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April 12, 2004

Hand Delivered

Mrs. Carol Leach, Acting Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: NMOCD Case (pending)
Application of Chesapeake Operating, Inc.
for an unorthodox gas well location and
to terminate Order R-11432-A,
Lea County, New Mexico
Boyce "15" Well No. 5
E/2 Section 15, T16S, R35E, NMPM

RECEIVED

APR 14 2004

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

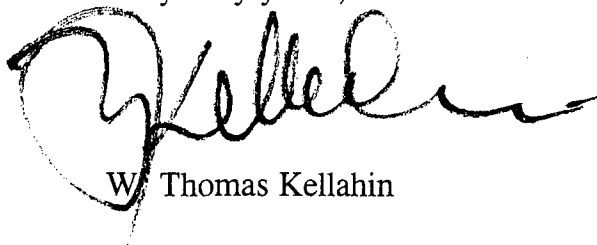
Case 13267

Dear Mrs. Leach:

On behalf of Chesapeake Operating, Inc., please find enclosed the referenced application.

We request that this application to set for hearing on the May 13, 2004 Examiner's docket.

Very truly yours,



W. Thomas Kellahin

OLD incorrect application

Case 13267: Application of Chesapeake Operating, Inc. for an unorthodox gas well location and to terminate Order R-11432-A. Applicant seeks the approval of an unorthodox location for the Boyce "15" Well No. 5, in Unit B of Section 5, T15S, R35E for gas production from the North Shoe Bar-Atoka Gas Pool. This well was originally drilled at a standard location 330 feet FNL and 1650 feet FEL of this section for production from the Northwest Shoe Bar-Strawn Pool but is now at an unorthodox well location for any production of gas from the North Shoe Bar-Atoka Gas Pool. In addition, applicant seeks to terminate Order R-11432-A. This location is located approximately 5 miles west of Lovington, New Mexico

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

**IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE OPERATING, INC.
FOR AN UNORTHODOX GAS WELL LOCATION,
AND TO TERMINATE DIVISION ORDER R-11432-A
LEA COUNTY, NEW MEXICO**

CASE: 13267

APPLICATION

Comes now CHESAPEAKE OPERATING, INC. ("Chesapeake") by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division ("NMOCD") for approval of an unorthodox location for the Boyce "15" Well No. 5, in Unit B of Section 5, T16S, R35E for gas production from the North Shoe Bar-Atoka Gas Pool. This well was originally drilled at a standard location 330 feet FNL and 1650 feet FEL of this section for production from the Northwest Shoe Bar-Strawn Pool but is now at an unorthodox well location for any production of gas from the North Shoe Bar-Atoka Gas Pool. In addition, applicant seeks to terminate Order R-11432-A.

In support thereof, Applicant states:

(1) On September 7, 2000, the Division conducted a hearing in Case 12482 to consider Chesapeake's application to contract the lower vertical limits of the North Shoe Bar-Atoka Gas Pool to exclude the "Brunson Interval" and to redesignate the pool as the North Shoe Bar-Upper Atoka Gas Pool and the concomitant creation of a new gas pool consisting of the Brunson Interval of the Lower Atoka formations to be designated as the North Shoe Bar-Atoka Gas Pool.

(2) On September 28, 2000 the Division entered Order R-11460 in Case 12482 and declined to create two separate Atoka gas pools but, in doing so, found that "in view of the evidence presented in this case, it is likely that Chesapeake can obtain an exception to Division Rule 104 to allow it to simultaneously produce its Boyce "15" Wells No. 1 and 3 from the North Shoe Bar-Atoka Gas Pool.

(3) On October 19, 2000 the Division heard Case 12448 (reopened). In accordance with Division Order R-11460, Chesapeake proposed to dedicate the E/2 of Section 15 to the Boyce #3 if it is capable of gas production from the Brunson Interval and to simultaneously dedicate it and the Boyce #1 well to this spacing unit for production from the North Shoe Bar-Atoka Gas Pool.

(4) The North Shoe Bar-Atoka Gas Pool is currently governed by Division rule 104.C(2), which states, in part:

- (a) the initial well on a 320-acre unit shall be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; and
- (b) only one infill well on a 320-acre unit shall be allowed provided that the well is located in the quarter section of the 320-acre unit not containing the initial well and is no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(5) The Division by Order R-11432-A, dated November 28, 2000, (Case 12448 (reopened)), approved Chesapeake's application and thereby:

- a. authorized an exception to Rule 104 allowing the simultaneous dedication of two gas wells located in the same 160-acre portion of a 320-acre gas spacing unit to produce gas from the North Shoe Bar-Atoka Gas Pool being the Boyce 15 Well No. 3 and the Boyce 15 Well No. 1; and
- b. approved an unorthodox gas well location for the Boyce "15" Well No. 3 being located 2310 feet ENL and 443 feet FEL of this section for production from this gas pool.

(6) Subsequent to the order, Chesapeake has:

- a. abandoned the Atoka formation in the Boyce "15" Well No. 1 and has unsuccessfully attempted to recompleted the Boyce "15" Well No. 1 in the Strawn and then has successfully recompleted this well as an oil well in the Wolfcamp formation at a standard oil well location dedicated to a standard 160-acre oil spacing unit for the North Shoe Bar-Wolfcamp Pool;
- b. unsuccessfully drilled the Boyce "15" Well No. 5 to the Strawn formation at a location 330 feet FNL and 1650 feet FEL of this section for the Northwest Shoe Bar-Strawn Pool and then has successfully completed this well for gas production from the Upper Atoka gas section of the North Shoe Bar-Atoka Gas Pool causing this well to now be at an unorthodox location; and
- c. produces the Boyce "15" Well No. 3 at an approved unorthodox gas well location for gas production from the Townsend-Morrow Gas Pool in accordance with Order R-11432, issued in Case 12448 on August 3, 2000.

(7) Division Order R-11432-A provided, in part that "(4) The applicant shall not drill or recomplete additional infill wells within the E/2 of Section 15 in the North She Bar-Atoka Gas Pool until such time as production operations permanently cease in the Atoka formation in either the Boyce "15" Well No. 1 or the Boyce "15" Well No. 3.

(8) As a result of these changes, the two wells, Boyce "15" No. 1 and No. 3, are no longer production from the North Shoe Bar-Atoka Gas Pool and Order R-11432-A may be terminated.

(9) In addition, Chesapeake requests approval of the unorthodox gas well location for the Boyce "15" Well No 5.

(10) Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the gas underlying this unit, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.


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Chesapeake Operating, Inc.
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(11) Notice is being sent to Yates Petroleum Corporation as the offsetting operator towards whom the Boyce "15" Well No. 5 encroaches. Chesapeake has sent notification of this application and hearing as set forth on Exhibit A.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

BY


W. Thomas Kellahin

P. O. Box 2265

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EXHIBIT "A"

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Attn: Mr. Randy Patterson