

HOLLAND & HART ^{LLP}



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January 13, 2006

BY HAND DELIVERY

Mark E. Fesmire, P.E.
Director - Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13646

2006 JAN 13 PM 12 04

Re: Application of Chesapeake Operating Inc. for a Non-standard Deep Gas Spacing Unit,
Lea County, New Mexico.

Dear Mr. Fesmire:

Enclosed in triplicate is the Application in the above-referenced case, as well as
a copy of the docket advertisement. Chesapeake requests that this matter be placed on
the docket for the February 16, 2006, Examiner hearings.

Sincerely,

Michael H. Feldewert

cc: Jim Ball, Chesapeake Operating Inc.

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**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF CHESAPEAKE OPERATING INC.
FOR A NON-STANDARD DEEP GAS SPACING UNIT,
LEA COUNTY, NEW MEXICO.**

APPLICATION

Chesapeake Operating Inc., through its undersigned attorneys, hereby makes application for an exception to the well spacing requirements of Rule 104.C(2) of the General Rules and Regulations of the Oil Conservation Division to allow a 160-acre non-standard deep gas spacing and proration unit comprised of the SE/4 of Section 25, Township 20 South, Range 32 East, NMPM. This application presently includes but is not necessarily limited to the South Salt Lake Atoka Gas Pool. In support of its application Chesapeake states:

1. Chesapeake is the operator of the Little Eddy Unit Well No. 1 (formerly the Audie Richards Well No. 1) located in the SE/4 of Section 25 at a standard location 660 feet from the south line and 660 feet from the east line.

2. The Little Eddy Unit Well No. 1 is a participating well in the Little Eddy Unit and is currently producing from the South Salt Lake Morrow Gas Pool. A non-standard spacing unit comprised of the SE/4 of Section 25 is currently dedicated to this well under the authority of Division Order R-4689 (issued December 6, 1973).

3. Chesapeake proposes to re-complete the Little Eddy Unit Well No. 1 in the Atoka formation (South Salt Lake Atoka Gas Pool) and to continue to dedicate to this well the non-standard spacing comprised of the SE/4 of Section 25.

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4. The N/2 of Section 25 is dedicated to the Felmont Federal Well No. 1, which is operated by Samson Resources Company and is presently producing from the South Salt Lake Morrow Gas Pool. A non-standard Atoka spacing unit comprised of the SW/4 of Section 25 is dedicated to the Felmont Federal Well No. 2 pursuant to the authority of Amended Order NSL-2191, and is currently operated by Breck Operating Corporation. Both of these wells are located outside of the Little Eddy Unit.

5. The unique configuration of the existing spacing units in Section 25 do not allow Chesapeake to create a standard 320-acre spacing unit for its existing Little Eddy Unit Well No. 1 without infringing upon the operating rights of the existing operators in this section.

6. Notice of this application has been provided to the operators in this section and the BLM as set forth on Exhibit A hereto.


7. Approval of this application will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

8. In order to permit Chesapeake to recomplete and operate its Little Eddy Unit Well No. 1 in an efficient fashion, the existing non-standard spacing unit comprised of the SE/4 of Section 25 should be extended to include all wells completed in the Wolfcamp or older gas formations (deep gas wells).

WHEREFORE, Chesapeake requests that this application be set for hearing before an Examiner of the Oil Conservation Division on February 16, 2006, and that after notice and hearing as required by law the Division enter its order approving a non-standard spacing unit in the SE/4 of Section 25 for all wells completed in the Wolfcamp or older gas formations.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

Michael H. Feldewert

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

**ATTORNEYS FOR
CHESAPEAKE OPERATING INC..**

EXHIBIT A

**APPLICATION OF CHESAPEAKE OPERATING INC. FOR A NON-STANDARD
DEEP GAS SPACING UNIT, LEA COUNTY, NEW MEXICO.
(Little Eddy Unit Well No. 1)**

Breck Operating Corp.
P. O. Box 911
Breckenridge, TX. 76424
Attention: Mr. Don Craig

Samson Resources Company
200 North Loraine, Suite 1010
Midland, TX 79701
Attention Ms. Rita Buress

State of New Mexico
Bureau of Land Management
P.O. Box 27115
Santa Fe, NM 87502-0115

CASE 13646:

In The Matter Of The Application Of Chesapeake Operating Inc. For A Non-Standard Deep Gas Spacing Unit, Lea County, New Mexico. Applicant in the above-styled cause seeks an order approving a 160-acre non-standard deep gas spacing and proration unit comprised of the SE/4 of Section 25, Township 20 South, Range 32 East, NMPM, for all gas formation and pools spaced on 320-acres, which presently includes but is not necessarily limited to the South Salt Lake Atoka Gas Pool. This spacing and proration unit is to be dedicated to applicants existing Little Eddy Unit Well No. 1 (formerly the Audie Richards Well No. 1) which is a participating well in the Little Eddy Unit and presently producing from the South Salt Lake Morrow Gas Pool at a standard location 660 feet from the south line and 660 feet from the east line (Unit P) of Section 25. Applicant proposes to re-complete this well in the Atoka gas formation. Said area is located approximately 1 mile southeast of Halfway, New Mexico.