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JASON KELLAHIN (RETIRED 1991)

July 18, 2000

Hand Delivered

Mr. Michael E. Stogner
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

Re: Warehouse "10" Well No. 2
Application of Chesapeake Operating, Inc.,
for a unorthodox subsurface location
S/2NE/4 Section 10, T16S, R36E
Lea County, New Mexico

Dear Mr. Stogner:

On behalf of Chesapeake Operating, Inc. ("Chesapeake") I am responding to your letter dated July 12, 2000.

Manzano Oil Corporation ("Manzano") was not sent a notice of Chesapeake's administrative application filed on June 23, 2000 because the information I had been provided only indicated Manzano as an offset operator in Section 11. As you know, Rule 1207.A(2) does not recognize Manzano as being an affected person when the well is intended to be located some 1,700 feet farther from Manzano than a standard well could be located.

However, a review of the ownership in the E/2NW/4 discloses that Manzano Oil Corporation has a 2.87% interest and is entitled to notice because it is a working interest owner in the adjoining spacing unit operated by Chesapeake towards which this well encroaches.

Unfortunately, as a result of an undetected clerical error in the facsimile transmission to me, I only received the first page of the tabulation of working interest owners in the E/2NW/4 of this section. There was only one company listed on the second page and that was Manzano Oil Corporation which obtained a 2.87% interest from Balhurg Exploration, Inc.

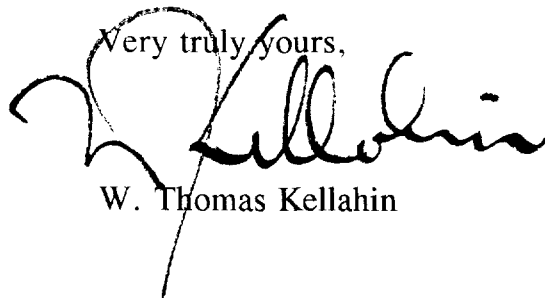
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On July 12, 2000, upon receipt of your letter and as you directed in that letter, I immediately contacted William F. Carr, attorney for Manzano Oil Corporation and Lynda Townsend of Chesapeake attempted to contact Mr. Ken Barbe of Manzano Oil Corporation concerning his objection.

Chesapeake is hopeful it can resolve this matter with Manzano Oil Corporation and requests that you hold this administrative application in abeyance for the time being.

However, in the event we are unable to resolve this objection, I have filed an application to have Manzano's objection heard at the next available Examiner's hearing now scheduled for August 10, 2000.

Chesapeake and I wish to apologize for the error in notification. We make every effort to provide the proper notice in cases submitted to the Division, but on rare occasions, all of us have experienced errors in notification which need to be cured. In this case, we have done our best to make that correction.

Very truly yours,

W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Lynda Townsend
William F. Carr, Esq.
Attorney for Manzano Oil Corporation