

**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. 14406
ORDER NO. R-13205**

**APPLICATION OF CHESAPEAKE OPERATING, INC. FOR APPROVAL OF A
UNIT AGREEMENT, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing December 17, 2009 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 28th day of December, 2009, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

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

(2) The applicant, Chesapeake Operating, Inc., seeks approval of its Forehand Ranches Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Bone Spring formation underlying the following-described 640 acres, more or less, of State lands situated in Eddy County, New Mexico:

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM

Section 36: All

(3) The Applicant presented testimony by affidavit as follows.

a. The acreage is owned 100 percent by Chesapeake, so all working interests are committed to the Unit. The State of New Mexico owns all royalty interests and the State Land Office has given preliminary approval for this Unit.

b. The initial well, the Forehand Ranches 36 State Unit Well No. 1H, is planned to be drilled approximately 1 mile horizontally in a north-south direction within the Bone Spring formation to an approximate measured depth of 10,400 feet; commencing at a standard oil well location 330 feet from the North line and 2310 feet from the East line of Section 36, Township 25 South, Range 26 East, NMPM, Eddy County, New Mexico.

c. The primary target for this initial well will be oil production from narrow north-south trending sands in the Bone Spring formation, with secondary hydrocarbon targets in shallower formations.

(4) No other party appeared at the hearing or otherwise opposed this application.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Forehand Ranches Exploratory Unit Agreement executed by Chesapeake Operating, Inc. is hereby approved for all oil and gas in all formations from the surface to the base of the Bone Spring formation underlying the following-described 640 acres, more or less, of State lands situated in Eddy County, New Mexico:

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM

Section 36: All

(2) The plan contained in the Forehand Ranches Exploratory Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

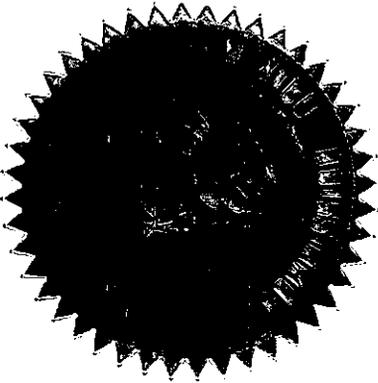
(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(6) Jurisdiction of this case is 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director