

(9) This penalty should be applied against the well's ability to produce into a pipeline as determined from semi-annual deliverability tests conducted in accordance with Division rules.

(10) Approval of the unorthodox gas well location, subject to the aforesaid production penalties, will afford the applicant the opportunity to recover its just and equitable share of gas reserves underlying the E/2 of Section 15, protect correlative rights, 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 otherwise prevent waste and protect correlative rights.

(11) Chesapeake should be required to conduct a directional survey during or upon completion of drilling operations on the Boyce "15" Well No. 1. Chesapeake should notify the supervisor of the Division's Hobbs District Office of the date and time the directional survey is to be conducted in order that it may be witnessed. Chesapeake should submit copies of the directional survey to the Santa Fe and Hobbs offices of the Division upon completion.

(12) Upon application by Chesapeake, the production penalty imposed by this order may be administratively adjusted by the Division Director based upon the final bottomhole location of the Boyce "15" Well No. 1.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Chesapeake Operating, Inc. ("Chesapeake"), is hereby authorized to complete and produce its Boyce "15" Well No. 3 (API No. 30-025-35006) at an unorthodox surface location 2310 feet from the North line and 341 feet from the East line (Unit H) and at an unorthodox subsurface location 2382 feet from the North line and 430 feet from the East line (Unit H) of Section 15, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico, for production from the Townsend-Morrow Gas Pool.

(2) The E/2 of Section 15 is to be dedicated to the well forming a standard 320-acre gas spacing and proration unit.

(3) A production penalty of 35 percent is hereby assessed against the Boyce "15" Well No. 3 for a completion within the Morrow formation, Townsend-Morrow Gas Pool.

(4) This penalty shall be applied against the well's ability to produce into a pipeline as determined from semi-annual deliverability tests conducted in accordance with Division rules.

(5) Chesapeake shall conduct a directional survey during or upon completion of drilling operations on the Boyce "15" Well No. 3. Chesapeake shall notify the supervisor of the Division's Hobbs District Office of the date and time the directional survey is to be conducted in order that it may be witnessed. Chesapeake shall submit copies of the directional survey to the Santa Fe and Hobbs offices of the Division upon completion.

(6) Upon application by Chesapeake, the production penalty imposed by this order may be administratively adjusted by the Division Director based upon the final bottomhole location of the Boyce "15" Well No. 3.

(7) Jurisdiction is hereby 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

Received
Hobbs
OCD