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*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

July 28, 1997

HAND DELIVERED

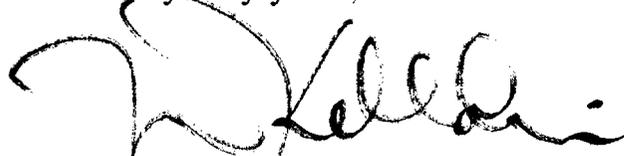
Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

**Re: Kim 1-1 Well
Application of Chesapeake Operating, Inc.
for Compulsory Pooling
Lea County, New Mexico**

Dear Mr. LeMay:

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 August 21, 1997. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Mike Hazlip

11836
RECEIVED
JUL 28 1997
Oil Conservation Division

CASE 11836: Application of Chesapeake Operating Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the S/2SE/4 of Irregular Section 1, T16S, R36E, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent, which presently may include but is not necessarily limited to the Northeast Lovington-Pennsylvanian Pool, and forming a standard 40-acre oil spacing and proration unit underlying the SE/4SE/4 of said Section 1 for any and all formations/pools developed on 40-acre oil spacing. Said unit is to be dedicated to its Kim 1-1 Well to be drilled and completed at a standard oil well location in said Section 1. 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 Chesapeake Operating, Inc. as the operator of the well and a charge for risk involved in said well. Said unit is located approximately 3 miles southeast from Lovington, New Mexico.

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JUL 28 1997

Oil Conservation Division

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

RECEIVED
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Oil Conservation Division

IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE OPERATING, INC.
FOR COMPULSORY POOLING
EDDY COUNTY, NEW MEXICO.

CASE NO. 11836

A P P L I C A T I O N

Comes now CHESAPEAKE OPERATING, INC. by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the S/2SE/4 of Irregular Section 1, T16S, R36E, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent, which presently may include but is not necessarily limited to the Northeast Lovington-Pennsylvanian Pool, and forming a standard 40-acre oil spacing and proration unit underlying the SE/4SE/4 of said Section 1 for any and all formations/pools developed on 40-acre oil spacing. Said unit is to be dedicated to its Kim 1-1 Well to be drilled and completed at a standard oil well location in said Section 1. 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 the Chesapeake Operating, Inc. as the operator of the well and a charge for risk involved in said well.

In support of its application, Chesapeake Operating, Inc. ("Chesapeake") states:

1. Chesapeake has the right to drill and develop the oil and gas minerals from the surface to the base of the Strawn formation underlying the S/2SE/4 of Irregular Section 1, T16S, R36E, NMPM, Lea County, New Mexico.

2. The subject tract is located within one-mile of the current boundaries of the Northeast Lovington-Pennsylvanian Pool.

3. Chesapeake has proposed the subject well and its appropriate spacing unit to the working interest owners in the spacing unit as identified on Exhibit "A."

4. Despite its good faith efforts, Chesapeake has been unable to obtain a written voluntary agreement from the party listed on Exhibit "A."

5. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, the applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

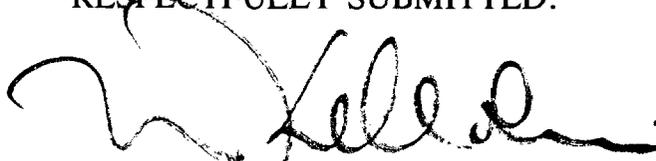
6. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for August 21, 1997.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on August 21, 1997 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 the drilling of the subject 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 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) 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;
- (5) For such other and further relief as may be proper.

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
(505) 982-4285

EXHIBIT "A"

Bristol Resources Corporation
Bristol Resources Acquisition Ltd. Partnership
6655 South Lewis
Tulsa, Oklahoma 74136
Attn: Ed Watts