

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

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

*De Novo
Case No. 12325
Order No. R-11327-A*

**APPLICATION OF CHESAPEAKE OPERATING, INC. FOR COMPULSORY
POOLING AND AN UNORTHODOX WELL LOCATION - LEA COUNTY, NEW
MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 a.m. on August 23, 2000 at Santa Fe, New Mexico, before the New Mexico Oil Conservation Commission (hereinafter referred to as "the Commission"):

NOW, on this 23rd day of August, 2000, a quorum being present, and the Commission, having considered a Stipulation submitted in furtherance of the Joint Motion of the parties,

FINDS THAT:

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

(2) The applicant, Chesapeake Operating, Inc. (hereinafter referred to as "Chesapeake") sought an order pooling all uncommitted mineral interests from the surface to the base of the Morrow formation underlying the following acreage in Section 17, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico:

(a) the S/2 to form a standard 320-acre gas spacing and proration unit for formations or pools developed on 320-acre spacing within that vertical extent, including the undesignated West Lovington-Pennsylvanian Gas pool;

(b) the SW/4 to form a standard 160-acre gas spacing and proration unit for formations or pools developed on 160-acre spacing within that vertical extent, including the undesignated North Show Bar-Wolfcamp Gas Pool; and

(c) the S/2 and SW/4 to form a standard 80-acre oil spacing and proration unit for formations or pools developed on 80-acre spacing within that vertical extent, including the undesignated Northeast Shoe Bar-Strawn Pool.

(3) The applicant, Chesapeake, also sought an order approving an unorthodox location for the College of the Southwest "17" Well No. 1 (API No. 30-025-29535), which was directionally drilled by re-entering the David Fasken Berry Hobbs Well No. 1, which had previously been plugged and abandoned. The College of the Southwest "17" Well No. 1 was directionally drilled to the Morrow formation at a subsurface location 580 feet from the South line and 1085 feet from the West line (Unit M) of Section 17.

(4) The Oil Conservation Division (hereinafter referred to as "the Division") entered its Order No. R-11327 on March 9, 2000 on the above-referenced application. That Order approved compulsory pooling of the interests of Altura Energy, Ltd. (hereinafter referred to as "Altura") and Southeast Royalties in Chesapeake's the College of the Southwest "17" Well No. 1 and approved its unorthodox location.

(5) On April 7, 2000, Chesapeake timely filed an application for hearing *de novo* before the Commission.

(6) Subsequent to the entry of Order No. R-11327, Altura sold its interests to OXY USA, Inc., which is the successor-in-interest to Altura for purposes of this proceeding.

(7) The parties to the compulsory pooling provision of Order No. R-11327 have reached voluntary agreement and the pooling provisions set forth in that order are no longer necessary. The parties have, by stipulation, agreed to execute a mutually acceptable Joint Operating Agreement which contains terms and conditions substantially different from that set forth in Order No. R-11327. The parties, by joint motion, request that the Commission enter an Order *de novo* which voids and vacates paragraphs 12 and 15-42 of the "Findings" of Order R-11327, and paragraphs 1 and 5-22 of the ordering paragraphs of Order No. R-11327, consistent with the stipulation.

(8) The stipulation and agreement of the parties should be accepted and the motion to void and vacate the requested paragraphs should be granted.

(9) The request to approve an unorthodox location for the College of the Southwest "17" Well No. 1 should also be granted.

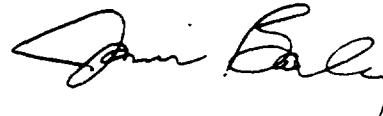
IT IS THEREFORE ORDERED THAT:

(1) Upon joint motion of the parties hereto, paragraphs 12 and 15-42 of the "Findings" and paragraphs 1 and 5-22 of the ordering paragraphs of Order No. R-11327 are hereby voided and vacated. The remaining paragraphs of Order No. R-11327 are hereby adopted as the Commission's Order in this case.

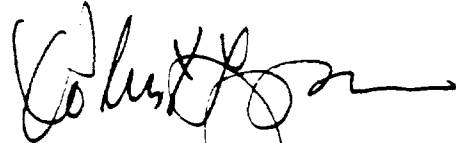
(2) Jurisdiction of this case is retained for entry of such and further orders as the Commission may deem appropriate.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



JAMI BAILEY, Member



ROBERT LEE, Member



LORI WROTENBERY, Chairman

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