

**CASE NO. 11894**  
**Order No. R-10937**  
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(13) The application of Chesapeake should be approved.

(14) Given that a small portion of this Strawn reservoir is located within Yates' acreage in the N/2 SW/4 of Section 16, and that the proposed location encroaches towards Yates' acreage, a production penalty should be assessed against the Salbar "16" Well No. 1 in order to protect the correlative rights of Yates.

(15) The production penalty imposed on the Salbar "16" Well No. 1 should be based upon the location and general configuration of the Strawn structure as determined from applicant's geophysical and geologic data.

(16) Based upon the Division's interpretation, it appears that at least 9/10 of the Strawn reservoir is contained within the applicant's proposed proration unit. The Salbar "16" Well No. 1 should therefore be assessed a production penalty of 10% (90% allowable).

(17) The production penalty should be assessed against the depth bracket allowable for the Northeast Shoe Bar-Strawn Pool, which is currently set at 365 barrels of oil per day.

(18) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(19) Approval of the proposed unorthodox location, subject to the above-described production penalty, will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

**IT IS THEREFORE ORDERED THAT:**

(1) The applicant, Chesapeake Operating, Inc., is hereby authorized to drill its Salbar "16" Well No. 1 at an unorthodox oil well location 2456 feet from the North line and 1023 feet from the West line (Unit E) of Section 16, Township 16 South, Range 36 East, NMPM, Northeast Shoe Bar-Strawn Pool, Lea County, New Mexico. The S/2 NW/4 of Section 16 shall be dedicated to the subject well forming a standard 80-acre oil spacing and proration unit for said pool.

(2) The Salbar "16" Well No. 1 is hereby assessed a production penalty of 10% (90% allowable). The production penalty shall be applied to the depth bracket allowable for the Northeast Shoe Bar-Strawn Pool.

(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

