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RECEIVED

JAN 10 2005

OIL CONSERVATION
DIVISION

January 7 2005

Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Case No. 13359; Mewbourne Oil Company

Dear Mr. Stogner:

We have reviewed the proposed orders of Chesapeake and Finley, and feel compelled to correct some erroneous statements in those orders:

1. In Chesapeake's proposed order, in Finding Paragraphs 9 and 10, it states that it signed an operating agreement in August 2004, before Mewbourne filed the pooling application. That is incorrect: Attached hereto are Chesapeake's signature pages to the operating agreement, showing that the agreement was signed on October 20th (one day before the hearing).
2. Finding Paragraph 20 on page 4 of Chesapeake's proposed order states that Mewbourne seeks an 80/20 cost allocation between shallow and deep zones. Again, that is incorrect: As Mr. Smith testified at the December 16th hearing, the allocation percentage will be equal to 100 feet below deepest perforation divided by 12,500 feet. Thus, if the deepest perforation is 4900 feet, the allocation to the shallow zone owners will be $5000/12,500 = 40\%$. And, the shallow owners will not be required to pay costs of pipe, logs, etc.
3. Throughout Chesapeake's proposed order it is asserted that the shallow zone owners will be "required" to reimburse the deep zone owners. Finley's proposed order seems to imply the same thing. However, under Mewbourne's proposal the shallow zone owners will have an election. ONLY IF they are consenting parties they will be required to reimburse the deep owners for a portion of drilling costs, as discussed in paragraph 1 above. If they think a shallow completion is uneconomic and they go non-consent, they pay nothing.
4. Finley's order states that Mewbourne's farmout expired in December 2004. I believe that the testimony at the initial hearing was that Mewbourne desired to commence the well by December, which has not occurred. Mewbourne would, however, like to commence the well as soon as possible.

Very truly yours,


James Bruce

Cc: W. Thomas Kellahin & J. Scott Hall

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

1 IN WITNESS WHEREOF, this agreement shall be effective as of the 1st day of August
 2 2004

3 who has prepared and circulated this form for execution, represents and warrants
 4 that the form was printed from and, with the exception(s) noted below, is identical to the A.A.P.L. Form 610 1989 Model Form
 5 Operating Agreement as published in computerized form by Form On A Disk, Inc. No changes, alterations, or
 6 modifications other than those made by strike-through and/or insertion and that are clearly recognizable as changes in
 7 Article _____, have been made to the form.

ATTEST OR WITNESS:

OPERATOR

MEWBOURNE OIL COMPANY

By

James Allen Bringen
 Type or print name

Title Attorney-In-Fact

Date _____

Tax ID or S.S. No. 75-1254872

NON-OPERATORS

Chesapeake Exploration Limited Partnership

By

Henry J. Hood
 Type or print name
Secretary - President - Land and Legal of
Chesapeake Operating, Inc., General Partner of
Chesapeake Exploration Limited Partnership an
Oklahoma limited partnership
 Title _____

Date _____

Tax ID or S.S. No. _____

By _____

Type or print name _____

Title _____

Date _____

Tax ID or S.S. No. _____

By _____

Type or print name _____

Title _____

Date _____

Tax ID or S.S. No. _____

