

**KELLAHIN & KELLAHIN**  
**Attorney at Law**

**W. Thomas Kellahin**  
Recognized Specialist in the Area of  
Natural Resources-oil and gas law-  
New Mexico Board of Legal Specialization

P.O. Box 2265  
Santa Fe, New Mexico 87504  
117 North Guadalupe  
Santa Fe, New Mexico 87501

Telephone 505-982-4285  
Facsimile 505-982-2047  
kellahin@earthlink.net

July 5, 2005

**HAND DELIVERED**

Mr. Mark E. Fesmire, Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

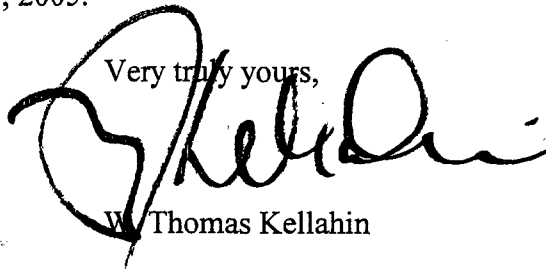
*Case 13526*

Re: Application of Chesapeake Operating, Inc.  
for approval of a unit agreement,  
Lea County, New Mexico  
South Chavlea State Unit  
2,249.40 acres within Sections 19, 30 T12S, R32E  
and Sections 24, 25, T12S, R31E

Dear Mr. Fesmire:

On behalf of Chesapeake Operating, Inc., please find enclosed our referenced application that we request to set for hearing on the next available docket currently schedule for July 28, 2005.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Operating, Inc.  
Attn: Lynda Townsend

2005 JUL 5 PM 1 36

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

**IN THE MATTER OF THE APPLICATION OF  
CHESAPEAKE OPERATING, INC., FOR  
APPROVAL OF A UNIT AGREEMENT,  
LEA COUNTY, NEW MEXICO.**

*Case 13526*

**APPLICATION**

Chesapeake Operating, Inc. ("Chesapeake") by its attorneys, Kellahin & Kellahin, seeks an order approving its South Chavlea State Exploratory Unit and in support of this application states:

1. The proposed Unit Area consists of 2,249.40 acres, more or less of State lands, situated in Lea County, New Mexico. The horizontal limits of this unit are described as follows:

**Township 12 South, Range 32 East, NMPM**

Section 19: All

Section 30: All

**Township 12 South, Range 31 East, NMPM**

Section 24: All

Section 25: N/2

2. The Unit Agreement has been approved by a sufficient percentage of the interest owners within the Proposed Unit Area to provide effective control of unit operations.

3. The Applicant, Chesapeake, is designated as Unit Operator in the Unit Agreement all oil and gas in all formations are unitized.

4. The proposed Unit Area covers all, or substantially all of the geological structures and anomaly from the surface to the base of the Pennsylvanian formations.

5. This Unit Agreement and the unitized operations and management of the Unit Area has been filed with the Office of the Commissioner of Public Lands for the State of New Mexico and the applicant anticipates received preliminary approval prior to the hearing of this case before the Division.

6. This Unit Agreement and the unitized operations and management of the Unit Area will be in the interests of conservation, the prevention of waste and the protection of the correlative rights of all parties concerned.

**WHEREFORE**, Chesapeake, as applicant, requests that, after notice and hearing, the Division enter its order approving this unit.

RESPECTFULLY SUBMITTED:

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

W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87504  
Telephone: (505) 982-4285  
Fax: (505) 982-2047

Proposed Advertisement:

Case 13526: Application of Chesapeake Operating, Inc. for approval of a Unit Agreement, Lea County, New Mexico. Applicant seeks approval of the South Chavlea State Exploratory Unit from the surface to the base of the Pennsylvanian formations in area comprising 2,249.40 acres, more or less, of State of New Mexico in Section 19, 30, T12S, R32E and Sections 24, 25 of T12S, R31E, NMPM. This application will be presented by affidavit. This unit is located approximately 4 miles east of Mescalero Springs, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**