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March 11, 2003

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

Oil Conservation Division

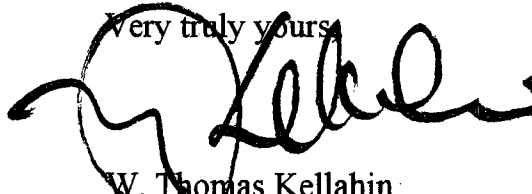
Re: Bertha J. Barber Well No. 12
West Monument-Tubb Gas Pool
NE/4 Section 7, T20S, R37E
Application of Chesapeake Operating, Inc.
for Compulsory Pooling
Lea County, New Mexico

Case 13047

Dear Ms. Wrotenbery:

On behalf of Chesapeake Operating, Inc., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for April 10, 2003. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Lynda Townsend

CASE 13047: Application of Chesapeake Operating, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests the Tubb formation underlying the NE/4 of Section 7, T20S, R37E, NMPM, Lea County, New Mexico, forming a standard 160-acre gas spacing and proration unit for the Tubb formation, including but not limited to the West Monument-Tubb Gas Pool. This unit is to be dedicated to its Bertha J. Barber Well No. 12 has been drilled and completed at an approved unorthodox well location (Order R-11652-B) in Unit A of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs 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 this well. This unit is located approximately 3 miles south-southwest from Monument, 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 COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 13047

APPLICATION

CHESAPEAKE OPERATING, INC. ("Chesapeake") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA 1978) seeks an order pooling all mineral interests the Tubb formation underlying the NE/4 of Section 7, T20S, R37E, NMPM, Lea County, New Mexico, forming a standard 160-acre gas spacing and proration unit for the Tubb formation, including but not limited to the West Monument-Tubb Gas Pool. This unit is to be dedicated to its Bertha J. Barber Well No. 12 that has been drilled and completed at an approved unorthodox well location (Order R-11652-B) in Unit A of this section. Also to be considered will be the costs of drilling and re-completing said well and the allocation of the costs 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 this well.

In support of its application Chesapeake states:

1. On March 26, 2002, the New Mexico Oil Conservation Commission ("Commission") entered Order R-11652-B in Cases 12587 and Case 12605, deciding, among other things, to grant Sapient Energy Corporation's application for an unorthodox gas well location for the Bertha J. Barber Well No. 12 but denying approval of a non-standard 80-acre Tubb Gas unit for this well and requiring the parties attempt to form a voluntary agreement for a standard 160-acre gas spacing unit to be dedicated to this well.

2. Prior to the date of the Commission order, Chesapeake Operating, Inc. became the Division approved operator for the Bertha J. Barber Well No. 12.

3. On April 24, 2002, and in accordance with Commission Order R-11652-B, Chesapeake commenced efforts to obtain a voluntary agreement for a standard gas spacing unit with Conoco, Inc., Chevron USA Production Company, and the rest of the working interest owners in the W/2NE/4 of this section (collectively "Conoco").

4. Chesapeake's proposal included:

- (a) a proposed Joint Operating Agreement with Chesapeake continuing as operator,
- (b) gas balancing agreement for past production,
- (c) wellbore valuation, and
- (d) accounting for production.

5. By June 12, 2002, Chesapeake had received no response from Conoco concerning Chesapeake's proposal voluntary agreement and again wrote to Conoco.

6. On June 28, 2002, Conoco rejected Chesapeake's offer and proposed its counter-offer.

7. On August 27, 2002, Chesapeake declined Conoco's counter-offer and Chesapeake revised its original offer and sent detailed spreadsheets justifying its revised offer to Conoco.

8. After almost 7 months, on March 4, 2003, Conoco rejected Chesapeake's revised offer and threatened aggressive litigation if Chesapeake did not acquiesce by March 11, 2003 to Conoco's counter offer dated June 28, 2002.

9. Chesapeake believes that there are two major issues that are not resolved:

- (a) Conoco demands that Chesapeake account for part production sales at a price higher than that received; and
- (b) Conoco refuses to compensate Chesapeake for the value of the wellbore.

10. Chesapeake, despite its effort, has been unable to obtain the voluntary agreement the working interest owners in the W/2NE/4 of Section 7 to form a standard 160-acre gas spacing unit as identified on Exhibit "A."

11. Pursuant to Section 70-2-17.C NMSA (1978) and in accordance with Commission Order R-11587, in order to obtain its just and equitable share of potential production for the Tubb formation underlying this spacing unit, Chesapeake needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

12. Chesapeake requests that this application be processed in accordance with Division Rule 1207.A(1)(b) and at the time of hearing will submit this geological and petroleum engineering evidence and data by AFFIDAVIT.

13. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for April 10, 2003.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on April 10, 2003 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- (1) Chesapeake Operating, Inc. be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;

- (4) Balancing past and future payments to royalty and overriding royalty owners;
- (5) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (6) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a large, stylized initial 'W'.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
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EXHIBIT "A"
PARTIES TO BE POOL

Conoco, Inc.
Phillips Petroleum Company
Atlantic Richfield Company
(ARCO), Now BP/Amoco
Chevron
James Burr
Larry Nermyr
Ruth Sutton