



(Case 13101)

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor
Joanna Prukop
Cabinet Secretary

September 2, 2003

Lori Wrotenberg
Director
Oil Conservation Division

Chesapeake Operating, Inc. and Doyle Hartman, Oil Operator
c/o W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504

Administrative Order NSP-1867

Dear Mr. Kellahin:

Reference is made to the following: (i) your single application (*administrative application reference No. pMES0-323937932*) filed on August 26, 2003 with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on behalf of Chesapeake Operating, Inc. ("Chesapeake") and Doyle Hartman, Oil Operator ("Doyle Hartman"); (ii) your telephone conversation with Mr. Michael E. Stogner, Division Engineer/Hearing Officer in Santa Fe on Wednesday morning, August 27, 2003; (iii) your telefax of Friday, August 29, 2003 with supplemental information supporting this application; and (iv) the Division's records in Santa Fe, including the file in Division Case No. 13101: all concerning both applicants' plans to develop the Tubb formation underlying the NW/4 of Section 8, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, by establishing the following two non-standard spacing and proration units:

- (a) the 120 acres comprising the W/2 NW/4 and the SE/4 NW/4 of Section 8 will be a non-standard gas spacing unit in the Undesignated West Monument-Tubb Gas Pool (96968); and
- (b) the remaining 40 acres comprising the NE/4 NW/4 (Unit C) of Section 8 will be a non-standard oil spacing and proration unit in the Undesignated Monument-Tubb Pool (47090).

The Division Director Finds That:

(1) By Order No. R-1532 issued in Case No. 1809, dated November 23, 1959 and made effective December 1, 1959, the Division created and defined the Monument-Tubb Pool for the production of oil from the Tubb formation. The horizontal limits for this pool, as currently designated, include the following lands in Lea County, New Mexico:

TOWNSHIP 19 SOUTH, RANGE 37 EAST, NMPM

Section 32:	SE/4
Section 34:	S/2
Section 35:	SW/4

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM

Section 2:	W/2 and SE/4
Sections 3 and 4:	All
Section 5:	NE/4 and S/2
Section 8:	E/2
Sections 9 through 12:	All
Section 13:	N/2
Section 14:	N/2 and W/2 SW/4
Section 15:	All
Section 16:	N/2 and SE/4
Section 20:	NE/4
Section 21:	N/2
Section 22:	N/2
Section 23:	W/2

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Section 6:	S/2
Section 7:	N/2 and SW/4.

(2) The Monument-Tubb Pool is currently governed by the "*Special Rules and Regulations for the Monument-Tubb Pool*," as promulgated by Division Order No. R-2800, issued in Division Case No. 3123 on November 10, 1964, as amended by Division Order R-10128, issued in Division No. 10984 on June 3, 1994, which require: (i) standard 80-acre oil spacing and proration units comprising the W/2, E/2, S/2, or N/2 of a governmental quarter section; (ii) wells to be located no closer than 330 feet to any governmental quarter-quarter section or lot line; and (iii) a limiting gas/oil ratio of 10,000 cubic feet of gas per barrel of oil, which results in a casinghead gas allowable of 2220 MCF per day (depth bracket oil allowable for the Monument-Tubb Pool of 222 barrels of oil per day times 10,000).

(3) By Order No. R-11304 issued in Case No. 12321, dated January 12, 2000 and made effective February 1, 2000, the Division created and defined the West Monument-Tubb Gas Pool for the production of gas from the Tubb formation. The horizontal limits for this pool, as currently designated, include the following lands in Lea County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM

Section 6:	E/2
Section 7:	E/2.

Chesapeake Operating, Inc. and Doyle Hartman, Oil Operator

Division Administrative Order NSP-1867

September 2, 2003

Page 3

(4) The West Monument-Tubb Gas Pool is an "unprorated" shallow gas pool in southeast New Mexico and therefore not subject to Part H of the Division's statewide rules entitled "*Gas Proration and Allocation*" (Rules 601 through 605); however, this pool is currently governed by Division Rules 104.C (3) and D (3), which provide for 160-acre spacing units, require wells to be no closer than 660 feet to the outer boundary of their assigned units nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary, and preclude the drilling, recompletion, and production of a second gas well within a single 160-acre gas spacing unit.

(5) Sinclair Oil & Gas Company drilled the Barber-Adkins Unit Well No. 1 (API No. 30-025-20436), at a standard gas well location 660 feet from the North and West lines (Unit D) of Section 8, to a total depth of 10,156 feet in mid-1963 to test the Undesignated Monument McKee-Ellenburger Gas Pool underlying the NW/4 of Section 8, being a standard 160-acre gas spacing unit at that time. Deemed a dry hole, this well was plugged and abandoned in September, 1963.

(6) Chesapeake now intends to reenter this well, redesignate it the Barber-Adkins "8" Well No. 1, and test both the Abo and Tubb formations for commercial hydrocarbon production.

(7) This well is adjacent to the Monument-Abo Pool (46970), if Abo production is encountered this well location is considered to be orthodox for a standard 40-acre oil spacing and proration unit comprising the NW/4 NW/4 (Unit D) of Section 8.

(8) If the Barber-Adkins "8" Well No. 1 is completed as a gas well in the Tubb formation (Undesignated West Monument-Tubb Gas Pool) at the aforementioned standard gas well location, Chesapeake will be operator of the above-described 120-acre non-standard gas spacing unit.

(9) The remaining 40 acres (within the NW/4 of Section 8) comprising the NE/4 NW/4 (Unit C) of Section 8 is to be operated by Doyle Hartman as a non-standard 40-acre oil spacing and proration unit within the Undesignated Monument-Tubb Pool and is to be dedicated to his existing Britt "B-8" Well No. 2 (API No. 30-025-06007), located at a standard Monument-Tubb oil well location 330 feet from the North line and 2310 feet from the West line (Unit C) of Section 8.

(10) The subject application filed jointly by Doyle Hartman and Chesapeake has been duly filed under the provisions of Division Rules 104.D (2) and Rule 3 of the Monument-Tubb special pool rules.

(11) Approval of this application is in the best interest of conservation, exhibits sound engineering practices, will enable both operators to produce its just and fair share of production from the Tubb formation in a prudent manner, will serve to prevent waste, and will otherwise serve to prevent waste and protect correlative rights.

Chesapeake Operating, Inc. and Doyle Hartman, Oil Operator

Division Administrative Order NSP-1867

September 2, 2003

Page 4


It Is Therefore Ordered That:

(1) Chesapeake Operating, Inc. ("Chesapeake") is to be the designated operator of the 120 acres, comprising the W/2 NW/4 and SE/4 NW/4 of Section 8, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, thereby forming a non-standard gas spacing unit within the Undesignated West Monument-Tubb Gas Pool (96968), which is to be dedicated to Chesapeake's Barber-Adkins Unit Well No. 1 (API No. 30-025-20436), located at a standard gas well location 660 feet from the North and West lines (Unit D) of Section 8.

(2) Doyle Hartman, Oil Operator is hereby authorized to operate the remaining 40 acres comprising the NE/4 NW/4 (Unit C) of Section 8, as a non-standard oil spacing and proration unit within the Undesignated Monument-Tubb Pool (47090) in which is to be dedicated to his existing Britt "B-8" Well No. 2 (API No. 30-025-06007), located at a standard Tubb oil well location for this unit 330 feet from the North line and 2310 feet from the West line (Unit C) of Section 8.

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

Sincerely,



Lori Wrotenbery
Director

LW/mes

cc: New Mexico Oil Conservation Division – Hobbs
U. S. Bureau of Land Management - Carlsbad
J. E. Gallegos, Esq., Legal Counsel for Doyle Hartman, Oil Operator – Santa Fe
File: Division Case No. 13101