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c)   a very small portion of the Strawn structure is located on acreage owned by Yates within the N/2 SW/4 of Section 16;

d)   the proposed unorthodox location is necessary in order to penetrate the Strawn formation in the area of maximum porosity development and thickness within the reservoir;

e)   any attempt to locate the proposed Salbar "16" Well No. 1 at a standard oil well location will substantially increase the risk of drilling a dry hole.

(9)   Yates, which is in possession of its own 3-D seismic data, presented a top of Strawn time structure map which it utilized to demonstrate that a standard oil well location within the SW/4 NW/4 of Section 16 is located structurally higher within the Strawn reservoir than the unorthodox location proposed to be drilled by Chesapeake. Yates concluded from its evidence that the proposed unorthodox location is unnecessary and requested that Chesapeake's application be denied.

(10)   In the event Chesapeake's application is approved, and in order to assure that its correlative rights are protected, Yates requested that the Salbar "16" Well No. 1 be assessed a production penalty of either:

a)   60% (40% allowable), being the percentage of the acreage in this Strawn reservoir underlying the SW/4 of Section 16 as indicated by Yates' geologic evidence, which is operated by Yates; or,

b)   44% (56 % allowable) being the footage encroachment from a standard location towards the offsetting Yates operated tract.

(11)   Yates recommended utilizing a 60% production penalty (40% allowable) based upon its interpretation of the Strawn reservoir configuration. Yates also requested that the proposed production penalty be applied to the number of days in each production month (i.e. allow the well to produce 0.40 x the number of days in each month).

(12)   Upon consideration of the evidence and testimony presented by both parties in this case, the Division finds that: