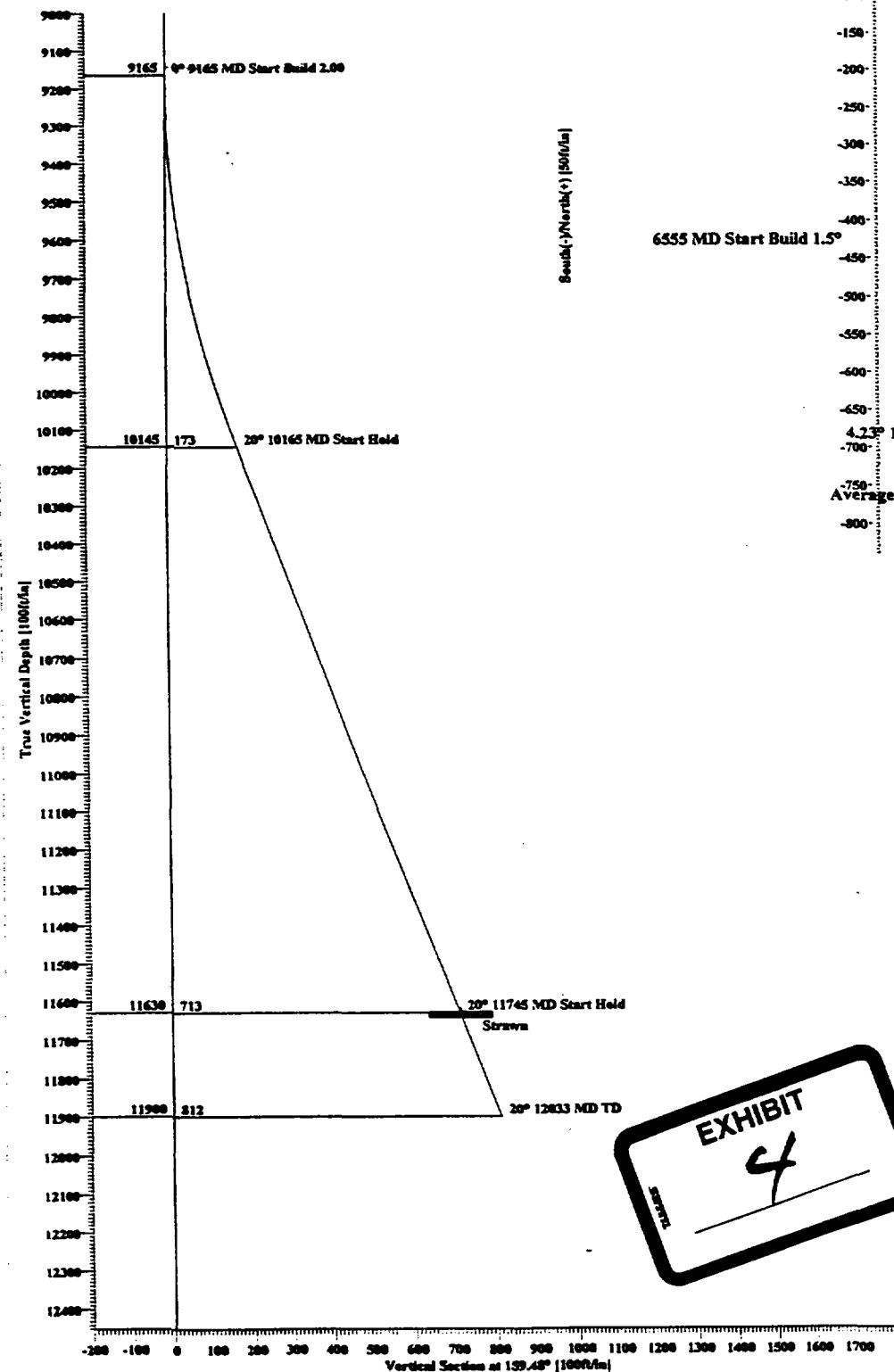
JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

Chesapeake Operating Inc.

Chesapeak 00 Warehouse 2-10
Lea County, New Mexico



Ryan Energy Technologies USA Inc.

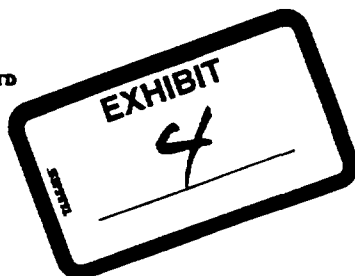


FORMATION TOP DETAILS				
No.	TVDPath	MDPath	Formation	
1	4858.00	4850.00	San Andres	
2	6438.00	6438.00	Glorieta	
3	7006.00	7006.00	Paddock	
4	7629.00	7629.00	Tubb	
5	8338.00	8338.00	Alco	
6	9750.00	9754.14	Wolfcamp	
7	11094.00	11175.09	Case	
8	11630.00	11745.49	Strawn	
9	11744.00	11866.20	Abo	

FIELD DETAILS	
Lea County	
New Mexico	
USA	
Geodetic System:	US State Plane Coordinate System 1927
Ellipsoid:	Clarke - 1866
Zone:	New Mexico, Eastern Zone
Magnetic Model:	igr2000
System Datum:	Mean Sea Level
Local North:	Grid North

SITE DETAILS	
Chesapeak 00 Warehouse 2-10	
S2 NE/4 Section 10-16S-36E	
1172 FNL 2445 FEL	
Site Centre Easting:	804585.00
Northing:	706690.00
Water Depth:	0.00
Positional Uncertainty:	0.00
Magnetic Declination:	8.82
Convergence:	0.54

WELLPATH DETAILS	
OH	
Vertical Section Origin:	Spot - (0.00,0.00)
Vertical Section Angle:	159.48°
Rig:	
Depth Reference:	SITE 3925.00ft
Wellpath:	(Chesapeak 00 Warehouse 2-10/OH)
Created By:	Ryan Energy USA
Date:	6/15/2000



RyanUSA

Ryan Planning Report

Company: Chesapeake Operating Inc.
 Field: Lea County
 Site: Chesapeake 00 Warehouse 2-10
 Well: Chesapeake 00 Warehouse 2-10
 Wellpath: OH

Date: 6/15/2000 Time: 17:08:26 Page: 2
 Co-ordinate(NE) Reference: Well: Chesapeake 00 Warehouse 2-10
 Vertical (TVD) Reference: SITE 3925.0 above Mean Sea Level
 Section (VS) Reference: Well (0.0E,0.0N,159.5Azi)
 Survey Calculation Method: Minimum Curvature

Plan Section Information

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg	Target
0.00	0.00	159.48	0.00	0.00	0.00	0.00	0.00	0.00	0.00	*Strawn
9165.23	0.00	159.48	9165.23	0.00	0.00	0.00	0.00	0.00	0.00	*Strawn
10165.23	20.00	159.48	10145.04	-161.81	60.56	2.00	2.00	0.00	159.48	*Strawn
11745.49	20.00	159.48	11630.00	-668.00	250.00	0.00	0.00	0.00	0.00	*Strawn
12032.81	20.00	159.48	11900.00	-760.04	284.45	0.00	0.00	0.00	0.00	*Strawn

Survey

MD ft	Incl deg	Azim deg	TVD ft	N/S ft	E/W ft	VS ft	ClsD ft	ClsA deg	DLS deg/100ft	
9100.00	0.00	159.48	9100.00	0.00	0.00	0.00	0.00	0.00	0.00	
9165.23	0.00	159.48	9165.23	0.00	0.00	0.00	0.00	0.00	0.00	
9200.00	0.70	159.48	9200.00	-0.20	0.07	0.21	0.21	159.48	2.00	
9300.00	2.70	159.48	9299.95	-2.97	1.11	3.17	3.17	159.48	2.00	
9400.00	4.70	159.48	9399.74	-9.00	3.37	9.61	9.61	159.48	2.00	
9500.00	6.70	159.48	9499.24	-18.30	6.85	19.54	19.54	159.48	2.00	
9600.00	8.70	159.48	9598.33	-30.84	11.54	32.93	32.93	159.48	2.00	
9700.00	10.70	159.48	9696.90	-46.61	17.44	49.77	49.77	159.48	2.00	
9754.14	11.78	159.48	9750.00	-56.49	21.14	60.32	60.32	159.48	2.00	Wolfcamp
9800.00	12.70	159.48	9794.82	-65.60	24.55	70.04	70.04	159.48	2.00	
9900.00	14.70	159.48	9891.97	-87.77	32.85	93.71	93.71	159.48	2.00	
10000.00	16.70	159.48	9988.24	-113.10	42.33	120.76	120.76	159.48	2.00	
10100.00	18.70	159.48	10083.50	-141.57	52.98	151.16	151.16	159.48	2.00	
10165.23	20.00	159.48	10145.04	-161.81	60.56	172.77	172.77	159.48	2.00	
10200.00	20.00	159.48	10177.72	-172.95	64.73	184.66	184.66	159.48	0.00	
10300.00	20.00	159.48	10271.69	-204.98	76.71	218.86	218.86	159.48	0.00	
10400.00	20.00	159.48	10365.66	-237.01	88.70	253.07	253.07	159.48	0.00	
10500.00	20.00	159.48	10459.63	-269.04	100.69	287.27	287.27	159.48	0.00	
10600.00	20.00	159.48	10553.60	-301.08	112.68	321.47	321.47	159.48	0.00	
10700.00	20.00	159.48	10647.56	-333.11	124.67	355.67	355.67	159.48	0.00	
10800.00	20.00	159.48	10741.53	-365.14	136.65	389.87	389.87	159.48	0.00	
10900.00	20.00	159.48	10835.50	-397.17	148.64	424.08	424.08	159.48	0.00	
11000.00	20.00	159.48	10929.47	-429.20	160.63	458.28	458.28	159.48	0.00	
11100.00	20.00	159.48	11023.44	-461.24	172.62	492.48	492.48	159.48	0.00	
11175.09	20.00	159.48	11094.00	-485.29	181.62	518.16	518.16	159.48	0.00	Cisco
11200.00	20.00	159.48	11117.41	-493.27	184.61	526.68	526.68	159.48	0.00	
11300.00	20.00	159.48	11211.38	-525.30	196.59	560.88	560.88	159.48	0.00	
11400.00	20.00	159.48	11305.35	-557.33	208.58	595.09	595.09	159.48	0.00	
11500.00	20.00	159.48	11399.32	-589.37	220.57	629.29	629.29	159.48	0.00	
11600.00	20.00	159.48	11493.29	-621.40	232.56	663.49	663.49	159.48	0.00	
11700.00	20.00	159.48	11587.26	-653.43	244.55	697.69	697.69	159.48	0.00	
11745.49	20.00	159.48	11630.00	-668.00	250.00	713.25	713.25	159.48	0.00	Strawn
11800.00	20.00	159.48	11681.23	-685.46	256.54	731.89	731.89	159.48	0.00	
11866.80	20.00	159.48	11744.00	-706.86	264.54	754.74	754.74	159.48	0.00	Atoka
11900.00	20.00	159.48	11775.20	-717.49	268.52	766.10	766.10	159.48	0.00	
12000.00	20.00	159.48	11869.17	-749.53	280.51	800.30	800.30	159.48	0.00	
12032.81	20.00	159.48	11900.00	-760.04	284.45	811.52	811.52	159.48	0.00	

RyanUSA

Ryan Planning Report

Company: Chesapeake Operating Inc.	Date: 6/15/2000	Time: 17:08:26	Page: 2
Field: Lea County	Co-ordinate(NE) Reference:	Well: Chesapeake 00 Warehouse 2-10	
Site: Chesapeake 00 Warehouse 2-10	Vertical (TVD) Reference:	SITE 3925.0 above Mean Sea Level	
Well: Chesapeake 00 Warehouse 2-10	Section (VS) Reference:	Well (0.0E,0.0N,159.5Azi)	
Wellpath: OH	Survey Calculation Method:	Minimum Curvature	

Plan Section Information

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg	Target
0.00	0.00	159.48	0.00	0.00	0.00	0.00	0.00	0.00	0.00	*Strawn
9165.23	0.00	159.48	9165.23	0.00	0.00	0.00	0.00	0.00	0.00	*Strawn
10165.23	20.00	159.48	10145.04	-161.81	60.56	2.00	2.00	0.00	159.48	*Strawn
11745.49	20.00	159.48	11630.00	-668.00	250.00	0.00	0.00	0.00	0.00	*Strawn
12032.81	20.00	159.48	11900.00	-760.04	284.45	0.00	0.00	0.00	0.00	*Strawn

Survey

MD ft	Incl deg	Azim deg	TVD ft	N/S ft	E/W ft	VS ft	ClsD ft	ClsA deg	DLS deg/100ft	
9100.00	0.00	159.48	9100.00	0.00	0.00	0.00	0.00	0.00	0.00	
9165.23	0.00	159.48	9165.23	0.00	0.00	0.00	0.00	0.00	0.00	
9200.00	0.70	159.48	9200.00	-0.20	0.07	0.21	0.21	159.48	2.00	
9300.00	2.70	159.48	9299.95	-2.97	1.11	3.17	3.17	159.48	2.00	
9400.00	4.70	159.48	9399.74	-9.00	3.37	9.61	9.61	159.48	2.00	
9500.00	6.70	159.48	9499.24	-18.30	6.85	19.54	19.54	159.48	2.00	
9600.00	8.70	159.48	9598.33	-30.84	11.54	32.93	32.93	159.48	2.00	
9700.00	10.70	159.48	9696.90	-46.61	17.44	49.77	49.77	159.48	2.00	
9754.14	11.78	159.48	9750.00	-56.49	21.14	60.32	60.32	159.48	2.00	Wolfcamp
9800.00	12.70	159.48	9794.82	-65.60	24.55	70.04	70.04	159.48	2.00	
9900.00	14.70	159.48	9891.97	-87.77	32.85	93.71	93.71	159.48	2.00	
10000.00	16.70	159.48	9988.24	-113.10	42.33	120.76	120.76	159.48	2.00	
10100.00	18.70	159.48	10083.50	-141.57	52.98	151.16	151.16	159.48	2.00	
10165.23	20.00	159.48	10145.04	-161.81	60.56	172.77	172.77	159.48	2.00	
10200.00	20.00	159.48	10177.72	-172.95	64.73	184.66	184.66	159.48	0.00	
10300.00	20.00	159.48	10271.69	-204.98	76.71	218.86	218.86	159.48	0.00	
10400.00	20.00	159.48	10365.66	-237.01	88.70	253.07	253.07	159.48	0.00	
10500.00	20.00	159.48	10459.63	-269.04	100.69	287.27	287.27	159.48	0.00	
10600.00	20.00	159.48	10553.60	-301.08	112.68	321.47	321.47	159.48	0.00	
10700.00	20.00	159.48	10647.56	-333.11	124.67	355.67	355.67	159.48	0.00	
10800.00	20.00	159.48	10741.53	-365.14	136.65	389.87	389.87	159.48	0.00	
10900.00	20.00	159.48	10835.50	-397.17	148.64	424.08	424.08	159.48	0.00	
11000.00	20.00	159.48	10929.47	-429.20	160.63	458.28	458.28	159.48	0.00	
11100.00	20.00	159.48	11023.44	-461.24	172.62	492.48	492.48	159.48	0.00	
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11200.00	20.00	159.48	11117.41	-493.27	184.61	526.68	526.68	159.48	0.00	
11300.00	20.00	159.48	11211.38	-525.30	196.59	560.88	560.88	159.48	0.00	
11400.00	20.00	159.48	11305.35	-557.33	208.58	595.09	595.09	159.48	0.00	
11500.00	20.00	159.48	11399.32	-589.37	220.57	629.29	629.29	159.48	0.00	
11600.00	20.00	159.48	11493.29	-621.40	232.56	663.49	663.49	159.48	0.00	
11700.00	20.00	159.48	11587.26	-653.43	244.55	697.69	697.69	159.48	0.00	
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11800.00	20.00	159.48	11681.23	-685.46	256.54	731.89	731.89	159.48	0.00	
11866.80	20.00	159.48	11744.00	-706.86	264.54	754.74	754.74	159.48	0.00	Atoka
11900.00	20.00	159.48	11775.20	-717.49	268.52	766.10	766.10	159.48	0.00	
12000.00	20.00	159.48	11869.17	-749.53	280.51	800.30	800.30	159.48	0.00	
12032.81	20.00	159.48	11900.00	-760.04	284.45	811.52	811.52	159.48	0.00	

4

3 MANZANO
QUARRY '99

2

COI

COI

COI

CELP 76.42%
TLW 1.0%
CI 1.0%
TRAJAN 0.5%
NORTHPORT 3.68%
VESTIGE 1.0%

CHESAPEAKE
WAREHOUSE S.L.

MANZANO '92
BROWNFIELD 1-11

WAREHOUSE 1-10
(BHL)

BAHLBURG 2.87%
DALCO 2.46%
BANDERA 2.7334%
MAGNOLIA 2.7334%
LAMB 2.7334%

100%
LINE 224

MANZANO '97
BIG BERTHA

9

11

COI

COI

COI

COI

MANZANO '96
'SV' CHIPSHOT

MANZANO '97
CHIPSHOT 'SV' 2

16S/36E

16

15

14

— Unit Outline



CHESAPEAKE OPERATING, INC.

Warehouse 2-10
Strawn Isopach (C.I. = 20")
Lea County, NM

Cliff A. Henrich

1" = 1000'

Lynda Townsend

Robert A. Heber IV

8/21/2000

Randy Ganss

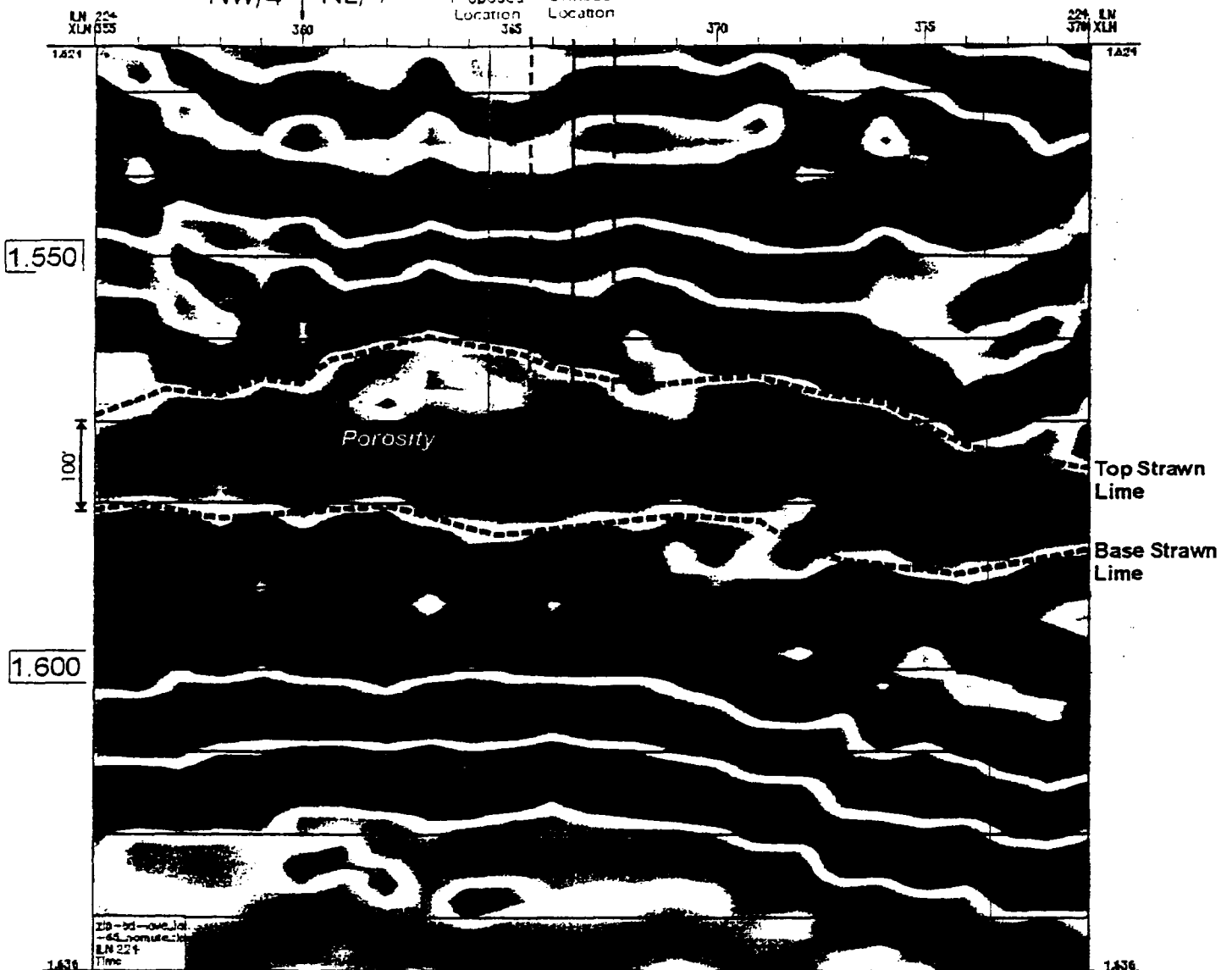
LINE 224

West

NW/4

NE/4

East



CHESAPEAKE OPERATING, INC.

Warehouse 2-10
Lea County, NM

Cliff A. Hanoch

Lynda Townsend

Robert A. Hefner IV

6/21/2000

Randy Gasaway



PROPERTY #	PROPERTY NAME	DOI NO/YR DESCRIPTION	OWNER # SEQ	OWNER NAME	INTEREST	TYPE	LAST CHANGE
812222-	WAREHOUSE 1-10	MI 01/00					
501008	TLN INVESTMENTS INC P O BOX 54325 OKLAHOMA CITY OK 73154-1525				.01000000	1-MOR	2/22/99
501217	TRACW DEVELOPMENT CO P O BOX 16007 OKLAHOMA CITY OK 73113				.00500000	1-MOR	2/22/99
501218	NONREPORT PRODUCTION CO 2601 NW EXPRESSWAY STE 902E OKLAHOMA CITY OK 73112-7208				.03680000	1-MOR	2/22/99
501601	VESTIGE INC DBA VESTIGE ENERGIES P O BOX 54316 OKLAHOMA CITY OK 73154				.01000000	1-MOR	2/22/99
501870	BAILEYBRI EXPLOURATION, INC P.O. BOX 866337 PLANO TX 75086-6937				.02870000	1-MOR	2/22/99
501892	DALCO PETROLEUM, L.L.C. PO BOX 1904 LOVINGTON NM 88260-1904				.02460000	1-MOR	2/22/99
502657	BANDERA MINERALS TIT LLC P O BOX 701228 TULSA OK 74170-1228				.03733334	1-MOR	2/09/00
605000	CHESAPEAKE INVESTMENTS AN OKLAHOMA LTD PARTNERSHIP OKLAHOMA CITY OK 73154				.01000000	1-MOR	2/22/99
605037	CHESAPEAKE EXPLORATION LP P O BOX 18496 OKLAHOMA CITY OK 73154				.76420000	1-MOR	2/22/99
624602	WAGNOLIA ROYALTY CO INC P O BOX 10703 MIDLAND TX 79702				.02733333	1-MOR	2/22/99
633680	GARY J LAMB INC P O BOX 3383 MIDLAND TX 79702				.02733333	1-MOR	2/22/99

