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June 1, 2004

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Mr. Mark E. Fesmire, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

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1220 S. St. Francis Drive
Santa Fe, NM 87505

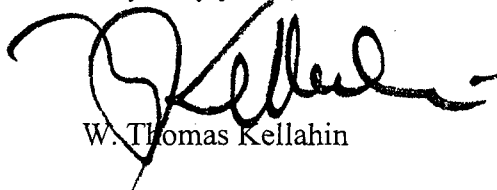
Re: State "22" Well No. 2
Unit C, NE/4NW/4 of Section 22, T12S, R38E
Application of Chesapeake Permian, L.P.
for compulsory pooling and an unorthodox oil
well location, Lea County, New Mexico

Case 13287

Dear Mr. Fesmire:

On behalf of Chesapeake Permian, L.P. as successor to Concho Exploration Inc, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for June 24, 2004. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Lynda Townsend

CASE 13287 Application of Chesapeake Permian, L.P. for compulsory pooling and an unorthodox oil well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the NE/4NW/4 of Section 22, T12S, R38E, NMPM, Lea County, New Mexico, forming a standard 40-acre oil spacing and proration unit for any production for any and all formations/pools developed on 40-acre spacing within that vertical extent, including but not limited to the Trinity-Wolfcamp Pool. This unit is to be dedicated to its State "22" Well No. 2 that is to be drilled at an unorthodox well location 217 feet FNL and 2417 feet FWL (Unit C) of this section. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Chesapeake Operating, Inc. as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well. This unit is located approximately 14 miles east from Tatum, New Mexico.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE PERMIAN, L.P.
FOR COMPULSORY POOLING AND
AN UNORTHODOX WELL LOCATION,
LEA COUNTY, NEW MEXICO.**

CASE NO. 13287

APPLICATION

CHESAPEAKE PERMIAN, L.P. ("Chesapeake") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the NE/4NW/4 of Section 22, T12S, R38E, NMPM, Lea County, New Mexico, forming a standard 40-acre oil spacing and proration unit for any production for any and all formations/pools developed on 40-acre spacing within that vertical extent, including but not limited to the Trinity-Wolfcamp Pool. This unit is to be dedicated to its State "22" Well No. 2 that is to be drilled at a unorthodox well location 217 feet FNL and 2417 feet FWL (Unit C) of this section. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well.

In support of its application Chesapeake states:

1. Chesapeake, as successor in interest to Concho Exploration Inc., is a working interest ownership in the oil and gas minerals underlying the NE/4NW/4 of Section 22, T12S, R38E, NMPM, Lea County, New Mexico, to be dedicated as a standard 40-acre oil proration and spacing unit for its Burrus "22" Well No. 2 located (Unit C) of this section.
2. On April 13, 2004, Concho Oil & Gas LP as the operating company for Concho Exploration Inc., sent to all working interest owners (See Exhibit "A" attached) its written well proposal, including an AFE, for its State "22" Well No. 2 to be drilled 217 feet FNL and 2417 feet FWL (Unit C) of Section 22, T12S, R38E, Lea County, New Mexico and dedicated to the NE/4NW/4 of this section.

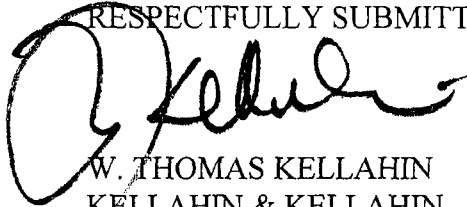
3. Despite reasonable efforts, Concho was unable to conclude a voluntary agreement with those parties listed on Exhibit "A"
4. Effective March 10, 2004, Concho Exploration Inc., Concho Oil & Gas LP, Concho Resources GP LLC and Concho Resources LP LLC were merged into Chesapeake Permian, L.P.
5. Pursuant to Commission Order R-11992, effective August 15, 2003, Chesapeake requests that the 200% risk charge be applied.
6. This spacing unit is subject, among other things, to Division Rule 104 providing for standard 40-acre spacing unit and locations not closer than 330 feet to the side boundaries.
7. Chesapeake believes that its proposed unorthodox well location will provide a better opportunity to access potential production in the Wolfcamp formation within this spacing unit than at the closest standard well location.
8. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Chesapeake needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.
9. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" and to those parties affected by the unorthodox well location as listed on Exhibit "B" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for June 24, 2004.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on June 24, 2004 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- (1) Chesapeake Operating, Inc. be named operator;

- (2) Provisions for applicant and all working interest owners to participate in the costs of re-entering, completing, equipping and operating the well;
- (3) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



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EXHIBIT "A"

Matrix Production Company and
Matrix New Mexico Holdings, LLC
5725 Commonwealth Blvd.
Sugar Land, TX 77479

EXHIBIT "B"

Offsetting Notice:

Section 15, Unit N:

Operator: Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Section 15, Unit O:

Operator: Chesapeake

Working interest owners: