



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

April 24, 2000

Chesapeake Operating, Inc.
c/o W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Telefax No. (505) 982-2047

Administrative Order NSL-4440(NSBHL)

Dear Mr. Kellahin:

Reference is made to the following: (i) your application on behalf of the operator, Chesapeake Operating, Inc. ("Chesapeake") dated April 17, 2000; (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Chesapeake's request for a non-standard subsurface oil producing area/bottomhole oil well location within a project area [see Division Rule 111.A (9)] comprising the N/2 SW/4 of Section 15, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico, being a standard 80-acre oil spacing and proration unit for the Undesignated Humble City-Strawn Pool.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rules 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, and 111.C (2);
- (2) The Humble City-Strawn Pool currently comprises the following described area in Lea County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM

| | |
|-------------|--------------|
| Section 10: | SE/4 |
| Section 11: | NE/4 and S/2 |
| Section 15 | N/2; |

- (3) Within the governing limits of the Humble City-Strawn Pool, the spacing and well location requirements are subject to the "*Special Rules and Regulations for the Humble City-Strawn Pool*", as promulgated by Division Order No. R-4338, as amended, which provide for 80-acre oil spacing and proration units (Rule 2) and require wells to be located within 150 feet of the center of either governmental quarter-quarter section or lot (Rule 4);

- (4) The "project area" proposed by Chesapeake is to consist of a single standard 80-acre oil spacing and proration unit comprising the N/2 SW/4 of Section 15, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico;
- (5) It is the Division's understanding that Chesapeake proposes to re-enter the plugged and abandoned Chisos Operating, Inc. Cities Service "15" Well No. 1, which is to be redesignated the OXY "R-15" Well No. 1 (API No. 30-025-29636), located at a standard surface oil well location 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 15, clean out the wellbore to a depth of 6,600 feet, kick-off in a northeasterly direction and continue drilling to a depth of 11,543 feet (MVD) within the Strawn formation to within 100 feet of a targeted point that is unorthodox 2178 feet from the South line and 935 feet from the West line (Unit L) of Section 15;
- (6) The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox subsurface oil well location will be at a more favorable geologic position within a small localized highly porous algal reef mound within the Strawn formation underlying the N/2 SW/4 of Section 15, thereby increasing the likelihood of obtaining commercial hydrocarbon production underlying the N/2 SW/4 of Section 15;
- (7) It appears that the applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F and Division Memorandum 4-86 (dated June 2, 1986); therefore the subject application should be approved and a producing area should be established for this well based on Chesapeake's proposed directional drilling plan; and
- (8) The subject 80-acre project area should be governed by the provisions contained within this order and all other applicable provisions of Division Rule 111.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104.F (2), Chesapeake Operating, Inc., is hereby authorized to re-enter the plugged and abandoned Chisos Operating, Inc. Cities Service "15" Well No. 1, to be redesignated the OXY "R-15" Well No. 1 (API No. 30-025-29636), located at a standard surface oil well location 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 15, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico clean out the wellbore to a depth of 6,600 feet, kick-off in a northeasterly direction and continue drilling to a depth of 11,543 feet (MVD) within the Strawn formation to

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within 100 feet of a targeted point that is unorthodox 2178 feet from the South line and 935 feet from the West line (Unit L) of Section 15.

(2) The "project area" for this well will consist of a single standard 80-acre oil spacing and proration unit comprising the N/2 SW/4 of Section 15.

(3) The operator shall comply with all applicable requirements and conditions set forth in Division Rule 111.

(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



LORI WROTENBERY
Director

S E A L

cc: New Mexico Oil Conservation Division - Hobbs