

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

CASE NO. 12392

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

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by CHESAPEAKE OPERATING INC.
required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Chesapeake Operating Inc.
P. O. Box 18496
Oklahoma City, OK 73154
(405) 848-8000
attn: Lynda Townsend

ATTORNEY

W. Thomas Kellahein
KELLAHIN & KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

Pre-Hearing Statement
NMOCD CASE 12392
Page 2

STATEMENT OF THE CASE

Chesapeake Operating Inc. seeks a compulsory pooling order for the W/2 of Section 22, T16S, R36E, Lea County, New Mexico, as a 320-acre gas spacing unit for its Teague "22" Well No. 1 to be drilled 2272 feet FNL and 2125 feet FWL which is at an location in various formations including the Atoka-Morrow formations which are the principle objectives.

The Atoka/Morrow formations have been proven to be wet if structurally low. The unorthodox location is based upon 3-D seismic data in an attempt to locate the well at a point of maximum structural attitude and minimize the possibility of encountering water.

PROPOSED EVIDENCE

APPLICANT:

WITNESSES

EST. TIME EXHIBITS

Lynda Townsend (landman)

15 min. @ 8 exhibits

Robert Hefner (geology)

15 Min. @ 3 exhibits

PROCEDURAL MATTERS

KELLAHIN AND KELLAHIN

By:


W. Thomas Kellahin

CASE 12385: Continued from May 4, 2000, Examiner Hearing.

Application of Texaco Exploration and Production, Inc. for Compulsory Pooling, Chaves County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Abo formation to the base of the Morrow formation underlying the following described acreage in Section 36, Township 15 South, Range 31 East, and in the following manner: (a) the W/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent which presently includes the Undesignated West Anderson Ranch-Pennsylvanian Gas Pool; and (b) the NW/4 to form a standard 160-acre gas spacing and proration unit for all formations developed on 160-acre spacing within this vertical extent. Both units are to be dedicated to the proposed Dulce "36" State Com. Well No. 1 (API No. 30-005-21160), to be drilled at a standard gas well location for both units 1330 feet from the North line and 1980 feet from the West line (Unit F) of Section 36. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as the operator of this well and the two above-described units, and a charge for risk involved in drilling the well. The proposed well location is approximately seven miles north of Maljamar, New Mexico.

CASE 12377: Continued from May 4, 2000, Examiner Hearing.

Application of Concho Resources, Inc. for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 10, Township 17 South, Range 27 East, and in the following manner: (a) the S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent which presently includes the Undesignated Logan Draw-Atoka Gas Pool, Undesignated Logan Draw-Morrow Gas Pool, and Undesignated Crow Flats-Morrow Gas Pool; and (b) the SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within this vertical extent which presently includes the Undesignated Empire-Grayburg Gas Pool. Both units are to be dedicated to a single well, its proposed Woody "10" Federal Com. Well No. 1, to be drilled within the SE/4 SE/4 (Unit P) of Section 10 at a location considered to be standard for these two units. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as the operator of this well and the two above-described units, and a charge for risk involved in drilling the well. The proposed well location is approximately 1.5 miles northeast of Riverside, New Mexico.

CASE 12392: Continued from May 4, 2000, Examiner Hearing.

Application of Chesapeake Operating Inc. for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 22, Township 16 South, Range 36 East, in the following manner: the W/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent including but not limited to the Anderson Ranch-Morrow Gas Pool; the NW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within said vertical extent; the S/2 NW/4 to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent including but not limited to the Diamond-Strawn Pool; and the SE/4 NW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within said vertical extent. This unit(s) is to be dedicated to its Teague "22" Well No. 1 which will be located at an unorthodox well location 2272 feet from the north line and 2125 feet from the west line of this section. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling this well. This unit(s) is located approximately 2-1/2 miles south of the center of the City of Lovington, New Mexico.

CASE 12408: **Application of Conoco, Inc. for approval of three (3) non-standard oil proration and spacing units and unorthodox oil well location, or in the alternative, approval of an unorthodox oil well location, Lea County, New Mexico.** Applicant seeks (i) approval of three (3) non-standard oil proration and spacing units in the Undesignated North Hardy-Tubb-Drinkard Pool within Section 25, Township 20 South, Range 37 East, as follows: (a) a 40-acre non-standard unit consisting of the S/2 NW/4 SE/4 and the N/2 SW/4 SE/4 to be dedicated to its SEMU Well No. 135 (API No. 30-025-34666) which was originally drilled as a Strawn gas well at an unorthodox location 1330 feet from the South line and 1980 feet from the East line (Unit J) of this section and which is to be recompleted as a Tubb/Drinkard oil well; (b) a 20-acre non-standard unit consisting of the N/2 NW/4 SE/4; and (c) a 20-acre non-standard unit consisting of the S/2 SW/4 SE/4; or (ii) in the alternative, approval of an unorthodox well location for this well to be dedicated to a standard 40-acre spacing unit consisting of Unit J of this section. This well is located approximately 7 miles southwest of Nadine, New Mexico.

DOCKET: EXAMINER HEARING - THURSDAY - MAY 18, 2000

8:15 A.M. - 2040 South Pacheco
Santa Fe, New Mexico

Dockets Nos. 14-00 and 15-00 are tentatively set for June 1 and June 15, 2000. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 12368: Continued from May 4, 2000, Examiner Hearing.

Application of Harvey E. Yates Company for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 9000 feet subsurface to the base of the Morrow formation underlying Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 5, Township 18 South, Range 31 East, to form a standard 319.96-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated North Shugart-Morrow Gas Pool. The unit is to be dedicated to a well to be drilled at a standard gas well location in the SW/4 of Section 5. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling and completing the well. The unit is located approximately six miles southeast of Loco Hills, New Mexico.

CASE 12407: **Application of Southwestern Energy Production Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 18, Township 23 South, Range 34 East, and in the following manner: the E/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools spaced on 320-acre spacing within that vertical extent, including but not limited to the Undesignated West Antelope Ridge-Atoka Gas Pool and Undesignated North Bell Lake-Morrow Gas Pool; the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent; and the SE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, including but not limited to the Undesignated North Bell Lake-Delaware Pool and Undesignated North Bell Lake-Bone Spring Pool. The units are to be dedicated to its Paloma Blanco "18" Fed. Com. Well No. 1, to be drilled at a location 1980 feet from the North line and 660 feet from the East line of Section 18. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing the well. The units are located approximately 20 miles southwest of Oil Center, New Mexico.

CASE 12384: Continued from May 4, 2000, Examiner Hearing.

Application of Louis Dreyfus Natural Gas for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from a depth of 4,000 feet to the base of the Morrow formation, underlying the following described acreage in Section 34, Township 17 South, Range 28 East, and in the following manner: (a) the W/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent which presently includes the Empire-Pennsylvanian Gas Pool; (b) the NW/4 to form a standard 160-acre gas spacing and proration unit for all formations developed on 160-acre spacing within said vertical extent; and (c) the SW/4 NW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within this vertical extent which presently includes the Undesignated Empire-Wolfcamp Pool. These three units are to be dedicated to a single well, the proposed Geronimo "34" State Com. Well No. 1, to be drilled within the SW/4 NW/4 (Unit E) of Section 34 at a location considered to be standard for all three units. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and units, and a charge for risk involved in drilling the well. The proposed well location is approximately one-quarter mile southwest of the junction of U. S. Highway No. 82 and New Mexico State Road No. 360.

CASE 12399: Continued from May 4, 2000, Examiner Hearing.

Application of EOG Resources, Inc. for approval of a Pilot Waterflood Project in the North Red Hills Unit, Lea County, New Mexico. Applicant seeks approval of a pilot project for the injection of water into the Bone Spring formation, Red Hills-Bone Spring Pool through one injection well in its proposed North Red Hills Unit Area. The Project Area for this pilot waterflood project is the following area:

TOWNSHIP 25 SOUTH, RANGE 33 EAST, NMPM

Section 12: S/2

Section 13: N/2

This area is located approximately 21 miles west by north of Jal, New Mexico.

CASE 12329: Continued from May 4, 2000, Examiner Hearing.

Application of EOG Resources, Inc. for a Unit Agreement, Lea County, New Mexico. Applicant seeks approval of a unit agreement for its proposed Red Hills North Unit Area containing 3478.30 acres, more or less, of Federal and State lands comprising all or portions of Sections 6, 7, 8, 17 and 18, Township 25 South, Range 34 East, and all or portions of Sections 1, 12 and 13, Township 25 South, Range 33 East. The unit area is located approximately 19 miles west by north of Jal, New Mexico.

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

May 1, 2000

VIA FACSIMILE

Mr. David R. Catanach, Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505



Re: REQUEST FOR CONTINUANCE

NMOCD Case No. 12392

*Application of Chesapeake Operating, Inc.
for compulsory pooling*

Teague "22" Well No. 1

Lea County, New Mexico

Dear Mr. Catanach:

On behalf of the applicant, Chesapeake Operating, Inc., we request that the referenced case be continued from the May 4, 2000 docket to the Examiner's docket now scheduled for May 18, 2000.

Very truly yours,



W. Thomas Kellahin

cfx: *Chesapeake Operating, Inc.*
Attn: Lynda Townsend