

District I  
PO Box 1980, Hobbs, NM 88241-1980  
District II  
PO Drawer DD, Artesia, NM 88211-0719  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
PO Box 2088  
Santa Fe, NM 87504-2088

Form C-101  
Revised February 10, 1994  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 6 Copies  
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address: Chesapeake Operating, Inc. P. O. Box 18496 Oklahoma City, OK 73154-0496		OGRID Number 147179
Property Code 24400	Property Name M. I. ALLEN 21	API Number 30-025-34589
		Well No. 1

7 Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
N	21	15S	36E		1028	South	1744	West	LEA

8 Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
Proposed Pool 1 Wildcat Caudill, Permian Up. Penn					Proposed Pool 2				

Work Type Code N	Well Type Code O	Cable/Rotary R	Lease Type Code P	Ground Level Elevation 3900'
Multiple No	Proposed Depth 11,830'	Formation Stawn	Contractor Patterson	Spud Date 02/01/99

21 Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17-1/2"	13-3/8"	48#	450'	500	Surf
12-1/4"	9-5/8"	40#	4,300'	2000	Surf
7-7/8"	5-1/2"	17#	11,830'	1500	4000'

Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Chesapeake Operating, Inc. proposes to drill to 11,830' TD in the Stawn formation with Patterson as the drilling contractor.  
Patterson's BOP stack consists of 11" 5M# blind & pipe rams & 11" 5M# annular.

Permit Expires 1 Year From Approval  
Date Unless Drilling Underway

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature:

Barbara J. Bale

Printed name:

Barbara J. Bale

Title:

Regulatory Analyst

Date:

12/07/98

Phone:

(405)848-8000

OIL CONSERVATION DIVISION

Approved by:

ORIGINAL SIGNED BY  
CLAY WILK

Title:

Approval Date:

Expiration Date:

Conditions of Approval:

Attached ☐

# C-101 Instructions

Measurements and dimensions are to be in feet/inches. Well locations will refer to the New Mexico Principal Meridian.

IF THIS IS AN AMENDED REPORT CHECK THE BOX LABELED "AMENDED REPORT" AT THE TOP OF THIS DOCUMENT.

- 1 Operator's OGRID number. If you do not have one it will be assigned and filled in by the District office.
- 2 Operator's name and address
- 3 API number of this well. If this is a new drill the OCD will assign the number and fill this in.
- 4 Property code. If this is a new property the OCD will assign the number and fill it in.
- 5 Property name that used to be called 'well name'
- 6 The number of this well on the property.
- 7 The surveyed location of this well New Mexico Principal Meridian NOTE: If the United States government survey designates a Lot Number for this location use that number in the 'UL or lot no.' box. Otherwise use the OCD Unit Letter.
- 8 The proposed bottom hole location of this well at TD

9 and 10 The proposed pool(s) to which this well is being drilled.

- 11 Work type code from the following table:  
N New well  
E Re-entry  
D Drill deeper  
P Plugback  
A Add a zone

- 12 Well type code from the following table:  
O Single oil completion  
G Single gas completion  
M Multiple completion  
I Injection well  
S SWD well  
W Water supply well  
C Carbon dioxide well

- 13 Cable or rotary drilling code  
C Propose to cable tool drill  
R Propose to rotary drill

- 14 Lease type code from the following table:  
F Federal  
S State  
P Private  
N Navajo  
J Jicarilla  
U Ute  
I Other Indian tribe

15 Ground level elevation above sea level

16 Intend to multiple complete? Yes or No

17 Proposed total depth of this well

- 18 Geologic formation at TD
- 19 Name of the intended drilling company if known.
- 20 Anticipated spud date.
- 21 Proposed hole size ID inches, proposed casing OD inches, casing weight in pounds per foot, setting depth of the casing or depth and top of liner, proposed cementing volume, and estimated top of cement
- 22 Brief description of the proposed drilling program and BOP program. Attach additional sheets if necessary.
- 23 The signature, printed name, and title of the person authorized to make this report. The date this report was signed and the telephone number to call for questions about this report.

DISTRICT I  
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised February 10, 1994  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

DISTRICT II  
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

OIL CONSERVATION DIVISION

P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number <b>30-025-34589</b>	Pool Code <b>10830</b>	Pool Name <b>Wildcat Cordill; Permo Up. Penn</b>
Property Code <b>24400</b>	Property Name <b>M.I. ALLEN 21</b>	Well Number <b>1</b>
OGRID No. <b>147179</b>	Operator Name <b>CHESAPEAKE OPERATING, INC.</b>	Elevation <b>3900</b>

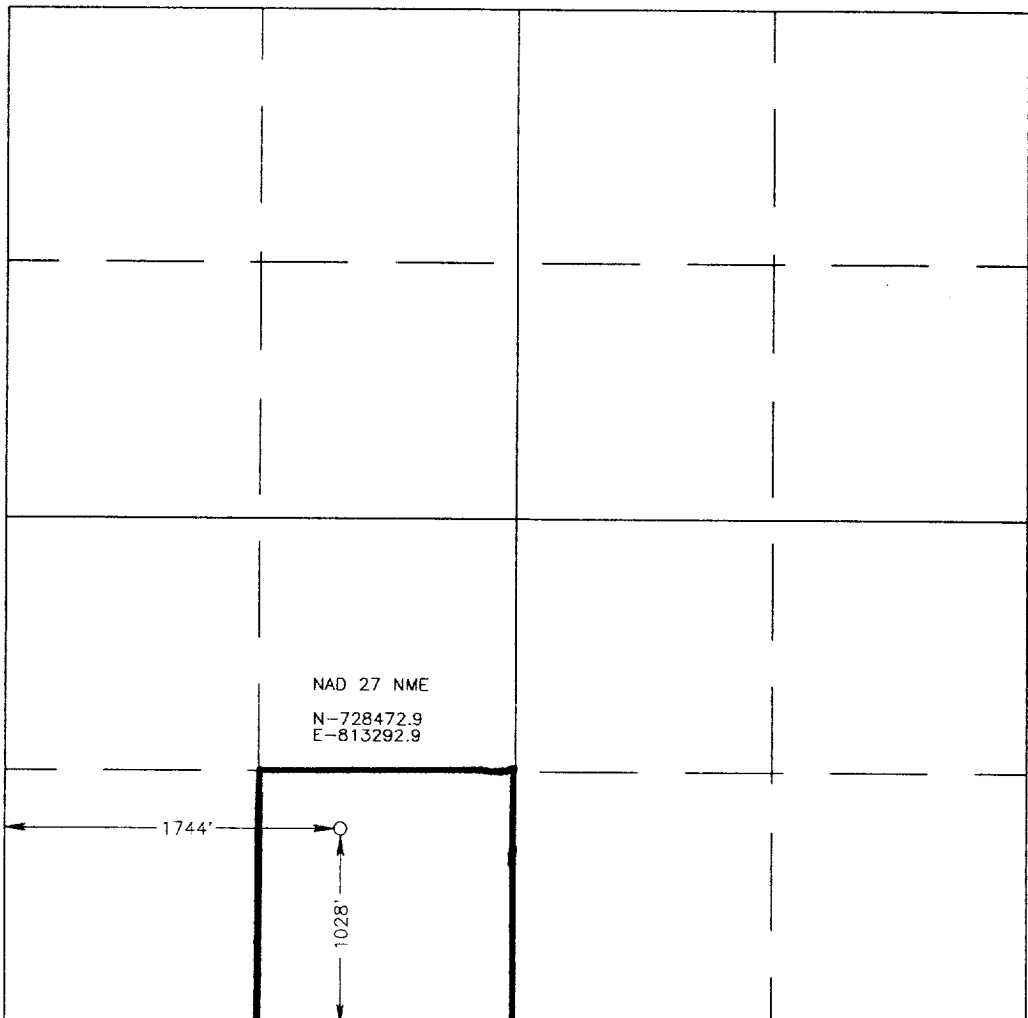
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	21	15 S	36 E		1028	SOUTH	1744	WEST	LEA

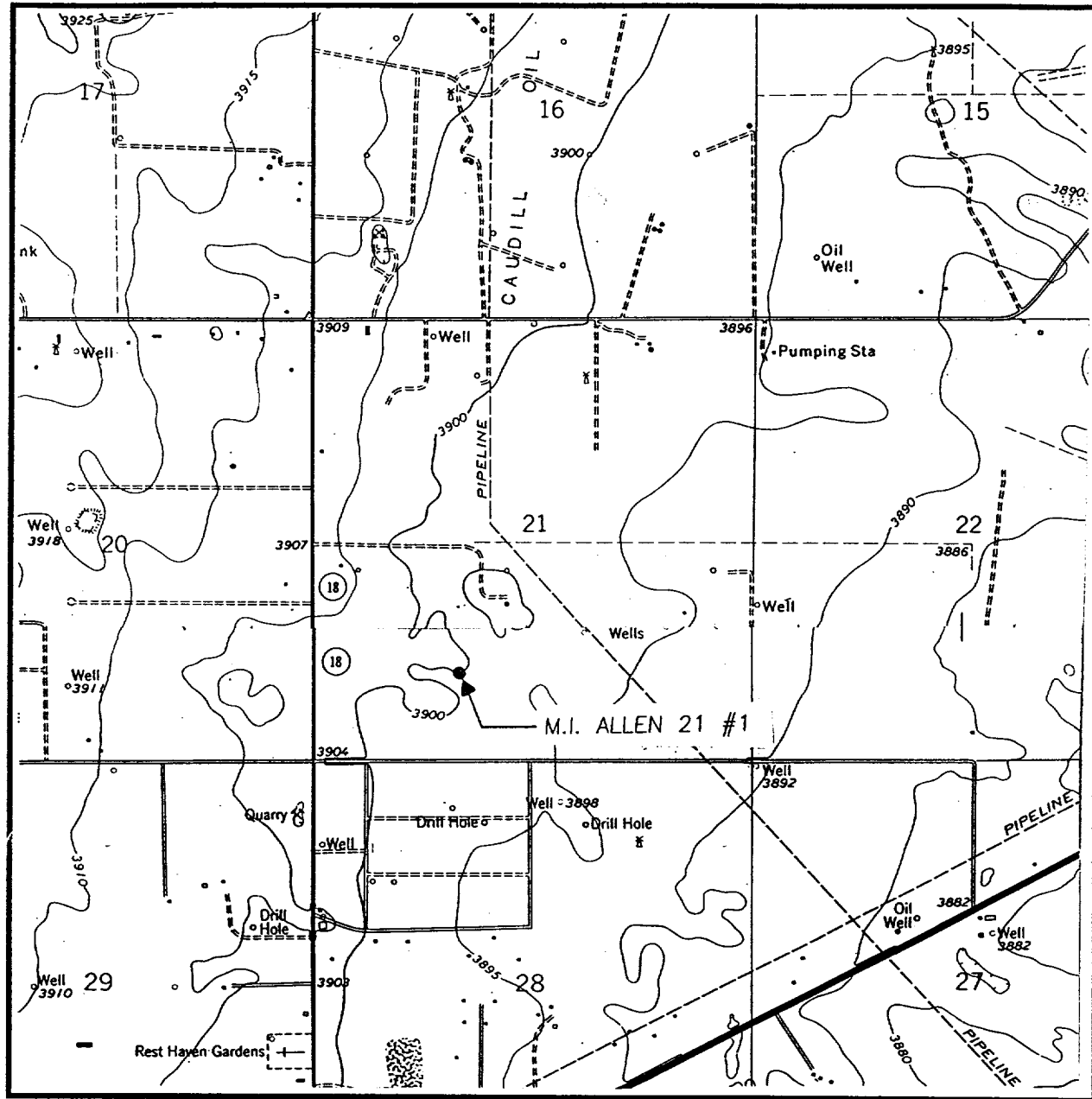
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres <b>40</b>		Joint or Infill	Consolidation Code		Order No.				

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

		<b>OPERATOR CERTIFICATION</b>  I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.  <u>Barbara J. Bale</u> Signature  Barbara J. Bale Printed Name  Regulatory Analyst Title  December 7, 1998 Date	
		<b>SURVEYOR CERTIFICATION</b>  I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.  JUNE 25, 1998 Date Surveyed DMCC Signature & Seal of Professional Surveyor <u>Ronald J. Eidsen</u> 7-02-98 98-11-0925 Certificate No. JOHN W. EIDSON 676 RONALD J. EIDSON 3239 RONALD J. EIDSON 12641	

# LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:  
LOVINGTON - 5'  
HILLBURN CITY - 5'

SEC. 21 TWP. 15-S RGE. 36-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1028' FSL & 1744' FWL

ELEVATION 3900

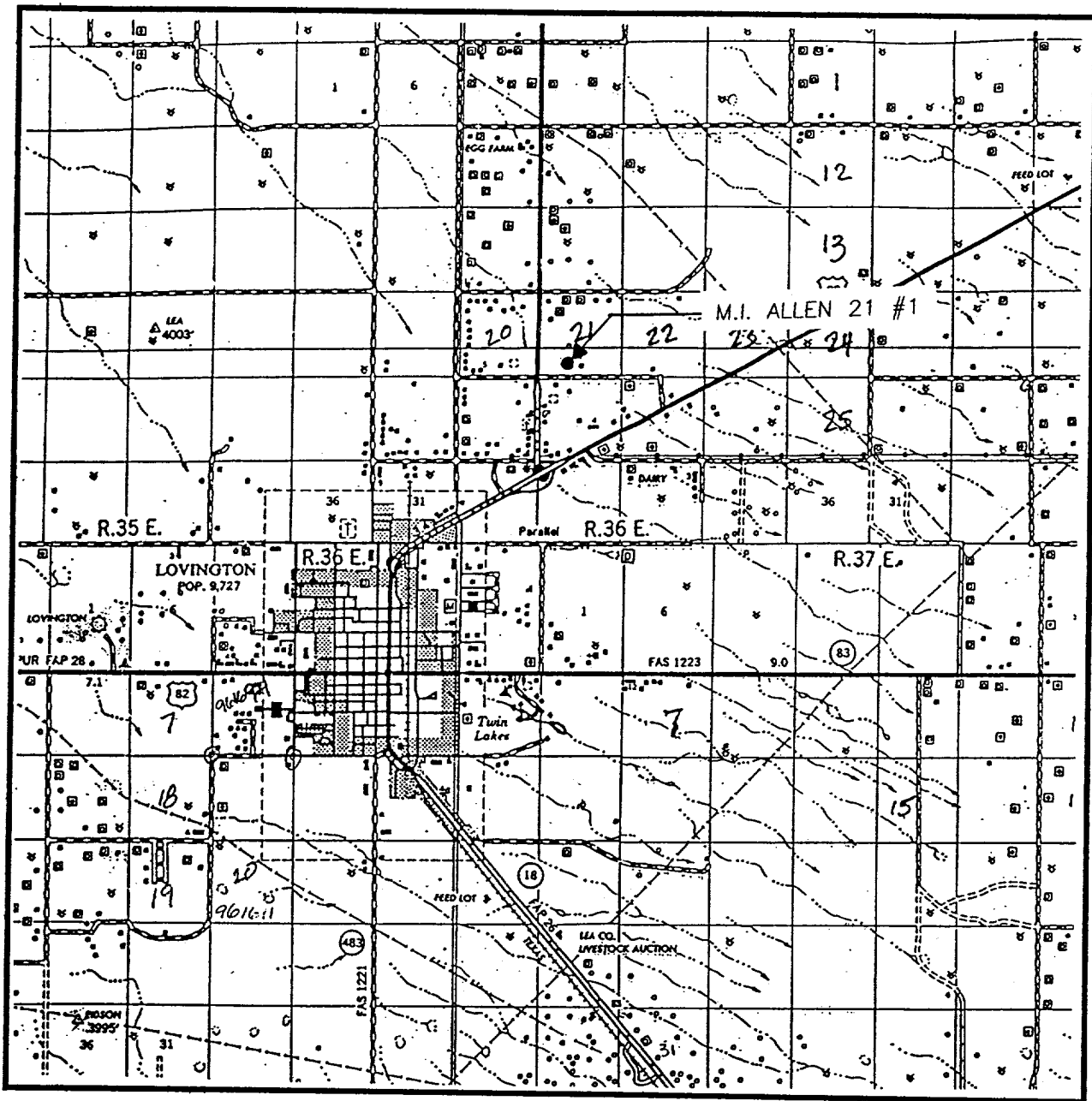
OPERATOR CHESAPEAKE OPERATING, INC.

LEASE M.I. ALLEN 21

U.S.G.S. TOPOGRAPHIC MAP  
LOVINGTON, HILLBURN CITY, N.M.

**JOHN WEST ENGINEERING  
HOBBS, NEW MEXICO**

**(505) 393-3117**



SEC. 21 TWP. 15-S RGE. 36-E

SURVEY\_\_\_\_\_ N.M.P.M.

COUNTY \_\_\_\_\_ LEA

DESCRIPTION 1028' FSL & 1744' FWL

ELEVATION 3900

OPERATOR CHESAPEAKE OPERATING, INC.

LEASE                      M.I. ALLEN 21

**JOHN WEST ENGINEERING  
HOBBS, NEW MEXICO**

**(505) 393-3117**

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. 12114  
ORDER NO. R-11147

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 4, 1999 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 11th day of March, 1999, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) The applicant, Chesapeake Operating, Inc. ("Chesapeake"), seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the SE/4 SW/4 (Unit N) of Section 21, Township 15 South, Range 36 East, NMPM, Lea County, New Mexico, in order 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, which presently include the Caudill-Permo Upper Pennsylvanian Pool.
- (3) This unit is to be dedicated to Chesapeake's proposed M. I. Allen "21" Well No. 1 to be drilled at an unorthodox oil well location 1028 feet from the South line and 1744 feet from the West line of Section 21.
- (4) The applicant has a right to develop the subject unit and to recover oil underlying the same; at this time, however, not all working interest owners in the proposed unit have agreed to pool their interests.

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Order No. R-11147  
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- (5) The applicant presented geological evidence and testimony indicating that a well drilled at the proposed unorthodox location should penetrate a small algal reef mound within the Strawn formation at a more structurally advantageous position than a well drilled at a standard location, thereby increasing the likelihood of obtaining commercial production.
- (6) No interested or affected party appeared at the hearing in opposition to this application.
- (7) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste, and to afford to the owner of each interest in this 40-acre unit the opportunity to recover or receive without unnecessary expense its just and fair share of the oil underlying the unit, the subject application should be approved by pooling all mineral interests, whatever they may be, within this unit.
- (8) Chesapeake should be designated the operator of the subject well and 40-acre unit.
- (9) Any non-consenting working interest owner should be afforded the opportunity to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production.
- (10) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.
- (11) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.
- (12) Following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated well costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.
- (13) At the time of the hearing Chesapeake Operating Inc. proposed fixed overhead and administrative costs for the M. I. Allen "21" Well No. 1 of \$6,000.00 per month while drilling and \$662.00 per month while producing.

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(14) The latest available "Fixed Rate Overhead Survey" for 1997-98, published by Ernst & Young, LLP of Houston, Texas, shows average overhead rates of \$5,500.00 while drilling and \$570.00 while producing for oil wells drilled to a depth of 12,000 feet in southeast New Mexico.

(15) The proposed overhead rate charges should therefore be adjusted to conform with the survey rates described above with allowance for inflation.

(16) Reasonable charges for supervision (combined fixed rates) should be fixed at \$5,650.00 per month while drilling and \$585.00 per month while producing. The operator should be authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(17) All proceeds from production from the well that are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(18) If the operator of the pooled unit fails to commence drilling the well to which the units are dedicated on or before July 31, 1999, or if all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order should become of no effect.

(19) The operator of the well and unit should notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

**IT IS THEREFORE ORDERED THAT:**

(1) Pursuant to the application of Chesapeake Operating, Inc. ("Chesapeake"), all mineral interests, whatever they may be, from the surface to the base of the Strawn formation underlying the SE/4 SW/4 (Unit N) of Section 21, Township 15 South, Range 36 East, NMPM, Lea County, New Mexico, are hereby pooled 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, which presently include the Caudill-Permo Upper Pennsylvanian Pool. This unit is to be dedicated to the applicant's proposed M. I. Allen "21" Well No. 1 to be drilled at an unorthodox oil well location 1028 feet from the South line and 1744 feet from the West line (Unit N) of Section 21.

**PROVIDED HOWEVER THAT**, the operator of the unit shall commence drilling the well on or before July 31, 1999, and shall thereafter continue drilling the well with due

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diligence to a depth sufficient to test the Strawn formation.

PROVIDED FURTHER THAT, in the event the operator does not commence drilling the well on or before July 31, 1999, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause shown.

PROVIDED FURTHER THAT, should the well not be drilled to completion or abandoned within 120 days after commencement thereof, the operator shall appear before the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.

(2) Chesapeake is hereby designated the operator of the subject well and 40-acre unit.

(3) After the effective date of this order and within 90 days prior to commencing the well, the operator shall furnish the Division and each known working interest owner in the unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date the schedule of estimated well costs is furnished, any non-consenting working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well. If no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be the reasonable well costs; provided, however, that if there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator its share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

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- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner who has not paid its share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished; and
  - (b) as a charge for the risk involved in drilling the well, 200 percent of the above costs.
- (8) The operator shall distribute the costs and charges withheld from production to the parties who advanced the well costs.
- (9) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$5,650.00 per month while drilling and \$585.00 per month while producing. The operator is hereby authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.
- (10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order.
- (11) Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.
- (12) All proceeds from production from the well that are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.
- (13) Should all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.
- (14) The operator of the well and unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

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(15) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
LORI WROTENBERY  
Director

SEAL

ELF  
ABOVE DATE DOES NOT  
INDICATE WHEN  
CONFIDENTIAL LOGS  
WILL BE RELEASED

8/24/94

