

**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 HEARING:**

**APPLICATION OF CHESAPEAKE OPERATING, INC.
FOR AN UNORTHODOX GAS WELL LOCATION AND
TO TERMINATE ORDER R-11432-A
LEA COUNTY, NEW MEXICO**

CASE 13267

PRE-HEARING STATEMENT

**Chesapeake Operating, Inc. submits this pre-hearing statement as required by the
New Mexico Oil Conservation Division.**

APPEARANCES OF THE PARTIES

05/21/04

APPLICANT

**Chesapeake Operating, Inc.
6100 N. Western Ave
Oklahoma City, OK 73118
Attn: Lynda Townsend
405-879-9414**

ATTORNEY

**Thomas Kellahin, Esq.
P. O. Box 2265
Santa Fe, New Mexico 87504
505-982-4285**

OPPONENT

**Yates Petroleum Company
Artesia, NM**

ATTORNEY

**William F. Carr, Esq.
P. O. Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421**

STATEMENT OF THE CASE**APPLICANT:**

The Division by Order R-11432-A, dated November 28, 2000, Case 12448 (reopened), approved Chesapeake's application and thereby:

- (a) authorized an exception to Rule 104 to allow the simultaneous dedication of two gas Atoka formation wells, Boyce 15-1 and Boyce 15-3, located in the same 160-acre portion of a 320-acre gas spacing unit consisting of the E/2 of Section 15; and
- (b) approved an unorthodox gas well location for the Boyce 15-3 well located 2310 feet FNL and 443 feet FEL of this section for production from the North Shoe Bar-Atoka Gas Pool.

Subsequent to the order, Chesapeake has:

- (a) abandoned the Atoka formation in the Boyce 15-1 well;
- (b) unsuccessfully attempted to recomplete the Boyce 15-1 in the Strawn formation and then successfully completed this well as a oil well in the Wolfcamp formation dedicated to a standard 160-acre oil spacing unit in the North Shoe Bar-Wolfcamp Pool;
- (c) abandoned the Atoka formation in its Boyce 15-3 well; and
- (d) recompleted the Boyce 15-3 well at an approved unorthodox gas well location in the Townsend-Morrow Gas Pool, Order R-1143, dated August 3, 2000, Case 12448

As a result of this action, Chesapeake now longer has two Atoka gas well in the same 160-acre portion of this 320-acre spacing unit and Order R-11432-A may be terminated.

On December 3, 2003, Chesapeake spudded the Boyce 15-5 well at a location 330 feet FNL and 1650 feet FWL of Section 15 and drilled to the Strawn formation in the Townsend Permo Upper Penn Pool. Chesapeake determined that the Strawn formation was non-productive and drilled to the Morrow formation that was also unproductive and as a salvage operation, completed this well in the Atoka formation as a rate of 515 MFC/D on February 3-10, 2004. In doing so, Chesapeake now has an Atoka gas well at an unorthodox well location.

Fortunately, the Chesapeake location does not adversely affect Yates Petroleum Corporation, the offsetting operator in the north, because Chesapeake's Boyce 15-5 wellbore produces from 3 Atoka zones are either (a) not commercially present or (b) have been produced and abandoned in Yates' Big Flat "ASN" State 3, located 845 feet FSL and 1980 feet FEL of Section 10.

PROPOSED EVIDENCE**APPLICANT**

WITNESSES	EST. TIME	EST. EXHIBIT
David A. Godsey (Geologist)	30 min.	6
Andrew McCalmont (P.E.)	30 min.	8
Lynda Townsend (Landman)	15 min	6

PROCEDURAL MATTERS

None

KELLAHIN & KELLAHIN



W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504
Phone 505-982-4285
Fax 505-982-2047
E-mail: kellahin@earthlink.net.

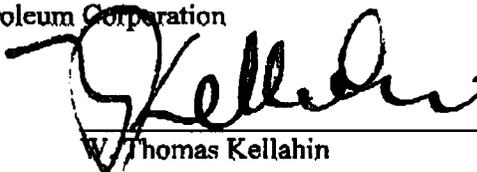
CERTIFICATE OF SERVICE

I certify that on May 21, 2004, I served a copy of the foregoing documents by:

- US Mail, postage prepaid
 Hand Delivery
 Facsimile

to the following:

William F. Carr, Esq.
Attorney for Yates Petroleum Corporation



W. Thomas Kellahin