



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
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January 30, 1998

Mr. W. Thomas Kellahin
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**Re: Application of Chesapeake Operating, Inc. for an Unorthodox Well Location, Lea
County, New Mexico
Case No. 11894 (*de novo*)**

Gentlemen:

On January 15, 1998, Yates Petroleum Corporation ("Yates") filed its Application for Hearing *De Novo* in the above-referenced matter. On January 23, 1998, Yates filed a Motion for Stay of Division Order. On January 28, 1998, Chesapeake Operating, Inc. ("Chesapeake") filed its Response to the Motion for Stay.

Yates claims that a stay of the division order should be granted for the following reasons:

The division order authorizes an unorthodox well location when a standard location is available to Chesapeake.

If Chesapeake drills the well at the unorthodox location, the *de novo* proceeding will be rendered meaningless.

To protect its correlative rights, Yates will be forced to seek an unorthodox well location and this will result in imprudent development of the reservoir, waste and irreparable harm.

Chesapeake responds as follows:

If the stay is granted, the Chesapeake's state lease will expire on February 1, 1998 prior to the *de novo* hearing.

The Oil Conservation Commission can adjust the current 10% production penalty, thus the *de novo* proceeding is not meaningless.

After consideration of the parties' arguments, Yates's Motion for a Stay of Division Order is hereby denied. Chesapeake represents that its state lease will expire on February 1, 1998, if the well is not drilled. Yates has the opportunity to make a showing at the *de novo* hearing that the production penalty should be increased. Yates also has the opportunity to apply to the division for an offsetting unorthodox location if it believes that is necessary to protect its correlative rights.

Sincerely,

A handwritten signature in black ink, appearing to read 'K.A. Garland', with a long, sweeping horizontal line extending to the right.

Kathleen A. Garland
Acting Director