

**OIL AND GAS DOCKET NO. 05-0251007**

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**THE APPLICATION OF CHESAPEAKE OPERATING, INC. TO CONSIDER EXCEPTION TO RULE 10 FOR ALL WELLS ON ITS BONNER LEASE IN THE LOPER (BOSSIER), LOPER (COTTON VALLEY LIME) AND STEWARDS MILL (CV CONSOLIDATED) FIELDS, FREESTONE COUNTY, TEXAS**

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**Heard by:** Donna Chandler, Technical Examiner

**Hearing Date:** April 23, 2007

**Appearances:**

Cary McGregor

**Representing:**

Chesapeake Operating, Inc.

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Chesapeake Operating, Inc. requests exceptions to Statewide Rule 10 for all wells ever completed on its Bonner lease in the Loper (Bossier), Loper (Cotton Valley Lime) and Stewards Mill (CV Consolidated) Fields. Chesapeake requests that the commingled wellbores be assigned to the Loper (Cotton Valley Lime) Field for proration purposes.

This application was unopposed and the examiner recommends approval of the requested Rule 10 authority.

**DISCUSSION OF THE EVIDENCE**

The Loper (Cotton Valley Lime) Field was discovered in 1990 and is a non-associated gas field. The field operates under Statewide Rules and is AOF status. There are about 25 wells carried on the proration schedule, many of which are commingled with the other two fields which are the subject of this hearing.

The Loper (Bossier) Field was discovered in 1996 and is a non-associated gas field. This field operates under Statewide Rules and is AOF Status. There are about 60 wells carried in this field, many of which are commingled.

The Stewards Mill (CV Consolidated) Field was formed in July 2005 as a result of consolidation of the Stewards Mill (Cotton Valley Lm), Stewards Mill (Cotton Valley Sd) and Stewards Mill (Bossier Sand) Fields. There are 12 producing wells carried in this field. The field operates under rules providing for 467'-1,000' well spacing and 640/optional 40 acre density. This field is also AOF status.

The Commission has previously granted Rule 10 authority for at least 70 wells in combinations of the three subject fields. For proration purposes, most of the wells are carried in the Loper (Cotton Valley Lime) Field. The working and royalty interests are the same with respect to all three fields.

The subject Cotton Valley reservoirs are all designated as tight gas zones. Commingled production is expected to be 350-1,000 MCFD per well and the wells will be equipped with artificial lift to unload water. The produced waters have been combined in many wells with no incompatibility problems. Chesapeake will initiate a treatment program to inhibit scaling if necessary.

Chesapeake is requesting Rule 10 authority for all wells on its 623 acre Bonner lease. It is estimated that incremental reserves as a result of commingling are about 50 MMCF per well. This additional recovery is a result of a lower combined economic limit.

It is requested that wells which are downhole commingled in the three subject fields be assigned to the Loper (Cotton Valley Lime) Field for proration purposes.

### **FINDINGS OF FACT**

1. Notice of this hearing was issued to all operators in the Loper (Bossier), Loper (Cotton Valley Lime) and Stewards Mill (CV Consolidated) Fields at least ten days prior to the date of hearing.
2. The Loper (Cotton Valley Lime) Field and the Loper (Bossier) Field are non-associated gas fields which operate under Statewide Rules.
3. The Stewards Mill (CV Consolidated) Field was formed in July 2005 as a result of consolidation of the Stewards Mill (Cotton Valley Lm), Stewards Mill (Cotton Valley Sd) and Stewards Mill (Bossier Sand) Fields. The field operates under rules providing for 467'-1,000' well spacing and 640/optional 40 acre density.
4. All three of the subject fields are AOF status.
5. At least 70 Rule 10 exceptions have been previously granted by the Commission for these three fields.

6. The Bonner lease operated has 623 acres. Many of the wells on the lease are already producing under Rule 10 authority for the requested fields.
7. Cross-flow between the two fields is not expected because all commingled production will be artificially lifted.
8. Downhole commingling production from these fields will prevent waste because separate completions in the fields are not economic.
9. Incremental recovery as a result of commingling is estimated to be 50 MMCF of gas per well.
10. The royalty and working interest ownership of the Bonner lease is identical with respect to all three fields.

#### **CONCLUSIONS OF LAW**

1. Proper notice was issued as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Approval of the requested Rule 10 exceptions for all wells on the Bonner lease in the Loper (Bossier), Loper (Cotton Valley Lime) and Stewards Mill (CV Consolidated) Fields will prevent waste and will not harm correlative rights.

#### **EXAMINER'S RECOMMENDATION**

Based on the above findings and conclusions, the examiner recommends approval of the requested Rule 10 exceptions for all wells on the Bonner lease in the Loper (Bossier), Loper (Cotton Valley Lime) and Stewards Mill (CV Consolidated) Fields, as specified in the attached order.

Respectfully submitted,

Donna K. Chandler  
Technical Examiner