

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**CASE NO. 14023
ORDER NO. R-1839-B**

**APPLICATION OF CHESAPEAKE OPERATING, INC. FOR RESCISSION OF
SPECIAL POOL RULES AND REGULATIONS FOR THE TV-
PENNSYLVANIAN GAS POOL, CHAVES COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing on November 1, 2007 at 8:15 a.m. at Santa Fe, New Mexico, before Examiners Carol Leach, Esq. and William V. Jones.

NOW, on this 3rd day of January, 2008, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of its subject matter.

(2) In 1951, the Manry Elliot Well No. 1 (API No. 30-005-00534) was drilled to 11,066 feet and abandoned at a location 660 feet from the North line and 1980 feet from the West line of Section 22, Township 11 South, Range 31 East, NMPM, Chaves County, New Mexico. In early 1961, this well was re-entered and completed in the Morrow formation as a deep gas producer dedicated to the N/2 of Section 22. This well was the discovery well in the TV-Pennsylvanian Gas Pool and was plugged and abandoned in 1976.

(3) Chesapeake Operating, Inc. ("Chesapeake") is an operator in the TV-Pennsylvanian Gas Pool (86560) which was created by the Oil Conservation Commission in Order No. R-1839 in Case 2131 on December 14, 1960. The Pool has been extended by the Division in Order No R-12646 on October 10, 2006 and again with Order No R-12791 on July 18, 2007 and currently includes the following acreage in Chaves County, New Mexico:

Township 11 South, Range 31 East, NMPM

Section 22: N/2, SE/4

Section 23: W/2

(4) Order No. R-1839, as amended, also promulgated Special Rules and Regulations for the TV-Pennsylvanian Gas Pool that provided for 320-acre spacing units and wells to be located 990 feet from the outer boundary of the quarter section upon which it is drilled and 330 feet from any governmental quarter-quarter section line (Rule 3.(a)).

(5) By letter dated September 25, 2007, sent to operators within this pool, the Division identified wells in this pool that have been drilled at unorthodox locations and advised operators that permits for these locations should be applied for, or the Special Pool Rules should be changed to allow these existing locations.

(6) Chesapeake in this case seeks an order rescinding these Special Pool Rules to allow well locations within this pool to be governed by statewide Rule 104C.(2).

(7) Division Rule 104C.(2) as promulgated by Commission Order No. R-2707 on May 25, 1964, governs deep gas wells in Southeastern New Mexico and requires 320-acre spacing units with up to two wells per spacing unit; the wells to be located no closer than 660 feet from the outer boundary of the quarter section in which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(8) Pursuant to Division Rule 1210.A(4) (NMAC 19.15.14.1210.A(4)), applicant provided notice of this hearing to all Division-designated operators in the TV-Pennsylvanian Gas Pool, and to all Division-designated operators of Pennsylvanian producing wells within one mile of the TV-Pennsylvanian Gas Pool's outer boundary not assigned to another Pennsylvanian pool.

(9) No party appeared at the hearing in opposition to the application.

(10) Applicant presented testimony and evidence at the hearing, demonstrating that:

(a) Within this pool and within 1 mile surrounding this pool are three operators: Read & Stevens, Inc., Samson Resources Company, and Chesapeake. Both Read & Stevens and Samson have provided letters supporting this application. Yates Petroleum Corporation as a nearby lessee is also in support.

(b) None of the wells already drilled within or nearby this pool have obeyed the well location requirements of the Special Rules and Regulations of the TV-Pennsylvanian Gas Pool. However, all but one well is in compliance with the location requirements of Division Rule 104C.(2), and that well was dry and abandoned.

(c) The mineral ownership within this area is a mixture of State, Federal, and Fee lands but is primarily State.

(d) Due to the meandering nature of the narrow Morrow sands, the existing setback requirements make it difficult to develop identified Morrow formation reservoirs. There is a geologic need to relax the setback requirements throughout this pool.

(e) As an example, the discovery well in this pool was drilled at an optimum Morrow location that is out-of-compliance with these Special Pool Rules, and yet that well produced 4.34 Bcf of gas prior to being plugged in 1976.

(11) Approval of this application to relax the 990 feet setback requirements will enable operators to drill and produce Morrow sands identified as being closer than 990 feet from quarter section lines while maintaining the standard 660 feet minimum distance from quarter section lines established and used since 1964.

(12) This application should be approved to prevent waste and protect correlative rights.

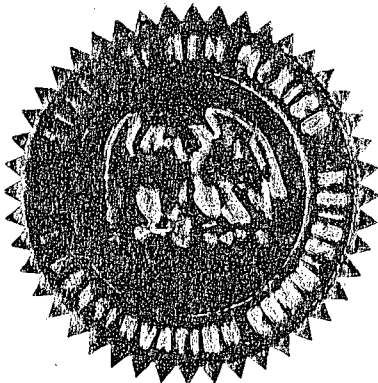
IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Chesapeake Operating, Inc., the Special Pool Rules and Regulations for the TV-Pennsylvanian Gas Pool as promulgated in Commission Order No. R-1839-A on December 21, 1961, are hereby rescinded.

(2) Existing and future wells within this pool shall be governed by the Division's statewide spacing and location rules, specifically Rule 104C.(2).

(3) Jurisdiction is hereby 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P. E.
Director