

**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. 12669  
ORDER NO. R-11601**

**APPLICATION OF CHESAPEAKE OPERATING, INC. FOR COMPULSORY  
POOLING, LEA COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on May 31, 2001, at Santa Fe, New Mexico before Examiner Michael E. Stogner.

NOW, on this 12<sup>th</sup> day of June, 2001, 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 uncommitted mineral interests from the surface to the base of the Mississippian formation underlying the following acreage in Section 13, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico:

- (a) the S/2 to form a standard 320-acre lay-down gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, which presently include but are not necessarily limited to the Undesignated Southwest Austin-Mississippian Gas Pool;
- (b) the SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent; and

- (c) the SW/4 SE/4 (Unit O) to form a standard 40-acre oil spacing and proration unit for formations and/or pools developed on 40-acre spacing within that vertical extent.

(3) These units are to be dedicated to the applicant's proposed Alice "13" Well No. 1 to be drilled at a location considered standard for all three spacing and proration units.

(4) The applicant is a working interest owner within the acreage comprising all three units and therefore has the right to drill for and develop the minerals underlying these units.

(5) At this time, however, not all of the working interest owners in these units have agreed to pool their interests. After pooling, uncommitted working interest owners are referred to as "non-consenting working interest owners."

(6) North Central Oil Corporation, who owns 6.25 % of the undivided mineral interests within the S/2 of Section 13, appeared at the hearing through legal counsel, but offered no testimony.

(7) No other party affected by the forced pooling appeared at the hearing or objected to this application.

(8) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in the units the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbon production in any pool resulting from this order, this application should be approved by pooling all uncommitted mineral interests, whatever they may be, within these units.

(9) Chesapeake should be designated the operator of the subject well and units.

(10) 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.

(11) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

