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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

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November 10, 2000

HAND DELIVERED

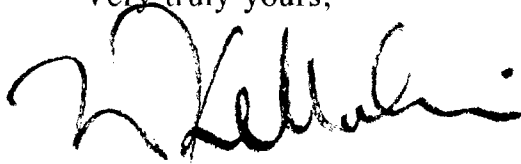
Ms. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: City "11" Well No. 1
Application of Chesapeake Operating, Inc.
for compulsory pooling and an
unorthodox subsurface 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 December 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: Linda Townsend

NOV 10 11:12:36
OIL CONSERVATION DIV

Case 12555

CASE 10575 Application of Chesapeake Operating Inc. for compulsory pooling and an unorthodox subsurface 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 S/2SE/4 of Section 11, 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 City "11" Well No. 1 which will be drilled commencing at an unorthodox surface location 1170 feet from the south line and 1112 feet from the east line of this section and terminating within 100 foot radius of a point 1017 feet from the south line and 1748 feet from the east line being an unorthodox subsurface location at the top of the Strawn formation. 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 south-southeast 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 SUBSURFACE LOCATION
LEA COUNTY, NEW MEXICO.**

CASE NO. 12555

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 S/2SE/4 of Section 11, 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 City "11" Well No. 1 which will be drilled commencing at an unorthodox surface location 1170 feet from the south line and 1112 feet from the east line of this section and terminating within 100 foot radius of a point 1017 feet from the south line and 1748 feet from the east line being an unorthodox subsurface location at the top of the Strawn formation. 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 S/2SE/4 of Section 11, 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. Despite a good faith effort, Chesapeake has been unable to obtain written voluntary agreement from all the parties listed on Exhibit "A."

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

6. The unorthodox surface location for this directional wellbore is necessary due to topographical limitations and zone requirements for drilling this well within the City of Lovington.

7. The offsetting parties in the N/2SE/4 of Section 11 towards whom this well encroaches are listed on Exhibit "B" attached.

8. 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.

9. 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 December 7, 2000.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on December 7, 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 a circular stamp or seal.

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

EXHIBIT "A"

Parties to be pooled

Jeanne Sanders
6737 Brants Lane
Fort Worth, TX 76116

Mary K Grisso
Mary Katherine Grisso Revocable Trust
2328 NW 47th Str.
Oklahoma City, OK 73140

Home-Stake Royalty Company
c/o Home-Stake Oil & Gas Company
15 East 5th Street
Tulsa, OK 74103
Attn: Barbara C. Long

Headington Royalty Company
7557 Rambler Road, Ste 1150
Dallas, TX 75231
Attn: Mary Danford

Coates Energy Interests, Ltd
PO Box 171717
San Antonio, TX 78217
Attn: Sherry Green

Coates Energy Trust
u/w/o George H. Coates
PO Box 171717
San Antonio, TX 78217
Attn: Sherry Green

Maecenas Minerals, Inc.
PO Box 176
Abilene, TX 79604
Attn: Linda Buckner

Randy Geiselman
3301 Stanolind
Midland, TX 79707

Brian H. and Sidney T. Scarborough
PO Box 2474
Midland, Texas 79702

J. H. Van Zant III
306 West 7th Street
Fort Worth, TX 76102

Republic Royalty Company
3738 Oak Lawn Avenue, Ste 300
Dallas, TX 75219
Attn: Terri Farmer

EXHIBIT "B"
Offsetting parties

NE/4SE/4 of Section 11, T16S, R36E:

Bahlburg Exploration Inc.
14875 Landmark Blvd, Ste 216
Dallas, Texas 75240

Bearing Service & Supply Company, Inc.
P. O. Box 100
Artesia, NM 88210

Western Oil Producers, Inc.
P. O. Box 2055
Roswell, NM 88202

William B. Barnhill
P. O. Box 700968
San Antonio, TX 78270

Manzano Oil Corporation
P. O. Box 2107
Roswell, NM 88202

NW/4SE/4 of Section 11, T16S, R36E:

R. D. Goodrich Assets Partners, L.P.
c/o Bank One, Texas, m N.A. Agent
P. O. Box 2605
Fort Worth, TX 76113-2605

Ralph Butts, Billie M. Thompson
P. O. Drawer 13
Hurst, TX 76053

John D. & Rhonda S. Norris
711 HCR 70, Box 57B
Lovington, NM 88260

November 1, 2000

NW/4SE/4 of Section 11, Township 16 South, Range 36 East
Lea County, New Mexico

James R. Leeton POB 10561 Midland, Texas 79702
Manzano Oil Corporation POB 2107 Roswell, New Mexico 88202-2107
Fort Children's Trust c/o D. Stephen Fort, Trustee 5972 Melshire Street Dallas, Texas 75230
Douglas C. Koch 815 Walker Street, Ste 1533 Houston, Texas 77002
Wayne A. Bissett POB 2101 Midland, Texas 79702
Manzano Oil Corporation POB 2107 Roswell, New Mexico 88202-2107
William B. Barnhill POB 700968 San Antonio, Texas 78270-0968
Bear Energy, Inc. POB 8221 Roswell, New Mexico 88202-8221
Charles E. Brown POB 609 Crystal City, Texas 78839
C. Michael Brown 109 North Wind Loop Roswell, New Mexico 88201
Royce G. Cook, Sr. 224 East Zavaia Street Crystal City, Texas 78839
Crabtree Oil & Gas Company Three Lincoln Center 5430 LBJ Frwy, Ste 1700 Dallas, Texas 75240
Jasha Cultreri 601 North Marienfield, Ste 500 Midland, Texas 79701
Angela Naranjo 1801 West Second Street Roswell, New Mexico 88201

November 1, 2000

NW/4SE/4 of Section 11, Township 16 South, Range 36 East
Lea County, New Mexico

Featherstone Development Corporation 1801 West Second Street Roswell, New Mexico 88201
Olen F. Featherstone, II 1801 West Second Street Roswell, New Mexico 88201
Daniel E. Gonzales POB 2475 Santa Fe, New Mexico 87504-2475
James E. Guy POB 100 Artesia, New Mexico 88211
J. T. Jackson & Associates 2302 Sierra Vista Artesia, New Mexico 88210
Minerva Oil Company POB 52858 Tulsa, Oklahoma 74152-2858
Mizel Resources, A Trust 5801 East 41 st Street, Ste 104 Tulsa, Oklahoma 74135
O'Neill Properties, Ltd. POB 2840 Midland, Texas 79702
Clay Paulos #4 Isla Court Roswell, New Mexico 88201
Joan Paulos 12 Gaza Lane Hot Springs Village, Arkansas 71909
Spartan Resources, LLC Lake Point Towers 4013 NW Expressway, Ste 690 Oklahoma City, Oklahoma 73116
Larry Hurnicutt 5616 Amistad, NE Albuquerque, New Mexico 87111
Tierra Oil Company POB 700968 San Antonio, Texas 78270-0968
TrinAca 94 3-D Partners, LLC POB 2325 Corrales, New Mexico 87048

November 1, 2000

NW/4SE/4 of Section 11, Township 16 South, Range 36 East
Lea County, New Mexico

Twodubyah, LLC POB 30365 Albuquerque, New Mexico 87190-0365
Corral, Inc. POB 2107 Roswell, New Mexico 88202-2107
Roy G. Barton, Jr. Trustee Roy G. Barton, Sr. and Opal Barton Revocable Trust PO Box 978 Hobbs, NM 88241
Compass Bank River Oaks Trust Co., Co-Trustee The Louise S. Longcope Trust #0320-1 PO Box 4886 Houston, TX 77210-4886
Ronald J. Byers 2902 Stratford Dr. Austin, TX 78701