

**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. 11404
Order No. R-10502**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 19, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of October, 1995, 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., seeks approval to drill its Shaw "15" Well No. 2 at an unorthodox oil well location 2100 feet from the North line and 2310 feet from the East line (Unit G) of Section 15, Township 17 South, Range 37 East, NMPM, to test the Strawn formation, Humble City-Strawn Pool, Lea County, New Mexico.

(3) The S/2 NE/4 of Section 15 is to be dedicated to the subject well forming a standard 80-acre oil spacing and proration unit for said pool.

(4) The subject well is located within the Humble City-Strawn Pool and is therefore subject to the Special Rules and Regulations for said pool as promulgated by Division Order No. R-4338, which require standard 80-acre oil spacing and proration units with wells to be located within 150 feet of the center of either quarter-quarter section or lot.

(5) The applicant presented geologic evidence and testimony based upon well control and 3-D seismic data in support of its proposed unorthodox location.

(6) Applicant's geologic evidence indicates the presence of a Strawn structure which encompasses approximately 120 acres comprising the W/2 NE/4 and the SE/4 NE/4 of Section 15.

(7) The subject Strawn structure contains, according to applicant's evidence, three "algal mound" buildups.

(8) The northern portion of this Strawn structure has been previously developed by the Harding Oil Company Shaw Well No. 1, located in Unit B, which cumulatively produced approximately 417,000 barrels of oil prior to being plugged and abandoned in 1985.

(9) The applicant's geologic evidence and testimony indicates that the proposed unorthodox oil well location is necessary in order to:

- a) maximize the distance from the aforesaid Shaw Well No. 1, which may have depleted the northern portion of this Strawn structure; and,
- b) penetrate the targeted "algal mound" in the area of maximum thickness and reservoir quality, thereby increasing the likelihood of obtaining commercial oil production.

(10) A well at the proposed unorthodox location should adequately drain and develop the proposed proration unit.

(11) The operator of the affected offset to the west is BTA Oil Producers. The affected offset acreage to the south is currently owned by approximately thirteen different interest owners, including Oxy USA Inc., being the majority interest owner.

(12) There is currently no Strawn production within the affected offset acreage.

(13) The applicant notified all affected offset operators and interest owners of its application, and no such offset operator and/or interest owner appeared at the hearing in opposition to the application.

(14) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the Humble City-Strawn Pool, 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:

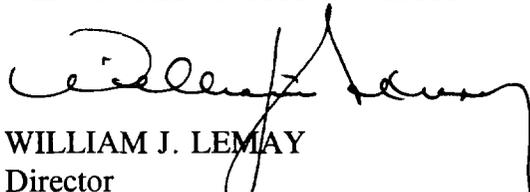
(1) The applicant, Chesapeake Operating, Inc., is hereby authorized to drill its Shaw "15" Well No. 2 at an unorthodox oil well location 2100 feet from the North line and 2310 feet from the East line (Unit G) of Section 15, Township 17 South, Range 37 East, NMPM, to test the Strawn formation, Humble City-Strawn Pool, Lea County, New Mexico.

(2) The S/2 NE/4 of Section 15 shall be dedicated to the subject well forming a standard 80 acre oil spacing and proration unit for said pool.

(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


WILLIAM J. LEMAY
Director

