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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)

October 24, 2000

**HAND DELIVERED**

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

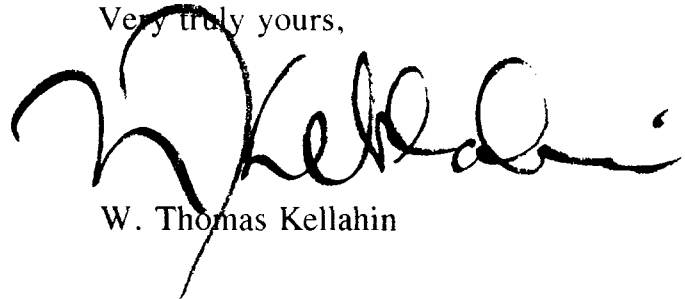
**Re: Burnett "1" Well No. 1  
Application of Chesapeake Operating, Inc.  
for compulsory pooling and an unorthodox well location  
Lea County, New Mexico**

12534

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 November 16, 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: Linda Townsend

**CASE 2534**: 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 W/2SW/4 of Section 1, T16S, R36E, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent, including the Northeast Lovington-Pennsylvanian Pool. This unit is to be dedicated to its Burnett "1" Well No. 1 which will be located at an unorthodox location 1549 feet from the south line and 712 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 mile east 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. 12534

**A P P L I C A T I O N**

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 W/2SW/4 of Section 1, T16S, R36E, NMPM, Lea County, New Mexico, forming a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent, including the Northeast Lovington-Pennsylvanian Pool. This unit is to be dedicated to its Burnett "1" Well No. 1 which will be located at an unorthodox location 1549 feet from the south line and 712 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 W/2SW/4 of Section 1, T16S, R36E, NMPM, Lea County, New Mexico.

2. This well is subject to the special rules for the Northeast Lovington Pennsylvanian Pool which provide for standard 80-acre spacing unit with well to be located within 150 feet of the center of a governmental quarter-quarter section.

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 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.

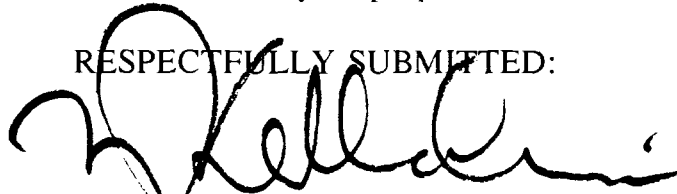
8. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest are to be pooled and whose current addresses are known as listed on Exhibit "A" and to those parties towards whom this well encroaches as listed on Exhibit "B" of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for November 16, 2000.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on November 16, 2000 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:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name and address.

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

**EXHIBIT "A"**  
Parties to be pooled

Manzano Oil Corporation  
P. O. Box 2107  
Roswell, New Mexico 88202  
Attn: Mr. Ken Barbe

Dalco Petroleum, L.L.C.  
P. O. Box 1904  
Lovington, New Mexico 79702  
Attn: David A. Lynch

Frederick T. Angleton  
1000 Greenfield Court  
Fort Collins, CO 80524

Arque Sisk  
1004 Carter Ave  
Lovington, NM 80260

Thomas Purcell  
2 Oaklawn  
Houston, TX 77024

Thomas Purcell  
55 Circle Drive  
Santa Fe, NM 87501

Mr. & Mrs. A.M. Young  
2609 Military Avenue  
Los Angeles, CA 90064

Glen & Vickie Crenshaw  
P. O. Box 1273  
Lovington, NM 88260

David L. Irion  
6756 Camino Blanco  
Las Cruces, NM 88005

Bill G. Taylor  
1106 N. Country Club Road  
Carlsbad, NM 88220

Richard A. Martin  
1985 Footscreek Road  
Gold Hill, OR 97525

Marie A. Odle  
P. O. Box 1032  
Merlin, OR 97532

Mildred L. Ferneau  
PO Box 371  
Rogue River, OR 97537

Eric R. Anderson  
300 E 23rd  
Cheyenne, WY 82001

Tom R. Cone, individually  
and as Trustee uwo Kathleen Cone, fbo children of Tom Cone  
P. O. Box 778  
Jay, OK 74346

Cathie C. McCown  
and as Trustee of the Auvenshine Children's Trust uwo Kathleen Cone  
P. O. Box 597  
Dripping Springs, TX 78762

LWJ Partnership  
PO Box 64244  
Lubbock, TX 79464

Clifford Cone, individually  
and as Trustee of the Clifford Cone Family Trust uwo Kathleen Cone,  
PO Drawer 1629  
Lovington, NM 88260

Kenneth Cone, individually  
and as Trustee uwo Kathleen Cone, fbo children of Kenneth Cone  
PO Box 11310  
Midland, TX 79702

John W. Campbell  
c/o Marie Campbell  
1424 S. Abilene  
Portales, NM 88130

John Phillips  
Gudron M. Phillips  
c/o John R. Anderson  
PO Box 136  
Gail, TX 79738

Lolitha R. Wilson  
c/o H & M Wilson  
1800 Sunningdale, Apt 18-A  
Seal Beach, CA 90740

H.M. & Mary A. Wilson  
1800 Sunningdale, Apt 18-A  
Seal Beach, CA 90740

C.O. August Clasen  
Florence P. Casen  
1017 E 23rd Street  
Oakland, CA 94606

William E. Martin  
Eva S. Martin  
c/o Mildred L. Ferneau  
PO Box 371  
Rogue River, OR 97537

Clarene D. Martin  
Brooke Martin  
c/o Mildred L. Ferneau  
PO Box 371  
Rogue River, OR 97537

William J. Kilnowitz  
c/o Kay Ossner  
6039 Warwick Hills Way  
Banning, CA 92220



John Eldon Kilnowitz  
c/c Kay Ossner  
6039 Warwick Hills Way  
Banning, CA 92220

Robert Powell  
4612 Arrow Lake Drive  
Route 1  
Meridian, MS 39301

Nora Cox Mixer  
4137 Vernal Circle  
Colorado Springs, CO 80916

Shirley Cox Jubenville  
108 N. Greenfield Road, Apt 2014  
Mesa, AZ 85205

Timothy L. Cox  
815 N. Hayden Rd, Apt 107-A  
Scottsdale Az 85257

Shirley Ann Farnsworth  
c/o Jay D. Baker  
247 County Rd. 4782  
Boyd, TX 76023

Jay D. Baker  
247 County Rd. 4782  
Boyd, TX 76023

Sylvia J. Butler  
PO Box 281  
Ballwin, MO 63022

Oliver W. Butts  
1781 Bridlegate St  
Henderson, Nevada 89014

Duane Leland Cox  
1320 W. Elliott Rd  
Ste 103-224  
Tempe AZ 85284

Melvin M Hardy  
Eva Ann Hardy  
1617 W. Pine St  
Midland, TX 79701

Rue Evans  
1802 Lucky Lane  
Beeville, TX 78102

Clayton Butts  
c/o Oliver W. Butts  
1781 Bridlegate Street  
Henderson, NV 89014

Carl & Veronica De Santis  
4541 Park Rose Circle  
Reno, NV 89502

Marilyn Cone  
Trustee of the Douglas Cone Trust  
PO Box 64244  
Lubbock, Texas 79464

Bank of Oklahoma Trust Dept  
PO Box 880  
Tulsa, OK 74101-00880  
Attn: Dana Box

EXHIBIT "B"  
Offsetting parties

Manzano Oil Corporation  
PO Box 2107  
Roswell, NM 88202  
Attn: Mr. Ken Barbe