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April 24, 2001

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 12660

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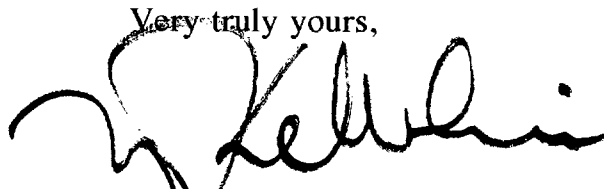
OIL CONSERVATION DIV

**Re: Nellie "21" Well No. 1
Application of Chesapeake Operating, Inc.
for Compulsory Pooling,
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 May 17, 2001. 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

CASE 12660: Application of Chesapeake Operating Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the following described acreage in Section 21, T16S, R37E, NMPM, Lea County, New Mexico, in the following manner: the N/2SE/4 to form a standard 80-acre spacing and proration unit for any and all formations and/or pools developed on 80-acre gas spacing within said vertical extent including but not limited to the Northeast Lovington-Upper Pennsylvanian Pool; the NE/4SE/4 to form a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. This unit(s) is to be dedicated to its Nellie "21" Well No. 1 which will be located at a standard well location in Unit I 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(s) is located approximately 6 miles 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 WELL LOCATION
LEA COUNTY, NEW MEXICO.**

CASE NO. 12660

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 following described acreage in Section 21, T16S, R37E, NMPM, Lea County, New Mexico, in the following manner: the N/2SE/4 to form a standard 80-acre spacing and proration unit for any and all formations and/or pools developed on 80-acre gas spacing within said vertical extent including but not limited to the Northeast Lovington-Upper Pennsylvanian Pool; the NE/4SE/4 to form a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. This unit(s) is to be dedicated to its Nellie "21" Well No. 1 which will be located at a standard well location in Unit I 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:

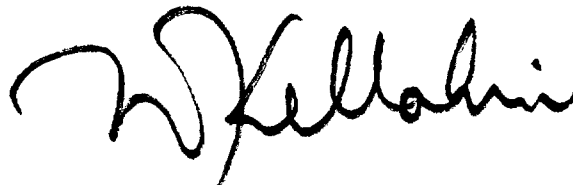
1. Chesapeake has the right to drill and develop the oil and gas minerals from the surface to the base of the Strawn formation underlying the N/2NE/4 of Section 21, T16S, R37E, NMPM, Lea County, New Mexico.
2. Chesapeake has proposed this well and its appropriate spacing unit to the working interest and unleased mineral interest owners in the spacing unit as identified on Exhibit "A."
3. 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.

4. 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" of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for May 17, 2001.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on May 17, 2001 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) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized, flowing script.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

COI / Nellie 1-21
PoolingList04.23.01 - WI

WI Owner	
Amerind Oil Company 415 W. Wall Street Suite 500 Midland, TX 79701	
Geodyne Nominee Corp. 320 South Boston Ave. Tulsa, OK. 74103	
Andrew A. Andros Houston, TX	
MJZ Petroleum Corp. 6023 Dover House Way Spring, TX 77389-2935	
Samson Exploration Corp. 2 W. Second Street Tulsa, OK. 74103	
KHS Associates no address available	
Union Texas Development Corp. POB 2120 Houston, TX 77252	Interest now believed to be in Burlington Resources, but not confirmed of record or by Burlington to date
W.L. Barnes 2514 Stanolind Midland, TX 79705	
Calloway Production Co., Inc. 415 W. Wall Street, Suite 2000 Midland, TX 79701	
Wanda P. Campbell, individually and as Independent Executor of the Estate of Roy E. Campbell, dec. 1600 W. Cuthbert Midland, TX 79701	
Nolan Hirsch P.O. Box 10040 Midland, TX 79702	
MVC, Inc. P.O. Box 10040 Midland, TX 79702	
Elaine Magruder 2507 Sinclair Midland, TX 79705	
Loretta McDermott Marsh c/o Personal Administrators 3939 Bee Cave Road Austin, TX 78746	

Charles E. Marsh, III c/o Border Crossings 591-Z San Bernardo Lardeo, TX 78041	
W.F. Ortliff 415 W. Wall Street, Suite 2000 Midland, TX 79701	
Richard Roseberry 14643 Dallas Parkway, Suite 1000 Dallas, TX 75240	
Spectrum 7 1983-A 1100 Louisiana St., Suite 2950 Houston, TX 77002-5216	Interest now believed to be in Harken Energy, but not confirmed of record or by Harken to date
Spectrum 7 1983-B 1100 Louisiana St., Suite 2950 Houston, TX 77002-5216	Interest now believed to be in Harken Energy, but not confirmed of record or by Harken to date
P. Gordon Stafford 3892 Nathan Rd. Santa Barbara, CA. 93102	
James I. Trott 2805 W. Dengar Midland, TX 79705	
Harold K. Work 3516 Greenbriar Dallas, TX 75225	
Mallon Oil Company 999 18th Street, Suite 1700 Denver, CO. 80202	

COI / Nellie 1-21
PoolingList04.23.01 - Open MI

Unleased Mineral Owners
Republic Royalty Company Att: Terri Farmer 3738 Oaklawn Ave., Ste. 300 Dallas, TX 75219
Macenas Minerals L.L.P. Att: Linda Buckner PO Box 176 Abilene, TX 79604
Coates Energy Trust Coates Energy Interests Att: Sherry Green PO Box 171717 San Antonio, TX 78217
Raymond Book no address available
Pearl Book Ketler no address available
Myrtle Book Dumell no address available
Patsy Nae Walker 17 Sutter Street Folsome, CA 95603