

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

ORIGINAL

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 14406

APPLICATION OF CHESAPEAKE  
OPERATING, INC. FOR APPROVAL  
OF A UNIT AGREEMENT,  
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

December 17, 2009  
Santa Fe, New Mexico

2009 DEC 28 A 9:14  
RECEIVED OGD

6/8/2011 JWM

BEFORE: WILLIAM P. JONES: Hearing Examiner  
TERRY WARNELL: Technical Advisor

This matter came for hearing before the New Mexico  
Oil Conservation Division, William P. Jones Hearing  
Examiner, on December 17, 2009, at the New Mexico Energy,  
Minerals and Natural Resources Department, 1220 South St.  
Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: PEGGY A. SEDILLO, NM CCR NO. 88  
Paul Baca Court Reporters  
500 Fourth Street, NW, Suite 105  
Albuquerque, NM 87102

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# I N D E X

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## APPLICANT'S EXHIBITS:

Exhibit No. 1	5
Exhibit No. 2	5

COURT REPORTER'S CERTIFICATE	6
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## A P P E A R A N C E S

For the Applicant:	OCEAN MUNDS-DRY, ESQ. Holland and Hart 110 North Guadalupe, Suite 1 Santa Fe, NM 87501
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1 HEARING EXAMINER: Let's call Case 14406,  
2 application of Chesapeake Operating, Inc. for approval of  
3 a unit agreement, Eddy County, New Mexico. Call for  
4 appearances.

5 MS. MUNDS-DRY: Ocean Munds-Dry with the law  
6 firm of Holland and Hart here representing Chesapeake  
7 Operating, Inc. this morning, and I am presenting this  
8 case by affidavit.

9 HEARING EXAMINER: Any other appearances?

10 MS. MUNDS-DRY: Mr. Jones, Chesapeake Operating,  
11 Inc. seeks approval of the Forehand Ranches Exploratory  
12 Unit this morning. This unit is comprised of 640 acres of  
13 state lands situated in Eddy County, New Mexico.

14 The horizontal limits of the proposed unit are  
15 all of Section 36 in Township 25 south, Range 26 east.

16 Exhibit No. 1 is the affidavit of Robert Martin  
17 who is the petroleum geologist employed by Chesapeake who  
18 is responsible for the formation of the proposed unit.

19 Chesapeake proposes to test all formations from  
20 the surface to the base of the Bone Spring formation. The  
21 initial unit well will be drilled at a standard oil well  
22 location 330 feet from the north line, and 2,310 feet from  
23 the east line of Section 36, Township 25 south, Range 26  
24 east in Eddy County, New Mexico, with a proposed total  
25 measured depth of 10,400 feet.

1            Attachment A to this affidavit is a copy of the  
2            unit agreement which conforms to the State Land Office  
3            state fee unit agreement form.

4            Attachment B is Exhibit A to the unit agreement,  
5            and it shows the plat which shows the boundaries of the  
6            proposed unit.

7            Attachment C to the affidavit is the Schedule B  
8            showing ownership in the proposed unit. A hundred percent  
9            of the working interest is owned by Chesapeake and is  
10           committed to the unit, and a hundred percent is royalty  
11           owned by the State.

12           Attachment D to the affidavit is the letter from  
13           the State Land Office showing preliminary approval for the  
14           proposed unit.

15           Attachment E to the affidavit is a first Bone  
16           Spring sand bay isopach map. As you can see and is  
17           discussed further by Mr. Martin, Attachment E shows that  
18           Chesapeake expects to encounter about 15 plus feet  
19           thickness in the Bone Spring.

20           Attachment F to the affidavit is a structure map  
21           which is hung on top of the first Bone Spring sand. This  
22           map shows a general dip from west to east with no major  
23           structures within the proposed unit.

24           Production in this area comes from stratigraphic  
25           traps within the Bone Spring formation and consists of

1 thin and narrow north-south trending sandstones that pinch  
2 out to the east and west.

3 Attachment G to the affidavit is stratigraphic  
4 Cross Section B, B Prime where, again, it's hung on the  
5 first Bone Spring sand, and you can see that potential pay  
6 is highlighted in yellow in each of those logs.

7 Finally, Chesapeake Exhibit No. 2 is the  
8 affidavit of publication showing notice was given in this  
9 proposed application.

10 And Mr. Martin testifies that the development of  
11 this unit area is pursuant to a unit plan and is in the  
12 best interest of conservation, prevention of waste, and  
13 the protection of correlative rights.

14 With that, Mr. Jones, I'd ask that Chesapeake  
15 Exhibit No. 1 and its attachments, and Exhibit No. 2 be  
16 admitted into evidence.

17 HEARING EXAMINER: Exhibit No. 1 and all its  
18 attachments, and Exhibit No. 2 will be admitted.

19 MS. MUNDS-DRY: And we'd ask that this matter be  
20 taken under advisement.

21 HEARING EXAMINER: Okay, we'll take Case 14406  
22 under advisement.

23 (Whereupon, the proceedings concluded.)


24 I do hereby certify that the foregoing is  
25 a complete record of the proceedings in  
the Examiner hearing of Case No. \_\_\_\_\_,  
heard by me on 12/22/89 \_\_\_\_\_.

1 STATE OF NEW MEXICO )  
 2 ) ss.  
 3 COUNTY OF BERNALILLO )

4  
 5 REPORTER'S CERTIFICATE

6  
 7 I, PEGGY A. SEDILLO, Certified Court  
 8 Reporter of the firm Paul Baca Professional  
 9 Court Reporters do hereby certify that the  
 10 foregoing transcript is a complete and accurate  
 11 record of said proceedings as the same were  
 12 recorded by me or under my supervision.

13 Dated at Albuquerque, New Mexico this  
 14 22nd day of December, 2009.

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 20 PEGGY A. SEDILLO, CER NO. 88  
 License Expires 12/31/09