

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

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)

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

August 16, 2000

HAND DELIVERED

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OIL CONSERVATION DIV.

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

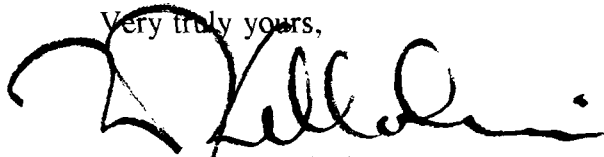
*Re: Application of Chesapeake Operating, Inc.
for pool creation and pool contraction
North Shoe Bar-Atoka Gas Pool,
Lea County, New Mexico.*

Dear Ms. Wrotenbery:

On behalf of Chesapeake Operating Inc., please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for September 7, 2000.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
attn: Lynda Townsend

PROPOSED ADVERTISEMENT

CASE 12482 Application of Chesapeake Operating Inc. for pool creation and pool contraction, Lea County, New Mexico. Applicant seeks an order contracting the lower vertical limit of the North Shoe Bar-Atoka Gas Pool to exclude the "Brunson Interval" and to redesignate the pool the North Shoe Bar-Upper Atoka Gas Pool and the concomitant creation of a new gas pool consisting of the Brunson Interval of the Lower Atoka formation to be designated the North Shoe Bar-Lower Atoka Gas Pool. The current pool boundaries are located in portions of Sections 2, 10, and 11, of T16S, R35E, NMPM. This pool is located approximately 5 miles southwest of Lovington, New Mexico.

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**APPLICATION OF CHESAPEAKE OPERATING INC.
FOR POOL CREATION AND THE VERTICAL
CONTRACTION OF THE NORTH SHOE BAR-ATOKA
GAS POOL, LEA COUNTY, NEW MEXICO.**

CASE NO. 12482

A P P L I C A T I O N

Comes now CHESAPEAKE OPERATING INC., by its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Division for an order contracting the lower vertical limit of the North Shoe Bar-Atoka Gas Pool to exclude the "Brunson Interval" and to redesignate the pool the North Shoe Bar-Upper Atoka Gas Pool and the concomitant creation of a new gas pool consisting of the Brunson Interval of the Lower Atoka formation to be designated the North Shoe Bar-Lower Atoka Gas Pool. The current pool boundaries are located in portions of Sections 2, 10, and 11, of T16S, R35E, NMPM;

and in support thereof states:

1. Chesapeake Operating Inc. is an operator in the North Shoe Bar-Atoka Gas Pool.

2. On May 1, 1998, the Division entered Order R-10972 and created the North Shoe Bar-Atoka Gas Pool ("the pool") which, according to Byram's Reporting, currently includes the following horizontal limits:

Township 16 South, Range 35 East:

Section 2: Lots 9, 10, 15, 16 and SE/4

Section 10: N/2

Section 11: N/2

3. The current vertical limits of the pool are defined as the Atoka formation being the stratigraphic equivalent of the vertical interval from 11,510 feet and 12,006 feet as shown on the density neutron log for Yates Petroleum Corporation's Brunson "AQK" State Com Well No. 1, located 2260 feet FNL and 1795 feet FEL of Section 10, T16S, R35E, Lea County, New Mexico.

4. There are approximately 6 operators in the pool with a total of 9 wells currently producing from the pool as shown on Exhibit "B"

5. The pool is governed by statewide rules which provide for 320-acre spacing and proration units with wells to be located 660 feet from the sid boundaries of each of the 160-acre subdivisions of a spacing unit.

6. The "Brunson Interval" is located within the lowest portion of the current vertical limits of the pool.

7. There is sufficient data now available to demonstrate that "the Brunson Interval":

- (a) constitutes a common source of supply separate and distinct from the remaining portions of the pool;

- (c) should be declared a separate pool

8. Chesapeake has contacted the other operators in the pool and believes there is unanimous support for creating a new pool for the Brunson Interval.

9. In order to protect correlative rights, prevent waste and provide for a more orderly development of the Atoka formations, it is necessary to do the following:

- (a) contract the lower vertical limit of the North Shoe Bar-Atoka Gas Pool to exclude the Brunson Interval;

- (b) create a new gas pool for the Brunson Interval which would be defined as the stratigraphic equivalent of the vertical interval from 11,918 feet to 12,038 feet as shown on the

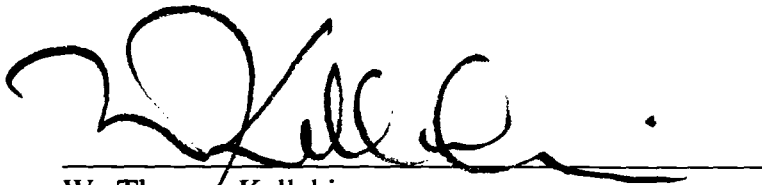
density neutron log for Yates Petroleum Corporation's Brunson "AQK" State Com Well No. 1, located 2260 feet FNL and 1795 feet FEL of Section 10, T16S, R35E, Lea County, New Mexico.

10. The granting of this Application will not impair correlative rights of any owner within any of these existing spacing units.

11. Notification of this application and request for hearing to be held on September 7, 2000 has been sent to all operators in the pool and within one mile of the outer boundary. **See Exhibit "A"**.

Wherefore, Applicant requests that, after notice and hearing, this application be granted.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504