

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

June 4, 2001

Mr. Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: NMOCD Case 12653
Application of Chesapeake Operating, Inc.
for an unorthodox oil well location
Lea County, New Mexico

Dear Mr. Stogner:

On behalf of Chesapeake Operating, Inc., please find enclosed a proposed order for consideration in this case. I also have enclosed a wordperfect 5.1 diskette containing this draft order.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized flourish at the end.

W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Lynda Townsend

**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. 12653
Order No. R-**

**APPLICATION OF CHESAPEAKE OPERATING, INC.
FOR AN UNORTHODOX OIL WELL LOCATION,
LEA COUNTY, NEW MEXICO**

**CHESAPEAKE OPERATING, INC.'S
PROPOSED ORDER OF THE DIVISION**

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 17, 2001 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ____ day of June, 2001, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Chesapeake Operating, Inc. ("Chesapeake"), seeks approval to complete and produce its Buchanan "5" Well No. 1 (API No. 30-025-_____) at an unorthodox oil well location 2365 feet from the North line and 1641 feet from the East line (Unit G) Section 5, Township 17 South, Range 37 East, NMPM, to be dedicated to a standard 80-acre oil proration and spacing unit consisting of the W/2NE/4 of this section for production from the Shipp-Strawn Pool, Lea County, New Mexico.

(3) The current rules for the Shipp-Strawn Pool require standard wells to be located within 150 feet of the center of either 40-acre tract within a standard 80-acre oil proration and spacing unit.

(4) In Division Case 12595, which was incorporated herein by administrative notice, Chesapeake presented its 3-D seismic data/interpretation in support of this unorthodox well location which demonstrates that:

(a) there exists an opportunity to drill for a small Strawn structural feature located in the SE/4SW/4NE/4 of Section 5;

(b) the optimum opportunity for obtaining production from this feature is at the highest structural point and with the greatest thickness;

(c) that any standard well location in the NE/4 of this section would likely miss this feature because it would be too far down structure; and

(d) the proposed unorthodox well location is the optimum location for this well because it would be within the higher portion of the structure and at a point of greater thickness than any standard well location within the NE/4 of this section.

(5) Chesapeake presented land testimony that it was not able to form on a voluntary basis a spcign unit consisting of the S/2NE/4 and therefore it was necessary to re-orient the spacing unit from the S/2NE/4 to the W/2NE/4.

(6) Conoco, Inc. originally opposed the unorthodox location based upon its belief that it controlled the E/2NE/4. However, Conoco later withdrew its objection when it was determined that Texland Petroleum, Inc. controlled the SE/4NE/4 as a result of an unrecorded operating agreement.

(7) Texland Petroleum Inc. was notified of this hearing and waived objection. No other offset owner objected.

(8) Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the hydrocarbons in the Strawn formation, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Chesapeake Operating, Inc.'s application to complete and produce its Buchanan "5" Well No. 1 (API No. 30-025-_____) at an unorthodox oil well location 2365 feet from the North line and 1641 feet from the East line (Unit G) Section 5, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico is **hereby approved.**

(2) The W/2NE/4 of this section shall be dedicated to the well forming a standard 80-acre oil spacing and proration unit.

(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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY
Director