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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)

March 11, 1997

HAND DELIVERED

Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: Application of Chesapeake Oil Company for the
Creation of a New Pool for production from the
Strawn Formation with the Adoption of Special
Pool Rules, including a Discovery Oil Allowable,
Lea County, New Mexico.

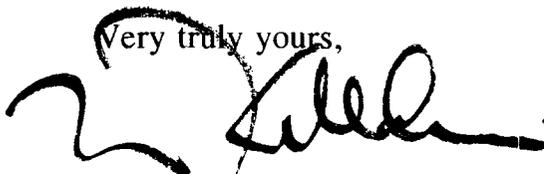
11750

Dear Mr. LeMay:

On behalf of Chesapeake Oil Company, please find enclosed our
referenced application which we request be set for hearing on the next
available Examiner's docket now scheduled for April 3, 1997.

Also enclosed is our proposed advertisement of this case for the
NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Oil Company
Attn: Mr. Mike Hazlip

PROPOSED ADVERTISEMENT

CASE 11750 Application of Chesapeake Oil Company for creation of a new oil pool with special rules and a discovery oil allowable, Lea County, New Mexico. Applicant, in the above styled cause, seeks an order creating a new oil pool for production from the Strawn formation with the promulgation of Special Pool Rules and Regulations for the pool including 80-acre oil spacing and proration units and the assignment of a discovery allowable for the discovery well being its Chambers "7" Well No. 1 located 1700 feet from the North line and 900 feet from the East line (Unit H) of Section 7, Township 16 South, Range 36 East, NMPM, with the S/2NE/4 of said Section 7 to be dedicated to the subject well. Said pool is located in the approximately 3 miles west-southwest of Lovington, New Mexico.

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

APPLICATION OF CHESAPEAKE OIL COMPANY
FOR THE CREATION OF A NEW POOL FOR
THE STRAWN FORMATION PRODUCTION
INCLUDING THE ADOPTION OF SPECIAL RULES
AND A DISCOVERY OIL ALLOWABLE,
LEA COUNTY, NEW MEXICO.

CASE NO. 11750

A P P L I C A T I O N

Comes now Chesapeake Oil Company ("Chesapeake") by its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation for the creation of a new oil pool for production from the Strawn formation with the promulgation of Special Pool Rules and Regulations for the pool including 80-acre oil spacing and proration units with the assignment of a discovery allowable for the discovery well being its Chambers "7" Well No. 1 located 1700 feet from the North line and 900 feet from the East line (Unit H) of Section 7, Township 16 South, Range 36 East, NMPM, with the S/2NE/4 of said Section 7 to be dedicated to the subject well.

and in support thereof states:

1. Chesapeake has drilled, completed and now operates its Chambers Well No. 1, located 1700 feet from the North line and 900 feet from the East line (Unit H) of Section 7, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico. See Exhibit "A" attached.

2. This well constitutes a "new oil discovery" for the production of oil from the Strawn formation.

3. The nearest Strawn oil production is within one mile to the north in the West Lovington-Strawn Pool.

4. Based upon this discovery, Chesapeake seeks the creation of a new pool which shall be defined as all of the Strawn formation as identified on the log of the discovery well with an initial pool boundary consisting of:

TOWNSHIP 16 SOUTH, RANGE 36 EAST
Section 7: N/2NE/4

5. In addition, Chesapeake requests the adoption of the following Special Rules and Regulations for this pool:

- (a) 80-acre oil spacing and proration units;
- (b) with no more than one producing well for each 80-acre spacing or proration unit;
- (c) well locations within 330 feet of the side boundary of a governmental quarter-quarter section;
- (d) a special limiting gas oil ratio of 2,000 cubic feet of gas per barrel of oil;
- (e) a special depth bracket maximum oil allowable of 445 barrels of oil per day per oil spacing unit; and
- (f) that each well completed or recompleted in this pool or the Strawn formation within one mile thereof, shall be spaced, drilled operated and produced in accordance with these special rules.

6. Based upon data from the discovery well, the initial rules for the pool should provide for 80-acre oil proration and spacing units combined with the limit of no more than one well per unit to prevent the drilling of unnecessary wells and to protect correlative rights and provide for the orderly development of the reservoir.

7. Notification of this application and request for hearing to be held on April 3, 1997 has been sent to all affected parties.

Wherefore, Applicant's request that, after notice and hearing, this application be granted.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87501

<p>1</p> <p>GILLESPIE</p>	<p>GILLESPIE</p> <p>CHESAPEAKE OPER.</p>	<p>0 CHESAPEAKE OPER.</p>	<p>CHESAPEAKE OPER.</p> <p>CHESAPEAKE OPER.</p>	<p>5 CHESAPEAKE OPER.</p> <p>CHES.</p>	
<p>GILLESPIE</p>	<p>CHESAPEAKE OPER.</p>	<p>C. GILLESPIE JR.</p>	<p>CHESAPEAKE OPER.</p> <p>CHESAPEAKE CHAMBERS 1-7</p>	<p>CHESAPEAKE OPER.</p>	<p>CHES.</p>
<p>VID PET. WATTS</p>	<p>12 LLOYD JOHNS</p>	<p>MERIT ENERGY HBP</p>	<p>7 CHESAPEAKE OPER.</p>	<p>CHESAPEAKE OPER.</p>	<p>8 CHES.</p>
<p>MERIT ENERGY</p>	<p>MERIT ENERGY</p>	<p>MERIT ENERGY</p>	<p>MERIT ENERGY</p>	<p>CHESAPEAKE OPER.</p>	<p>CHES.</p>
<p>MERIT ENERGY</p>	<p>MERIT ENERGY</p>	<p>CHESAPEAKE OPER.</p>	<p>CHESAPEAKE OPER.</p>	<p>CHESAPEAKE OPER.</p>	<p>CHES.</p>

EXHIBIT
A



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
MOBBIL DISTRICT OFFICE

March 10, 1997

POST OFFICE BOX 1880
MOBBIL, ALABAMA 36688-1880
FORM 3825-0101

Chesapeake Operating, Inc.
P. O. Box 18496
Oklahoma City, Oklahoma 73154

SUBJECT: Division Order R-10776

Gentlemen:

According to the provisions of Division Order R-10776, effective March 1, 1997, your Chambers 7 Well No. 1 located in Unit H of Section 7, Township 16 South, Range 36 East, Leas County, New Mexico, is placed in the newly created Northeast Shoe Bar-Strawn Pool.

Pool Code: 96649

Please amend your records to show this change in pool designation and notify your transporters of this change.

Very truly yours

OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Jerry Sexton".

Jerry Sexton
Supervisor, District J

/bp

File