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RECOGNIZED SPECIALIST IN THE AREA OF
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October 19, 2001

HAND DELIVERED

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

**Re: Buddy "9" Well No. 1
E/2SW/4, Section 9, T16S, R37E
Application of Chesapeake Operating, Inc.
for compulsory pooling
Lea County, New Mexico**

Case 12768
OCT 19 PM 1:22

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 15, 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: Linda Townsend

CASE 12768 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 9, T16S, R37E, NMPM, Lea County, New Mexico: the E/2SW/4 to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within this vertical extent, including the Northeast Lovington-Pennsylvanian Pool; and the NE/4SW/4 to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within this vertical extent. This unit is to be dedicated to its Buddy "9" Well No. 1 which will be located at a standard well location within Unit K of this section. Applicant further seeks an order prescribing terms ("operating provisions") pursuant to which future operations may be conducted in accordance with applicant's Joint Operating Agreement. 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 4 miles 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
LEA COUNTY, NEW MEXICO.**

CASE NO. 12768

APPLICATION

Comes now CHESAPEAKE OPERATING, INC. by its attorneys, Kellahin & Kellahin, and in accordance with NMSA 1978 Section 70-2-17.C, 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 9, T16S, R37E, NMPM, Lea County, New Mexico: the E/2SW/4 to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within this vertical extent, including the Northeast Lovington-Pennsylvanian Pool; and the NE/4SW/4 to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within this vertical extent. This unit is to be dedicated to its Buddy "9" Well No. 1 which will be located at a standard well location within Unit K of this section. Applicant further seeks an order prescribing terms ("operating provisions") pursuant to which future operations may be conducted in accordance with applicant's Joint Operating Agreement. 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 E/2SW/4 of Section 9, T16S, R37E, 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(s) 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 not been able to obtain written voluntary agreement from the parties listed on Exhibit "A."

5. 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.

6. Applicant further seeks an order prescribing terms ("operating provisions") pursuant to which future operations may be conducted in accordance with applicant's Joint Operating Agreement.

7. 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 November 15, 2001.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on November 15, 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 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) an order prescribing terms ("operating provisions") pursuant to which future operations may be conducted in accordance with applicant's Joint Operating Agreement.
- (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', with a large, stylized initial 'W'.

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

EXHIBIT "A"
Parties to be pooled

Apache Corporation
2000 Post Oak Blvd. Suite 1000
Houston, Texas 77056
Attn: Mario R. Moreno, Jr.

Estate of William C. Uphoff
912 15th Avenue
East Moline, Illinois 61244
Attn: Roy H. Glockhoff, Executor

Estate of William C. Uphoff
5613 34th Avenue
Molina, Illinois 61265-5702
Attn: Roy H. Glockhoff, Executor

Estate of R. T. Ewan
c/o of Anne Ewan Steele
751 Pinellas Bayway #304
Tierra Verde, FL 33715

Estate of Clarice L. Van Ewan
c/o of Anne Ewan Steele
751 Pinellas Bayway #304
Tierra Verde, FL 33715

Hy B. Finkenhoefer
23 N 7th Street
Quincy, IL 62301

Hy B. Finkenhoefer
233 N 7th Street
Quincy, IL 62301

Harley L. Schwarts Estate
Amcore Investments Group N.A.
P. O. Box 1000
Sterling, Il 61801
Attn: Tina Coffee

Harley L. Schwartz Estate
Amcore Investments Group
P. O. Box 1000
Sterling, Il 61801
Attn: Tina Coffee

Mack H. Woolridge
P. O. Drawer 1846
Albany, TX 76430

H. R. Stasney and Sons, Ltd.
P. O. Drawer 1826
Albany, TX 76430

H. R. Stasney and Sons, Ltd.
P. O. Drawer 1827
Albany, TX 76430

Mary A. Busby
503 McKinney Street
Dixon IL 60121

Estate of Charles W. Hildenbrand
c/o James R. Rapp
Hutmacher, Rapp & Ortbal, P.C.
428 North Sixth Street
Quincy, Il 62301

Estate of Charles W. Hildenbrand
c/o Eugene L. Muller and
Harold G. Schork, co-executors
2903 Cabot Road
Quincy, Il 62301

Estate of Charles W. Hildenbrand
c/o Eugene L. Muller and
Harold G. Schork, co-executors
2240 Elm Street
Quincy, Il 62301

Alfred M Letzerich
address unknown

Clarice L. Van Ewan
address unknown

Harriet Boston Chapin
address unknown