

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

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

CASE NO. 12,653

APPLICATION OF CHESAPEAKE OPERATING, )  
INC., FOR AN UNORTHODOX OIL WELL )  
LOCATION, LEA COUNTY, NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

May 17th, 2001

Santa Fe, New Mexico

OIL CONSERVATION DIV.  
01 MAY 31 AM 10:22

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, May 17th, 2001, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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## I N D E X

May 17th, 2001  
 Examiner Hearing  
 CASE NO. 12,653

PAGE

REPORTER'S CERTIFICATE

7

\* \* \*

## E X H I B I T

Applicant's	Identified	Admitted
Exhibit A	5	6

\* \* \*

## A P P E A R A N C E S

## FOR THE APPLICANT:

JAMES G. BRUCE, Attorney at Law  
 3304 Camino Lisa  
 Santa Fe, New Mexico 87501  
 P.O. Box 1056  
 Santa Fe, New Mexico 87504

## FOR CONOCO, INC.:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR  
 110 N. Guadalupe, Suite 1  
 P.O. Box 2208  
 Santa Fe, New Mexico 87504-2208  
 By: WILLIAM F. CARR

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   9:13 a.m.:

3           EXAMINER STOGNER: I'm going to call at this time  
4   Case Number 12,653, which is the Application of Chesapeake  
5   Operating, Inc., for an unorthodox oil well location, Lea  
6   County, New Mexico.

7           Call for appearances.

8           MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,  
9   representing the Applicant. I just have a few statements.

10          MR. CARR: May it please the Examiner, my name is  
11   William F. Carr with the Santa Fe law firm Holland and  
12   Hart. We earlier entered an appearance in this matter for  
13   Conoco, Inc. We have discovered that the interest has been  
14   assigned to Texland Petroleum, and therefore we are  
15   withdrawing from the case and have no objection to the  
16   Application of Chesapeake Operating.

17          EXAMINER STOGNER: Thank you, Mr. Carr.

18          Mr. Bruce?

19          MR. BRUCE: Mr. Examiner, I've handed you a land  
20   plat from the case. If you'll look at that, originally  
21   this case was filed in Case Number 12,595. If you'll look  
22   at that land plat, originally there was a south-half  
23   northeast-quarter unit for this well. The well location  
24   itself has remained the same.

25          A hearing was held in Case 12,595 on February 22,

1 2001. Land and geophysical testimony was presented at that  
2 matter for the necessity of the unorthodox location.

3 After that, due to reasons connected with  
4 Chesapeake's farmout on the acreage, they were required to  
5 reorient the unit to a standup unit.

6 There was a hearing held on May 31 [sic] in this  
7 case at which land testimony was presented, but due to  
8 Conoco's objection, the matter was continued until now.

9 As Mr. Carr --

10 EXAMINER STOGNER: Okay, I'm sorry, back up.

11 MR. BRUCE: Yes.

12 EXAMINER STOGNER: When was it heard?

13 MR. BRUCE: May 3rd.

14 EXAMINER STOGNER: May 3rd, okay. That was  
15 before David Catanach. Okay --

16 MR. BRUCE: Yes.

17 EXAMINER STOGNER: -- please continue.

18 MR. BRUCE: Conoco objected it was being  
19 continued to this date to have geologic testimony  
20 presented. Conoco subsequently discovered that although  
21 the public records show that Conoco owned an interest,  
22 there is an unrecorded operating agreement under which  
23 Texland Petroleum, Inc., actually owns the deep rights, the  
24 Strawn rights, in the east half of the northeast quarter of  
25 Section 5.

1           What I've handed you marked as Exhibit A is a  
2       waiver of objection to the location signed by Texland  
3       Petroleum, Inc. I was out of town this week. I meant to  
4       get an affidavit from the landman testifying to the fact  
5       that Texland is the owner of the operating rights in the  
6       east half of the northeast quarter.

7           We can handle this one of two ways. Either we  
8       can get an affidavit, or I believe that the landman will be  
9       here on May 31st for a hearing, and we can have her testify  
10      to that fact, just so that there's something in the record  
11      showing that Texland is indeed the offset operator.

12           EXAMINER STOGNER: Okay now, on May 3rd was there  
13      land witnesses here then?

14           MR. BRUCE: There was -- Chesapeake had their  
15      landman here. But at that time everyone still believed  
16      that Conoco owned the interest. About a week later it was  
17      discovered that Conoco owned no interest in the offset,  
18      that under an unrecorded operating agreement Texland  
19      actually owns this interest.

20           EXAMINER STOGNER: Okay, so you're representing  
21      Conoco, Mr. Carr?

22           MR. CARR: Yes, I am.

23           EXAMINER STOGNER: And you can attest to this?

24           MR. CARR: Yes, I can.

25           EXAMINER STOGNER: Okay, I think an affidavit

1 would be sufficient.

2 MR. BRUCE: Okay.

3 EXAMINER STOGNER: And we'll keep the record open  
4 pending that receipt of that --

5 MR. BRUCE: Yes.

6 EXAMINER STOGNER: -- after which I'll take it  
7 under advisement and --

8 MR. BRUCE: And my -- Chesapeake, they testified  
9 that they do have a July 1 drilling deadline. If you like  
10 we could either -- There's two options. Either it could be  
11 referred to the administrative docket, or we would submit a  
12 proposed order on this matter to you.

13 EXAMINER STOGNER: I will accept a draft order.

14 MR. BRUCE: Thank you. With that I would move  
15 the admission of Chesapeake's Exhibit A.

16 EXAMINER STOGNER: If there's no objection,  
17 Exhibit A of Chesapeake will be admitted into evidence at  
18 this time.

19 Again, I'll keep the record open pending the  
20 affidavit from Chesapeake's land department, after which it  
21 will be taken under advisement. So that is all we have in  
22 this matter today.

23 (Thereupon, these proceedings were concluded at  
24 9:19 a.m.)

25 \* \* \*

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examining hearing of Case No. 12653,  
heard by me on 17 May 2001

STEVEN T. BRENNER, Examiner  
(505) 989-9317 Off Conservation Division

## CERTIFICATE OF REPORTER

STATE OF NEW MEXICO    )  
                                  )   ss.  
COUNTY OF SANTA FE    )

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL May 18th, 2001.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 2002



Lynda F. Townsend, CPL/ESA  
Landman

May 10, 2001

VIA FACSIMILE (817) 330-2751

Mr. Frank Pendleton  
Texland Petroleum, Inc.  
777 Main St., Ste. 3200  
Ft. Worth, TX 76102

OIL CONSERVATION DIVISION

Re: Notice and Request for Waiver  
Application for Unorthodox Location  
Buchanan 1-5 Well  
W/2 NE/4 Section 5-17S-37E  
Lee County, New Mexico

CASE NUMBER

Chesapeake EXHIBIT A

Dear Mr. Pendleton:

Chesapeake Operating, Inc. has made application to the New Mexico Oil Conservation Division for an unorthodox location for the captioned well. The bottom-hole location, which is 2385' FNL and 1641' FEL, is unorthodox to the unit's east lease line. The Buchanan 1-5 well is a Strawn test and as such is governed by the Shipp Strawn Pool rules which state that a well must be no closer than 150' of the center of a governmental quarter quarter section or lot. As a leasehold owner in the E/2 NE/4 of Section 5-17S-37E, you are hereby given notice of said application.

In addition, please consider this letter as a formal request for Texland's waiver of protest to Chesapeake's application. Chesapeake will, in turn, grant Texland a reciprocal waiver and provide well information on any well drilled by Chesapeake in the NE/4 of Section 5-17S-37E. Texland in return will provide Chesapeake with any well information on any well drilled by Texland in the NE/4 of Section 5-17S-37E. Please sign in the space so provided indicating Texland's waiver of protest and return to me by facsimile to (405) 879-9535 at your earliest convenience.

Very truly yours,

Lynda F. Townsend

Texland Petroleum, Inc. hereby agrees to a Waiver of Protest this 15 day of May 2001.

By:   
JERRY N. NAMY  
PRESIDENT & CHIEF EXECUTIVE OFFICER

MAY 14 2001  
WFP

Chesapeake Energy Corporation  
6100 N. Western Ave. • Oklahoma City, OK 73118 • P.O. Box 18496 • Oklahoma City, OK 73154-0496  
405.879.9414 • Fax 405.879.9535 • ltownsend@cheenergy.com