



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

July 12, 2000

Lori Wrotenbery
Director
Oil Conservation Division

Case 12464

Chesapeake Operating, Inc.
c/o W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Telefax No. (505) 982-2047

Manzano Oil Corporation
P. O. Box 2107
Roswell, New Mexico 88202-2107

Telefax No. (505) 625-2620

Attention: Kenneth Barbe, Jr.

Re: *Administrative application of Chesapeake Operating, Inc. for a non-standard subsurface oil producing area/bottomhole oil well location, as defined by Rule 4 of the "Special Rules and Regulations Northeast Lovington-Pennsylvanian Pool," as promulgated by Division Order No. R-3816, as amended, and Division Rule 111.A (7), within a project area [see Division Rule 111.A (9)] comprising the S/2 NE/4 of Section 10, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, being a standard 80-acre oil spacing and proration unit for the Northeast Lovington-Pennsylvanian Pool for its proposed Warehouse "10" Well No. 2 to be directionally drilled from a surface location 1196 feet from the North line and 2463 feet from the East line (Unit B) of Section 10 to a targeted bottomhole location at a depth of 11,900 feet (TVD), or 12,033 feet (MD), to be within 100 feet of a point 1842 feet from the North line and 2213 feet from the East line (Unit G) of Section 10.*

Dear Messrs. Kellahin and Barbe:

The Division is in receipt of an objection telefaxed by Manzano Oil Corporation ("Manzano") today (July 12, 2000), see copy attached, on the grounds of: (i) various problems concerning this location; and (ii) absence of notice. Insufficient notice to all "*affected persons*," pursuant to Division Rules 104.F (3), 104.F (4), and 1207.A (2), by an applicant is considered to be a very serious violation of the *New Mexico Oil and Gas Act*, Chapter 70, Article 2 NMSA 1978. Likewise however, the filing of a frivolous objection in order to slow the processing of an appropriate and legitimate application for Division consideration is considered to be equally offensive and can quit possibly be seen as an obstruction of this agency's duties in carrying out its statutory mandates.

As not to clutter the Division's hearing docket with applications that can be processed administratively, I need to verify the validity of Manzano's objections by: (i) requesting from Manzano a detailed description of the various problems mentioned in Mr. Barbe's letter of objection and to identify its mineral interest and/or operations on a land plat; and (ii) having Chesapeake respond to Manzano charges in such a manner appropriate to its own findings.

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In order for the Division to act on this matter in a timely fashion, responses must be in my possession by 5:00 p.m. MDST on Wednesday, July 26, 2000. In the mean time I strongly urge both parties to seek an equitable solution on their own.

Please submit your responses to me in Santa Fe at 2040 South Pacheco Street; Santa Fe, New Mexico 87505, and/or via telefax at (505) 827-1389. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal line extending to the right.

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs
Ms. Lori Wrotenbery, Director - NMOCD, Santa Fe
Ms. Lyn Hebert, Legal Counsel - NMOCD, Santa Fe