

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

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
MICHAEL H. FELDEWERT  
ANTHONY F. MEDEIROS  
PAUL R. OWEN  
KATHERINE M. MOSS  
-----  
JACK M. CAMPBELL  
OF COUNSEL

Cont 12007  
JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
FACSIMILE: (505) 983-6043  
E-MAIL: ccbspa@ix.netcom.com

June 9, 1998

**VIA FACSIMILE AND HAND DELIVERY**

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: ***Chesapeake Operating, Inc.***  
***Application for Permit to Drill***  
***Warehouse 10 Well No. 1***  
***Surface location: 1172' FNL and 2445' FEL***  
***Bottom hole location: 1438' FNL and 1856' FWL***  
***Section 10, Township 16 South, Range 36 East, NMPM***  
***Lea County, New Mexico***

Dear Ms. Wrotenbery:

Bahlburg Exploration Inc. is a working interest owner in the all tracts in the W/2 of Section 10, Township 16 South, Range 36 East on which Chesapeake Operating, Inc. is proposing to drill the above referenced well. Enclosed are copies of Division Form C-101 (Application for Permit to Drill) and C-102 (Well Location and Acreage Dedication Plat) which have been filed with the Division by Chesapeake. As you will note, Form C-102 bears the notation that "NO ALLOWABLE WILL BE ASSIGNED TO THE COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION."

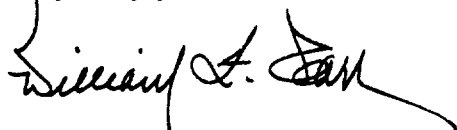
Bahlburg requests the Division not permit the drilling of this well prior to Chesapeake receiving all necessary regulatory approvals. In particular, Bahlburg is opposed to Division approval of the drilling of this well prior to the proper combination of the tracts to be dedicated thereto.

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As you will note from the enclosed, the proposed bottom hole location for this well is unorthodox under Rule 4 of the Special Pool Rules for the Northeast Shoe Bar-Strawn Pool for it crowds the NE/4 NW/4 of Section 10. Therefore, as a working interest owner in the NE/4 NW/4 of said Section 10, Bahlburg Exploration Inc. hereby objects to this proposed unorthodox bottom hole location and requests that Chesapeake's application be set for hearing before an Examiner of the Oil Conservation Division.

As of this date, Chesapeake has not proposed a well on the E/2 NW/4 of Section 10 to the other affected working interest owners. Bahlburg believes that standup 80-acre spacing units in the E/2 W/2 of this section, like the one proposed by Chesapeake in the E/2 NW/4, will make it difficult if not impossible to develop the reserves under the W/2 W/2 of this section since this acreage is located in the City of Lovington and the only surface locations for the development of this tract are in the E/2 of the section. Accordingly, until all working interest owners have had an opportunity to negotiate a voluntary agreement for the development of this acreage, Bahlburg requests that the Division withhold approval of the proposed Chesapeake well.

Very truly yours,



WILLIAM F. CARR  
Attorney for Bahlburg Exploration Inc.

cc: Mr. Chris Williams (Via Facsimile and U.S. Mail) (505) 393-0720  
District Supervisor  
Oil Conservation Division, District I  
Post Office Box 1980  
Hobbs, NM 88240

W. Thomas Kellahin, Esq. (Via Hand Delivery)  
Attorney for Chesapeake Operating, Inc.

James E. Snipes, Esq. (Via Facsimile (505) 396-6328)  
City of Lovington

DISTRICT I  
P.O. Box 1000, Santa Fe, NM 87504-1000

DISTRICT II  
P.O. Box 1000, Santa Fe, NM 87504-1000

DISTRICT III  
1000 San Juan Rd., Santa Fe, NM 87504

DISTRICT IV  
P.O. Box 1000, Santa Fe, NM 87504-1000

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-103  
Revised February 14, 1994  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Pat Lease - 3 Copies

OIL CONSERVATION DIVISION  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
		N.E. Shoe Bar-Scravn
Property Code	Property Name	Well Number
	WAREHOUSE "10"	1
OSMS No.	Operator Name	Elevation
147179	CHESAPEAKE OPERATING, INC.	3909

Surface Location

UL or Lot No.	Section	Township	Range	Lot No.	Feet from the	North/South Line	Feet from the	East/West Line	County
B	10	16 S	36 E		1172	NORTH	2445	EAST	LEA

Bottom Hole Location If Different From Surface

UL or Lot No.	Section	Township	Range	Lot No.	Feet from the	North/South Line	Feet from the	East/West Line	County
F	10	16 S	36 E		1438	NORTH	1856	WEST	LEA

Estimated Acres	Acres or Less	Consolidation Code	Order No.
80			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
ON A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

		<b>OPERATOR CERTIFICATION</b>  I hereby certify the data information contained herein to be true and complete to the best of my knowledge and belief.   Signature Barbara J. Bale Printed Name Regulatory Analyst Title 05/27/98 Date	
<b>SURVEYOR CERTIFICATION</b>  I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.  MAY 13, 1998 Date  Signature Rick L. Simpson Printed Name 5-2198 Lic. Num. 12-31-98 Exp. Date Rick L. Simpson, Surveyor 12188			

District I  
PO Box 1990, Hobbs, NM 88241-1990  
District II  
PO Drawer DD, Artesia, NM 88211-0719  
District III  
1000 Rio Grande Rd., Artesia, NM 87410  
District IV  
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
PO Box 2088  
Santa Fe, NM 87504-2088

Form C-101  
Revised February 10, 1994  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 6 Copies  
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address: Chesapeake Operating, Inc. P. O. Box 18496 Oklahoma City, OK 73154-0496		OGED Number 147179
		API Number 30-0
Property Code	Property Name WAREHOUSE 10	Well No. 1

Surface Location

UL or lot no.	Section	Township	Range	Lot Ids	Feet from the	North/South line	Feet from the	East/West line	County
B	10	16S	36E		1172	North	2445	East	LEA

Proposed Bottom Hole Location if Different From Surface

UL or lot no.	Section	Township	Range	Lot Ids	Feet from the	North/South line	Feet from the	East/West line	County
F	10	16S	36E		1438	North	1856	West	LEA

Proposed Pool 1 N.E. Shoe Bar-Scravn	Proposed Pool 2
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Well Type Code N	Well Type Code O	Cable/Rotary R	Loss Type Code P	Ground Level Elevation 3,909'
Multiple No	Proposed Depth MD: 12,141 TVD: 11,976'	Formation Scravn	Contractor Patterson 43	Spud Date 07-15-98

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/lbs	Setting Depth	Sacks of Cement	Estimated TDC
17-1/2"	13-3/8"	48#	450'	300	Surface
12-1/4"	9-5/8"	40#	4,500'	2000	Surface
7-7/8"	5-1/2"	17#	12,150'	1500	± 4,000'

\* Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the previous productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Chesapeake Operating, Inc. proposes to drill to drill to 12,141 in the Scravn formation with Patterson as the drilling contractor.

Patterson's BOP stack consists of 11" 5M# x Blind & pipe rams with 11" 5M# annular.

\* I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Barbara J. Bale*

Printed name: Barbara J. Bale

Title: Regulatory Analyst

Date: 05/29/98

Phone: (405) 848-8800

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

Expiration Date:

Condition of Approval:

Approved: *G*

1998