



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

May 22, 2002

Lori Wrotenbery
Director
Oil Conservation Division

Chesapeake Operating, Inc.
c/o W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Telefax No. (505) 982-2047

Administrative Order NSL-4738

Dear Mr. Kellahin:

Reference is made to your application on behalf of the operator, Chesapeake Operating, Inc. ("Chesapeake"), dated May 6, 2002 (*application reference No. pKRV0-213540332*) for an exception to the well location requirements (**Rule 4**) provided within the "*Special Rules and Regulations for the Shipp-Strawn Pool*," as promulgated by Division Order No. R-8062, as amended, for Chesapeake's proposed Walter "4" Well No. 1 to be drilled 2260 feet from the South line and 718 feet from the West line (Unit L) of Section 4, Township 17 South, Range 37 East, NMPM, Shipp-Strawn Pool (**55695**), Lea County, New Mexico.

The N/2 SW/4 of Section 4 is to be dedicated to this well in order to form a standard 80-acre lay-down oil spacing and proration unit for this pool (as provided for by **Rule 2** of the special pool rules).

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

It is our understanding that Conoco, Inc. is seeking this location exception based on a 3-D seismic survey of the immediate area, whereby it contends that a well drilled at this location should penetrate a small algal reef mound within the Strawn formation at a more structurally advantageous position than a well drilled at a standard location thereon, thereby increasing the likelihood of obtaining commercial production

By the authority granted me under the provision of the applicable rules governing the Shipp-Strawn Pool and Division Rule 104.F (2), the above-described unorthodox Strawn oil well location is hereby approved.

Further, the aforementioned well and spacing unit will be subject to all existing rules, regulations, policies, and procedures applicable to this pool.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe