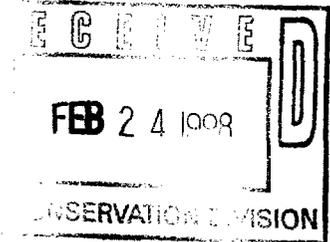


**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

APPLICATION OF NEARBURG EXPLORATION COMPANY, L. L. C. TO HAVE THE DIVISION ORDER CHESAPEAKE OPERATING INC. TO APPEAR AND SHOW CAUSE WHY ITS WELLS IN THE NW/4 OF SECTION 20, TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM, SHOULD NOT BE SHUT IN UNTIL IT IS IN COMPLIANCE WITH OIL CONSERVATION DIVISION RULES, LEA COUNTY, NEW MEXICO.



CASE NO. 11953

APPLICATION

NEARBURG EXPLORATION COMPANY, L. L. C. ("Nearburg"), through its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order requiring Chesapeake Operating, Inc. ("Chesapeake") to appear and show cause why its wells in Section 20, Township 16 South, Range 36 East, NMPM, should not be shut in until Chesapeake is in compliance with Oil Conservation Division Rules and in support thereof states:

1. Nearburg is the operator of the E/2 NE/4 of Section 19, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico. In January 1998, Nearburg drilled its Gandy "19" Well No. 1 ("the Gandy Well") located at an unorthodox oil well location 810 feet from the North line and 680 feet from the East line of said Section 19 and has completed this well as a commercial well in the West Lovington-Pennsylvanian Pool, Lea County, New Mexico.

2. The Gandy Well is offset in the Pennsylvanian formation by the following two wells operated by Chesapeake Operating, Inc. located in the NW/4 of Section 20, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico:

(A) Ruth "20" Well No. 1 ("the Ruth Well") located 609 feet from the North line and 1650 feet from the West line,

(B) Patti "20" Well No. 1 ("the Patti Well") located 2156 feet from the North line and 990 feet from the West line.

3. The Ruth Well was completed in October 1996 and the Patti Well was completed in March 1997 and since that date have produced from the same common source of supply as the Gandy Well.

4. As shown by the Affidavit of Robert G. Shelton, Attorney-in-Fact for Nearburg, which is attached to this application as Exhibit A, in October 1997, Nearburg contacted the Oil Conservation Division to review the production on the offsetting Chesapeake wells and was advised that Chesapeake had not reported production data to the Division on either of these wells as required by Division Rule 1115. Nearburg has attempted to obtain production data on these wells since that time and the Division continues to advise Nearburg that Chesapeake has not filed production information on either of these wells.

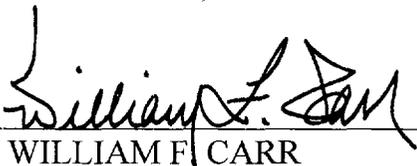
5. Without production data on these wells, Nearburg is unable to determine if the Chesapeake wells are producing within their assigned depth bracket allowable limit and if

these wells are draining reserves from the offsetting Nearburg tract thereby impairing Nearburg's correlative rights.

WHEREFORE, NEARBURG EXPLORATION COMPANY, L. L. C., requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 19, 1998 and that Chesapeake Operating, Inc. be ordered to appear and show cause why its Ruth "20" Well No. 1 and its Patti "20" Well No. 1 should not be shut in until Chesapeake has filed all production data on each of these wells as required by Division Rule 1115 and has made up all over production, if any.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P. A.

By  _____
WILLIAM F. CARR

Post Office Box 2208
Santa Fe, New Mexico 87504-2208

ATTORNEYS FOR NEARBURG
EXPLORATION COMPANY, L. L. C.

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

APPLICATION OF NEARBURG EXPLORATION COMPANY, L.L.C. TO HAVE THE DIVISION ORDER CHESAPEAKE OPERATING, INC. TO APPEAR AND SHOW CAUSE WHY ITS WELLS IN THE NW/4 OF SECTION 20, TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM, SHOULD NOT BE SHUT IN UNTIL IT IS IN COMPLIANCE WITH OIL CONSERVATION DIVISION RULES, LEA COUNTY, NEW MEXICO.

CASE NO. 11953

AFFIDAVIT OF ROBERT G. SHELTON

ROBERT G. SHELTON, being first duly sworn, upon oath states:, having been first duly sworn and upon oath states:

1. I am Attorney-in-Fact and a landman for Nearburg Exploration Company, L.L.C. in Midland, Texas.
2. I am responsible for Nearburg's efforts to develop the NE/4 of Section 19, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico.
3. In October 1997, I attempted to review the production data required to be filed by Oil Conservation Division Rule 1115 on the Chesapeake Operating, Inc. Ruth "20" Well No. 1 and the Chesapeake Operating, Inc. Patti "20" Well No. 1. These wells are located in the immediate East offsetting tract comprised of the NW/4 of Section 20, Township 16

AFFIDAVIT OF ROBERT G. SHELTON,
Page 1

South, Range 36 East, NMPM, Lea County, New Mexico. My review showed that Chesapeake had not filed any production data on these wells.

4. On October 23, 1997, a person under my direction (Nearburg staff) called Fran Chavez in the Data Processing Center at the Oil Conservation Division in Santa Fe and inquired why Chesapeake had not filed with the Division any production data on these wells. Ms. Chavez advised me that although there had been repeated calls to Chesapeake requesting this data, no data had been filed either electrically or in hard copy. She stated that no letter had been sent to Chesapeake concerning its failure to file this data and suggested that I contact Ed Martin, The Oil Conservation Division's Data Processing Bureau Chief, since he was handling this matter.

5. On October 24, 1997, the Nearburg staff spoke with Mr. Martin. He was aware of this matter but stated he did not intend to take any action against Chesapeake until the Division determined exactly what was going on.

6. On November 3, 1997, the Nearburg staff again contacted Mr. Martin concerning our need for this data. Mr. Martin advised that he had talked to Chesapeake and would call when he found out anything.

7. On November 11, 1997, the Nearburg staff called Mr. Martin. He stated that he had contacted Chesapeake and that they had stated they would file this data. He did not know when the information would be filed.

8. Fran Chavez called Nearburg on December 1, 1997. She advised that the Division's Hobbs District office had contacted Chesapeake to get them to submit their production data. She stated that she had sent them blank forms and instructions concerning how to file reports and was doing all she could to get this information. She agreed to call me when she got this information.

9. Ms. Chavez called again on December 1, 1997. She stated that the Oil Conservation Division had given Chesapeake two weeks to submit the required production data on their wells. She suggested I call again on December 15, 1997.

10. Fran Chavez called me on December 18, 1997 to advise that nothing had been received from Chesapeake. She stated that she had conversations with Kevin Decker and Jean Hughes of Chesapeake and that they are working on the situation and planned to send their data by Federal Express on Friday, December 19, 1997. Ms. Chavez stated she would send Chesapeake's data to Nearburg's office in Midland when it was received.

11. On January 5, 1998, the Nearburg staff called and left a message for Fran Chavez. She returned our call on that date and advised that Chesapeake had not sent any production data to the Division. She said she would again call Chesapeake to attempt to get them to comply with Division rules. She called again that afternoon and stated that Chesapeake said it would try to Fax their production data to the Division by Thursday January 8, 1998 to the Oil Conservation Division. She said she would Fax or mail this data

to Nearburg on receipt.

12. On January 20, 1998, Fran Chavez called to advise that no data had been received from Chesapeake. She said the Division's Hobbs Office was writing Chesapeake about this matter.

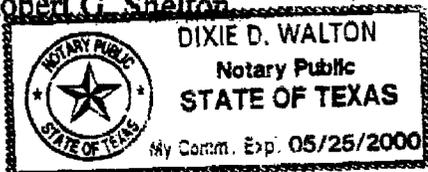
13. On January 29, 1998, the Nearburg staff spoke with Mr. Chris Williams, District Supervisor of Oil Conservation Division District I. He informed us that he had sent a letter to Chesapeake giving them 20 days to submit their production data. He suggested we call him in a few days to see if any data had been filed.

14. On February 15, 1998, the Nearburg staff called Fran Chavez who stated that no production data had been filed by Chesapeake. She advised that on January 20 the Division had received from Chesapeake a "test copy" on the correct way to file their production data. I mentioned that Mr. Williams had stated he had written Chesapeake and given them 20 days to file their production data and Ms. Chavez stated that was not correct and was a misunderstanding.

FURTHER AFFIANT SAYETH NAUGHT.

Robert G. Shelton
ROBERT G. SHELTON

SUBSCRIBED AND SWORN to before me this 24th day of February, 1998 by Robert G. Shelton.



Dixie D. Walton
Notary Public

My Commission Expires: 5-25-2000