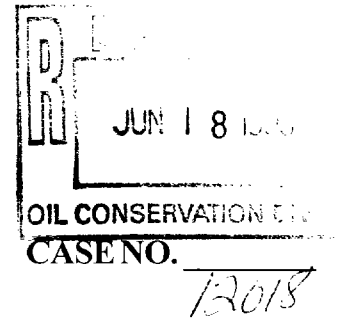


**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION  
OF BAHLBURG EXPLORATION INC.  
FOR COMPULSORY POOLING  
AND DIRECTIONAL DRILLING,  
LEA COUNTY, NEW MEXICO.**



**APPLICATION**

BAHLBURG EXPLORATION INC. ("Bahlburg"), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order pooling all mineral interests from the surface to the base of the Strawn formation, Northeast Lovington Pennsylvanian Pool for all formations developed on 80-acre spacing in the N/2 NW/4 of Section 10 Township 16 South, Range 36 East, NMPM, to be dedicated to its City of Lovington 10 Well No. 1 to be directionally drilled from a surface location in Section 3, Township 16 South, Range 36 East to a standard bottomhole location in said Section 10 and in support thereof states:

1. Bahlburg is a working interest owner in said Section 10 and has the right to drill thereon.
2. Bahlburg proposes to dedicate the above-referenced spacing or proration unit to its City of Lovington 10 Well No. 1 to be directionally drilled from a surface location 215 feet from the South line and 2435 feet from the East line in the SW/4 SW/4 SE/4 of Section 3, Township 16 South, Range 35 East, NMPM, to a standard bottomhole location within 50 feet of a point 510 feet from the North line and 1830 feet from the West line of Section 10,

Township 16 South, Range 35 East, NMPM, to a depth to test the Strawn formation, Lovington Penn (NE) Pool .

3. Bahlburg has sought and been unable to obtain a voluntary agreement for the development of this acreage from Chesapeake Operating, Inc., 6106 North Western Ave., Post Office Box 18496, Oklahoma City, Oklahoma 73154-0496, owner of working interest in the subject spacing or proration units.


4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Bahlburg to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Bahlburg Exploration Inc. should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before an Examiner of the Oil Conservation Division on July 23, 1998 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions designating Bahlburg operator of this spacing and proration unit, and authorizing Bahlburg to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, imposing a risk factor for the risk assumed by Bahlburg in drilling, completing and equipping the well.

Respectfully submitted,

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

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