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January 8, 2002

Via Fax and U.S. Mail


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

Re: Case 12787

Dear Ms. Wrotenbery:

Enclosed is Southwestern Energy Production Company's reply in support of its motion for a continuance.

Very truly yours,


James Bruce
Attorney for Southwestern
Energy Production Company

cc: W. Thomas Kellahin (vis fax)

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF CHESAPEAKE OPERATING
INC. FOR COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.

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No. 12787

SOUTHWESTERN ENERGY PRODUCTION COMPANY'S
REPLY IN SUPPORT OF ITS MOTION FOR A CONTINUANCE

Chesapeake Operating Inc. ("Chesapeake") opposes the motion for a continuance filed by Southwestern Energy Production Company ("Southwestern"). Chesapeake's reasons for denying a continuance are discussed below.

1. Delay in Requesting Continuance and Filing Application.

Chesapeake claims that "just three days before the hearing" Southwestern requested a continuance. Southwestern's attorney spoke with Chesapeake's attorney on January 3rd, and requested a voluntary continuance (seven days before the hearing).¹ Southwestern was told to file a continuance motion, which it did in a timely fashion.

Chesapeake also complains that Southwestern did not file its pooling application in time for the January 24th hearing. Southwestern's attorney hereby apologizes for not working over New Year's weekend to finalize and file Southwestern's application.

Regardless, Chesapeake has not shown that it will be harmed by a four week continuance; there is no rig availability problem, nor any expiring farmout. Southwestern acted in a timely manner, and Chesapeake's assertions are without merit.

¹Southwestern's attorney called Chesapeake's attorney before that date, but the call was not returned until January 3rd.

2. Chesapeake Developed the Prospect.

Chesapeake claims that it has developed this prospect, and should be operator. That is incorrect. Southwestern acquired its interest in Section 20 over two years ago, and has drilled six wells in the 17S-35E township during that period. Southwestern is currently drilling a deep gas test in the E½ of Section 21, Township 17 South, Range 35 East, N.M.P.M., offsetting the well at issue herein. Southwestern was the first to obtain its interest, and has been actively developing this prospect for a substantially longer time than Chesapeake. Thus, contrary to Chesapeake's assertions, these factors favor Southwestern as operator.

3. Working Interest Ownership is Unimportant.

Chesapeake claims that working interest ownership is meaningless. However, the very order cited by Chesapeake proves otherwise. In that order, the Commission stated:

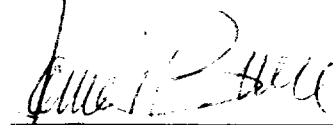
In the absence of compelling factors such as geologic and prospect differences, ability to operate prudently, or any reason why one operator would economically recover more oil or gas by virtue of being awarded operations than the other, **"working interest control" ... should be the controlling factor in awarding operations.**

Commission Order No. R-10731-B, Finding Paragraph (24).

Both parties agree on the well location, and both are qualified operators. However, Chesapeake owns only 37.5% of the working interest in the well unit, while Southwestern owns 62.5% of the working interest. Clearly, Southwestern owns a substantial majority of the working interest, and will have the most at risk in drilling the well. Thus, Southwestern must operate the well.

WHEREFORE, Southwestern requests that Chesapeake's case be continued to the February 7, 2002 Examiner hearing, and consolidated for hearing with the application filed by Southwestern.

Respectfully submitted,



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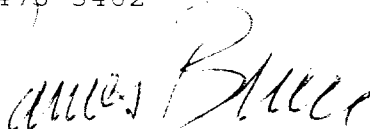
Attorney for Southwestern Energy
Production Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record via facsimile transmission this 8th day of January, 2002:

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