



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

August 10, 2005

Mark Fesmire
Director
Oil Conservation Division

Chesapeake Operating, Inc.
c/o **Kellahin & Kellahin**
P. O. Box 2265
Santa Fe, New Mexico 87504

Attention: W. Thomas Kellahin
kellahin@earthlink.net

Administrative Order NSL-5250

Dear Mr. Kellahin:

Reference is made to the following: (i) your application on behalf of the operator, Chesapeake Operating, Inc. ("Chesapeake"), that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on July 13, 2005 (**administrative application reference No. pSEM0-519547587**); and (ii) the Division's records in Hobbs and Santa Fe.

The Division Director Finds That:

(1) Chesapeake proposes to drill its Jordan "12" State Well No. 3 (**API No. 30-025-37050**) 1650 feet from the North line and 330 feet from the West line (Unit E) of Section 12, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico.

(2) The primary objective for this well is the shallower North Mescalero-Cisco Pool (**45750**), in which the SW/4 NW/4 of Section 12 is to be dedicated in order to form a standard 40-acre oil spacing and proration unit [pursuant to Division Rule 104.B (1), this location is standard].

(3) The deeper gas bearing Atoka/Morrow interval is a secondary target.

(4) The North Mescalero-Pennsylvanian Gas Pool (**81320**) was created by Division Order No. R-958, issued in Case No. 1207 on March 8, 1957, as the result of the discovery by Sunray Mid-Continent State "K" Well No. 1 (**30-025-00016**), which was spud on March 11, 1956 at a reported standard gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 11, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico. Due to a survey discrepancy the actual location of this well however was later found to be 761 feet from the South line and 2957 feet from the West line (Unit O) of Section 11 (see Division Order No. R-2442, issued in Case No. 2752 on March 6, 1963). For reference only, Division Order No. R-2442 is hereby attached to this order as Exhibit "A" and made a part therein.

(5) The horizontal limits for this pool, as currently defined, include the following-described lands in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM

Section 11: SE/4.

(6) Even though the above-described Sunray Mid-Continent State "K" Well No. 1 was the discovery well for the North Mescalero-Pennsylvanian Gas Pool, Division records confirm that the well:

(a) remained shut-in since its completion in the Atoka formation within the Pennsylvanian interval through perforations from 10,184 feet to 10,195 feet on May 26, 1956 until mid-1963 when the Atoka zone was abandoned and the well was recompleted up-hole to test the Undesignated North Mescalero-Wolfcamp Pool (46120);

(b) the Wolfcamp interval tested dry (no production reported) and in mid-1964 the Wolfcamp interval was abandoned and the well was once again recompleted up-hole into the Undesignated Mescalero-San Andres Pool (45990) first as a producing oil well and later in November, 1964 as a salt water disposal well (see Division Order No. R-3663, issued in Case No. 4013 on January 24, 1969); and

(c) in August, 1976 the State "K" Well No. 1 was plugged and abandoned.

(7) The statewide rules governing Pennsylvanian gas pool at that time required 160-acre spacing units being a single governmental quarter section and for wells to be no closer than 660 feet to the unit boundary line (see Division Order No. R-238, issued in Case No. 226 on December 29, 1952).

(8) In 1964 the Division adopted 320-acre spacing (comprising two contiguous quarter sections of a single governmental section) for gas development within southeast New Mexico (see Division Order No. R-2707, issued in Case No. 3044 on May 25, 1964); however, Pennsylvanian gas pools created prior to June 1, 1964 would remain on 160-acre spacing units unless otherwise provided by special pool rules.

(9) To date no special provisions have been made for the Mescalero-Pennsylvanian Gas Pool to change the spacing within its boundaries or within one-mile thereof [see Division Rule 104.A (1) (b)]; therefore, wells within the governing limits of this pool and are not affected by other pools, still require 160-acre spacing units (see the official Division's Memorandum issued by the Division Director on October 25, 1999).

(10) The geologic interpretation submitted with this application, based on 3-D seismic, indicates that a well drilled at the proposed location will be at a more favorable geologic position within the potentially productive interval of the Cisco formation than a well drilled at a location considered to be standard for the deeper Atoka/Morrow (Pennsylvanian) gas producing horizons within the SW/4 NW/4 (Unit E) of Section 10.

(11) Your application on behalf of Chesapeake has been duly filed under the provisions of Division Rules 104.F and 1207.A (2).

(12) Should, through some administrative circumstance subsequent to the issuance of this administrative order (i.e. - **abolishment** of the Mescalero-Pennsylvanian Gas Pool since the pool never produced, and/or the establishment of an applicable gas pool), spacing within the Atoka and/or Morrow interval for this well change to standard deep 320-acre units [see the Division's current Rule 104.C (2)], provisions should be included therein granting a location exception for this well within a standard 320-acre lay-down deep gas spacing unit comprising the N/2 of Section 10.

(13) The subject application, which serves to prevent waste and protects correlative rights and being in the best interest of conservation, should be approved.

It Is Therefore Ordered That:

(1) Chesapeake Operating, Inc. ("Chesapeake") is hereby authorized to drill to and complete its proposed Jordan "12" State Well No. 3 (API No. 30-025-37050) at an unorthodox gas well location in the Atoka and Morrow formations 1650 feet from the North line and 330 feet from the West line (Unit E) of Section 12, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico.

(2) This well is to be dedicated to whichever of the following described gas spacing unit is applicable:

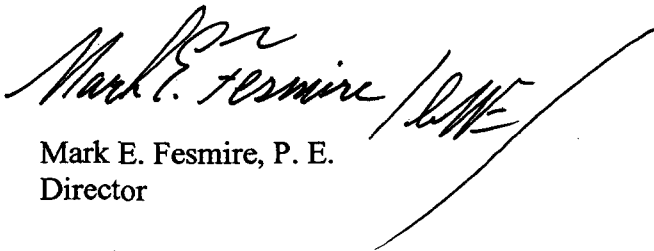
- (a) the NW/4 of Section 12 to form a standard 160-acre gas spacing unit in the Undesignated North Mescalero-Pennsylvanian Gas Pool (81320); or

(b) the N/2 of Section 12 to form a standard 320-acre lay-down deep gas spacing unit for any subsequent Atoka and/or Morrow gas pool to be governed under the Division's current Rule 104.C (2).

(3) As pertinent information in the immediate area that is the subject of this administrative order, Division Order No. R-2442, issued in Case No. 2752 on March 6, 1963, is herein attached as Exhibit "A" and made a part thereof.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in cursive script, reading "Mark E. Fesmire", followed by a large, sweeping diagonal stroke that extends from the bottom right of the signature towards the bottom right of the page.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe
File: Division Case No. 2752

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**BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO**

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

**CASE No. 2752
Order No. R-2442**

**IN THE MATTER OF THE HEARING CALLED BY THE COMMISSION UPON
ITS OWN MOTION TO ALLOW ALL INTERESTED PARTIES TO APPEAR
AND PRESENT EVIDENCE TO DETERMINE THE PROPER LOCATION OF THE
SURVEY LINE DIVIDING SECTIONS 3, 10, 15, 22, 27, AND 34 FROM
SECTIONS 2, 11, 14, 23, 26, AND 35, RESPECTIVELY, TOWNSHIP
10 SOUTH, RANGE 32 EAST, NMPM, LEA COUNTY, NEW MEXICO, AND TO
CONSIDER APPROVAL OF NON-STANDARD LOCATIONS RESULTING FROM
SUCH DETERMINATION.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on February 6, 1963, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 6th day of March, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

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

(2) That a discrepancy exists as to the proper location of the survey line dividing Sections 3, 10, 15, 22, 27, and 34 from Sections 2, 11, 14, 23, 26, and 35, respectively, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico.

(3) That the Commission should determine the proper location of said survey line in order to establish the correct locations of wells presently completed in this area, and in order to provide a standard survey line to assure uniform well locations in the future.

(4) That several surveys have been conducted by registered land surveyors in attempting to determine the proper location of the survey line in question.

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(5) That all surveyors presenting testimony at the hearing agreed that the survey line dividing Sections 3, 10, 15, 22, 27, and 34 from Sections 2, 11, 14, 23, 26, and 35, respectively, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico, should be established as follows:

Commencing at the standard GLO brass-cap corner marker at the southwest corner of Section 35, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico; thence due north a distance of five miles; thence north two degrees two minutes east to the standard GLO brass-cap corner marker at the northwest corner of Section 2, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico.

(6) That the Commission should adopt the survey line set out in Paragraph (5) above.

(7) That 11 wells will not comply with the well location requirements of the Commission Rules and Regulations upon adoption of the above-described survey line; that the 11 wells will then be located as follows:

TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM, LEA COUNTY, NEW MEXICO

<u>OPERATOR</u>	<u>LEASE</u>	<u>WELL NO.</u>	<u>LOCATION</u>	<u>SECTION</u>
Sunray DX	State "K"	1	2105 feet from the South line, 1604 feet from the West line	11
Cabeen	Sunray-State "K"	1	761 feet from the South line, 2957 feet from the West line	11
Cities Service	Lane L	1	651 feet from the North line, 1621 feet from the West line	14
Cities Service	State "BL"	1	2006 feet from the North line, 300 feet from the West line	14
Cities Service	State "AD"	3	366 feet from the South line, 991 feet from the East line	22
Cities Service	State "AD"	4	329 feet from the South line, 2315 feet from the East line	22

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Socony Mobil	New Mexico "B"	2	331 feet from the North line, 994 feet from the East line	27
Socony Mobil	New Mexico "B"	3	334 feet from the North line, 2327 feet from the East line	27
Socony Mobil	New Mexico "B"	5	1982 feet from the North line, 1014 feet from the East line	27
Humble	NM State "AF"	1	2336 feet from the South line, 1922 feet from the East line	27
Humble	NM State "AF"	2	2335 feet from the South line, 1005 feet from the East line	27

(8) That all of the above wells were drilled in good faith with reliance upon reasonable surveys and that non-standard locations should be approved for all of the above wells.

IT IS THEREFORE ORDERED:

(1) That the survey line for establishing well locations in Sections 2, 3, 10, 11, 14, 15, 22, 23, 26, 27, 34, and 35, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico, shall be determined as follows:

Commencing at the standard GLO brass-cap corner marker at the southwest corner of Section 35, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico; thence due north a distance of five miles; thence north two degrees two minutes east to the standard GLO brass-cap corner marker at the northwest corner of Section 2, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico.

(2) That the non-standard locations set out below are hereby approved for the following-described wells:

TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM, LEA COUNTY, NEW MEXICO

OPERATOR	LEASE	WELL NO.	LOCATION	SECTION
Sunray DX	State "K"	1	2105 feet from the South line, 1604 feet from the West line	11

Cabeen	Sunray-State "K"	1	761 feet from the South line, 2957 feet from the West line	11
Cities Service	Lane L	1	651 feet from the North line, 1621 feet from the West line	14
Cities Service	State "BL"	1	2006 feet from the North line, 300 feet from the West line	14
Cities Service	State "AD"	3	366 feet from the South line, 991 feet from the East line	22
Cities Service	State "AD"	4	329 feet from the South line, 2315 feet from the East line	22
Socony Mobil	New Mexico "B"	2	331 feet from the North line, 994 feet from the East line	27
Socony Mobil	New Mexico "B"	3	334 feet from the North line, 2327 feet from the East line	27
Socony Mobil	New Mexico "B"	5	1982 feet from the North line, 1014 feet from the East line	27
Humble	NM State "AF"	1	2336 feet from the South line, 1922 feet from the East line	27
Humble	NM State "AF"	2	2335 feet from the South line, 1005 feet from the East line	27

(3) That the Secretary-Director is hereby authorized to approve any other non-standard location in this area upon proper showing by the operator thereof that said well was drilled or was drilling on the date this order was entered, and that said non-standard location results from the determination of the survey line set forth in Paragraph (1) above.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

E. S. WALKER, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

esr/

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