

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

December 8, 1998

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

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12/14

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OIL CONSERVATION DIV

**Re: M.I. Allen "21" Well No. 1
Application of Chesapeake Operating, Inc.
for Compulsory Pooling and an Unorthodox Well Location
Lea County, New Mexico**

Dear Ms. Wrotenbery:

On behalf of Chesapeake Operating, Inc., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for January 7, 1999. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Linda Townsend

12114

CASE ___ : Application of Chesapeake Operating Inc. for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the SE/4SW/4 of Section 21, T15S, R36E, NMPM, Lea County, New Mexico, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within said vertical extent. This unit is to be dedicated to its I.M. Allen "21" Well No. 1 which will be located at an unorthodox location 1028 feet from the south line and 1744 feet from the west line of this section. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Chesapeake Operating, Inc. as the operator of the well and a charge for risk involved in this well. This unit is located approximately 1-4 miles northeast of the center of the City of Lovington, New Mexico.

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

**IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE OPERATING, INC.
FOR COMPULSORY POOLING AND AN
UNORTHODOX WELL LOCATION
LEA COUNTY, NEW MEXICO.**

CASE NO. 12119

APPLICATION

Comes now CHESAPEAKE OPERATING, INC. by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) NMSA (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the SE/4SW/4 of Section 21, T15S, R36E, NMPM, Lea County, New Mexico, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within said vertical extent. This unit is to be dedicated to its I. M. Allen "21" Well No. 1 which will be located at an unorthodox location 1028 feet from the south line and 1744 feet from the west line of this section. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Chesapeake Operating, Inc. as the operator of the well and a charge for risk involved in this well.

In support of its application, Chesapeake Operating, Inc. ("Chesapeake") states:

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 SE/4SW/4 of Section 21, T15S, R36E, NMPM, Lea County, New Mexico.
2. This well is located more an one mile away from the Dean Permo-Penn Pool.

3. Chesapeake has proposed this well and its appropriate spacing unit to the working interest and unleased mineral interest owners in the spacing unit as identified on Exhibit "A."

4. Because the current addresses of many of these parties cannot be determined after a good faith search, it will not be possible for Chesapeake to obtain written voluntary agreement from all the parties listed on Exhibit "A."

5. This unorthodox well location is necessary due to geologic reasons in order to provide the optimum location within this spacing unit to locate this well.

6. The offsetting parties located in the N/2SW/4 of this section towards whom this well encroaches are listed on Exhibit "B" attached.

7. 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.

8. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest are to be pooled and whose current addresses are known as listed on Exhibit "A" and to those parties towards whom this well encroaches as listed on Exhibit "B" of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for January 7, 1999.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on January 7, 1999 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for the drilling of this well location upon terms and conditions which include:

(1) Chesapeake Operating, Inc. be named operator;

(2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;

- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) Approval for the unorthodox location for this well as requested;
- (6) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

EXHIBIT "A" and EXHIBIT "B"

Ernest Roy Caudill
(no address of record)

Hudgeons Family Trust
610 W. Gore Street
Lovington, NM 88260

Mann Rankin
(no address of record)

Tierra Oil Company
P. O. Box 1354
Roswell, New Mexico 88202

David L. Rankin
(No address of record)

Estate of Tom Toden, deceased
(no address of record)

M. H. Bennett
(Dr. Louise Ann Gennet Worthy)

Estate of Leslie Graydon Caudill, Sr., deceased