

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

CASE NO. 12482

**APPLICATION OF CHESAPEAKE OPERATING INC.
FOR POOL CREATION AND POOL CONTRACTION,
LEA COUNTY, NEW MEXICO**

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by CHESAPEAKE OPERATING INC. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

ATTORNEY

Chesapeake Operating Inc.
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STATEMENT OF THE CASE

1. Chesapeake Operating Inc. is an operator in the North Shoe Bar-Atoka Gas Pool.

2. On May 1, 1998, the Division entered Order R-10972 and created the North Shoe Bar-Atoka Gas Pool ("the pool") which, according to Byram's Reporting, currently includes the following horizontal limits:

Township 16 South, Range 35 East:

- Section 2: Lots 9, 10, 15, 16 and SE/4
- Section 10: N/2
- Section 11: N/2

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3. The current vertical limits of the pool are defined as the Atoka formation being the stratigraphic equivalent of the vertical interval from 11,510 feet and 12,006 feet as shown on the density neutron log for Yates Petroleum Corporation's Brunson "AQK" State Com Well No. 1, located 2260 feet FNL and 1795 feet FEL of Section 10, T16S, R35E, Lea County, New Mexico.

4. There are approximately 6 operators in the pool with a total of 9 wells currently producing from the pool as shown on Exhibit "B"

5. The pool is governed by statewide rules which provide for 320-acre spacing and proration units with wells to be located 660 feet from the sid boundaries of each of the 160-acre subdivisions of a spacing unit.

6. The "Brunson Interval" is located within the lowest portion of the current vertical limits of the pool.

7. There is sufficient data now available to demonstrate that "the Brunson Interval":

(a) constitutes a common source of supply separate and distinct from the remaining portions of the pool;

(c) should be declared a separate pool.

8. Chesapeake has contacted the other operators in the pool and believes there is unanimous support for creating a new pool for the Brunson Interval.

9. In order to protect correlative rights, prevent waste and provide for a more orderly development of the Atoka formations, it is necessary to do the following:

(a) contract the lower vertical limit of the North Shoe Bar-Atoka Gas Pool to exclude the Brunson Interval;

(b) create a new gas pool for the Brunson Interval which would be defined as the stratigraphic equivalent of the vertical interval from 11,918 feet to 12,038 feet as shown on the density neutron log for Yates Petroleum Corporation's Brunson "AQK" State Com Well No. 1, located 2260 feet FNL and 1795 feet FEL of Section 10, T16S, R35E, Lea County, NM.