

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:

OIL CONSERVATION DIV.  
98 JUL - 6 PM 3: 16

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

CASE 12007

**PRE-HEARING STATEMENT**

This Prehearing Statement is submitted by Campbell, Carr, Berge & Sheridan, P.A.,  
as required by the Oil Conservation Division.

**APPEARANCES OF PARTIES**

**APPLICANT**

Chesapeake Operating Inc.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

name, address, phone and  
contact person

**ATTORNEY**

W. Thomas Kellahin, Esq.  
Kellahin & Kellahin  
Post Office Box 2265  
Santa Fe, New Mexico 87504-2265  
(505) 982-4485

**OTHER PARTY**

Bahlburg Exploration Inc.  
c/o Bill Bahlburg  
Post Office Box 866937  
Plano, TX 75086-6937  
(972) 867-2575

name, address, phone and  
contact person

**ATTORNEY**

William F. Carr, Esq.  
Campbell, Carr, Berge & Sheridan, P.A.  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
(505) 988-4421

**STATEMENT OF CASE**

**APPLICANT**

(Please make a concise statement of what is being sought with this application and the reasons therefore.)

**OTHER PARTY**

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

Bahlburg has filed an application seeking the compulsory pooling of the N/2 NW/4 of Section 10, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico. The Bahlburg application involves some of the acreage covered by Chesapeake's application in this case and a decision in one case will affect the decision in the other. The Bahlburg application is set for hearing before a Division Examiner on July 23, 1998.

To enable the parties to present both cases to be heard at the same time, Bahlburg requests permission to present its testimony and exhibits in support of the pooling of the N/2 NW/4 of Section 7, at the July 9th examiner hearing on Chesapeake's application.

In its application for compulsory pooling, Bahlburg seeks an order pooling the N/2 NW/4 of said Section 7, requests to be designated operator of the proposed well and spacing unit. Bahlburg also requests a 200% risk penalty be imposed on the interest of any owner who does not join in the well.

**PROPOSED EVIDENCE**

APPLICANT

WITNESSES  
(Name and expertise)

EST. TIME

EXHIBITS

OTHER PARTY

WITNESSES  
(Name and expertise)

EST. TIME

EXHIBITS

John R. Norwood, Land

10 Min.

Approximately 4

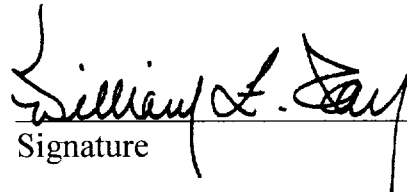
William C. Bahlburg, Engineering

20 Min.

Approximately 6

**PROCEDURAL MATTERS**

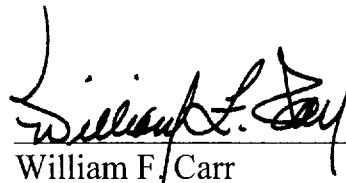
(Please identify any procedural matters which need to be resolved prior to hearing)

  
Signature

**CERTIFICATE OF MAILING**

I hereby certify that on this 6<sup>th</sup> day of July, 1998, I have caused to be hand-delivered a copy of our Pre-Hearing Statement in the above-captioned cases to the following counsel of record:

W. Thomas Kellahin, Esq.  
Kellahin & Kellahin  
117 North Guadalupe Street  
Post Office Box 2265  
Santa Fe, New Mexico 87501

  
\_\_\_\_\_  
William F Carr

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

**CASE NO. 12007**

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

**PRE-HEARING STATEMENT**

This pre-hearing statement is submitted by Chesapeake Operating Inc., as required by the Oil Conservation Division.

**APPEARANCE OF PARTIES**

**APPLICANT**

Chesapeake Operating Inc.  
P. O. Box 18496  
Oklahoma City, OK 73154-0496  
(405) 848-8000  
attn: Mike Hazlip

**ATTORNEY**

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**OPPONENT**

Balhbarg Exploration Inc.  
2115 Teakwood  
Plano, Texas 75075

**ATTORNEY**

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NMOCD CASE 12007  
Chesapeake Operating Inc  
Page 2

### STATEMENT OF CASE

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 E/2NW/4 of Section 10, T16S, R36E, NMPM, Lea County, New Mexico.

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

3. In accordance with Rule 111, Chesapeake filed an administrative application with the Division seeking approval to directionally drill this well and to dedicate it to an 80-acre spacing unit consisting of the E/2NW/4. Directional drilling has been made necessary because of the requirements of the City of Lovington.

4. Chesapeake's lease which expires on August 3, 1998 has been "top leased" by Bahlburg Exploration Inc. ("Bahlburg"). If Chesapeake fails to commence this well prior to August 3, 1998, it will "lose its lease" to Bahlburg.

5. Bahlburg also owns other working interests in this proposed E/2NW/4 spacing unit as well as a larger interest in the W/2NW/4 of said Section 10.

6. By letter dated June 9, 1998, Bahlburg has advised the Division that it objects to the granting of Chesapeake's Application for Permit to Drill.

7. In addition, Bahlburg objects to Chesapeake's proposed orientation of this spacing unit contending that the well should be dedicated to the S/2NW/4, an orientation which will substantially increase Bahlburg's interest in the well.

8. Chesapeake has proposed the subject well and its appropriate spacing unit to the working interest owners in the spacing unit.

9. Because of Bahlburg's objections, it will not be possible for Chesapeake to obtain written voluntary agreement from all the parties.

10. 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.

NMOCD CASE 12007  
Chesapeake Operating Inc  
Page 3

**PROPOSED EVIDENCE**

APPLICANT:

**WITNESSES**

**EST. TIME EXHIBITS**

Mike Hazlip (landman)

30 Min. @ 8 exhibits

Robert Hefner (geologist)

45-60 Min. @ 6 exhibits

**PROCEDURAL MATTERS**

None anticipated at this time

KELLAHIN AND KELLAHIN

By:   
W. Thomas Kellahin