

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:)

CASE NO. 12,007

APPLICATION OF CHESAPEAKE OPERATING,)
 INC., FOR COMPULSORY POOLING AND)
 DIRECTIONAL DRILLING, LEA COUNTY,)
 NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

July 9th, 1998

Santa Fe, New Mexico

98 JUL 23 AM 8:32

OIL CONSERVATION DIV.

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, July 9th, 1998, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

July 8th, 1998
Examiner Hearing
CASE NO. 12,007

PAGE

REPORTER'S CERTIFICATE

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A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

FOR BAHLBURG EXPLORATION, INC.:

CAMPBELL, CARR, BERGE and SHERIDAN, P.A.
Suite 1 - 110 N. Guadalupe
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

ALSO PRESENT:

MARK W. ASHLEY
NMOCD Environmental Geologist
2040 South Pacheco
Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 3:20 p.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order. I'll call Case Number 12,007, which is the
5 Application of Chesapeake Operating, Inc., for compulsory
6 pooling and directional drilling, Lea County, New Mexico.

7 At this time I'll call for appearances and/or
8 statements.

9 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
10 the Santa Fe law firm of Kellahin and Kellahin. I
11 represent the Applicant, Chesapeake Operating Company.

12 EXAMINER STOGNER: Any other appearances?

13 MR. CARR: May it please the Examiner, my name is
14 William F. Carr with the Santa Fe law firm Campbell, Carr,
15 Berge and Sheridan. We represent Bahlburg Exploration in
16 this matter.

17 EXAMINER STOGNER: Any other appearances?

18 Okay, Mr. Kellahin, could you bring me up to date
19 on this or --

20 MR. KELLAHIN: Yes, sir. I've lost of my days
21 this week, but I think it was on Tuesday, I received a
22 phone call from Mike Hazlip, indicating that he had
23 believed that on behalf of his company, Chesapeake, that he
24 had reached a settlement with Mr. Bahlburg and that he was
25 waiting for confirmation of that issue.

1 I called Mr. Carr the next morning. He found out
2 from his client the same information I was hearing from my
3 client.

4 Neither one of us have received written
5 confirmation of this, but based upon the mutual
6 representations by both parties, I'm prepared to dismiss
7 the Chesapeake Application.

8 It has a directional drilling component to it,
9 which had been started with Chris Williams in the District
10 as an administrative application under Rule 111. We will
11 still need the approval of that Application, but I believe
12 the dismissal of the hearing case does not preclude us from
13 going forward and having the Division issue an
14 administrative order for the directional wellbore.

15 The compulsory pooling issue is resolved because
16 the parties have agreed to some configuration of the
17 spacing unit and commitment of the working interest owners.
18 My understanding is, the units are going to stay as
19 standups, but there is some comprehensive agreement for
20 settlement, and based upon those representations, then, we
21 would ask you to dismiss the Chesapeake case.

22 EXAMINER STOGNER: Mr. Carr?

23 MR. CARR: Mr. Stogner, I can't add much to what
24 Mr. Kellahin has already stated. I've been advised by
25 Bahlburg that they have reached an agreement with

1 Chesapeake. That, coupled with the fact that no one showed
2 up for hearing, suggests to me that they, in fact, have a
3 settlement. Having not seen it, however, I do believe that
4 it's appropriate to dismiss the case and to proceed with
5 approving the directional drilling portion of the
6 Chesapeake case with an administrative application.

7 EXAMINER STOGNER: With the appearance of Mr.
8 Kellahin and Mr. Carr as respective legal counsels for the
9 Applicant and for Bahlburg Exploration, Case Number 12,007
10 will be dismissed at this time, and Chesapeake Operating
11 will be able to seek such relief pursuant to Rule 111 for
12 its directional drilling proposal.

13 Case 12,007 is dismissed.

14 (Thereupon, these proceedings were concluded at
15 3:23 p.m.)

16 * * *

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19 I do hereby certify that the foregoing is
20 a complete record of the proceedings in
the Examiner hearing of Case No. 12007,
heard by me on 9 July 1998.
21 Mark Stogner, Examiner
22 ON Conservation Division
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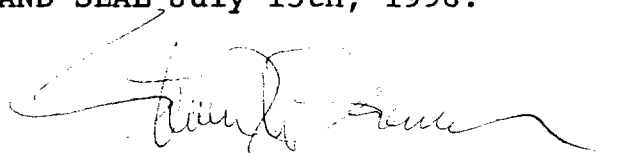
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL July 15th, 1998.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998