

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

2005 JUN 10 PM 1:53

IN THE MATTER OF THE APPLICATION  
OF SAMSON RESOURCES COMPANY,  
KAISER-FRANCIS OIL COMPANY AND  
MEWBOURNE OIL COMPANY FOR  
CANCELLATION OF A DRILLING PERMIT  
AND APPROVAL OF A DRILLING PERMIT,  
LEA COUNTY, NEW MEXICO

CASE NO. 13492

**PRE-HEARING STATEMENT**

This Pre-Hearing Statement is submitted by Miller Stratvert P.A. (J. Scott Hall) on behalf of Kaiser-Francis Oil Company, as required by the Oil Conservation Division.

**APPEARANCES**

**APPLICANT'S ATTORNEY**

J. Scott Hall, Esq.  
Miller Stratvert P.A.  
Post Office Box 1986  
Santa Fe, New Mexico 87504-1986

James Bruce, Esq.  
Post Office Box 1056  
Santa Fe, New Mexico 87504

J. E. Gallegos, Esq.  
Michael Condon, Esq.  
460 St. Michaels Drive, Suite 300  
Santa Fe, New Mexico 87505

**OPPONENT'S ATTORNEY**

W. Thomas Kellahin, Esq.  
Kellahin & Kellahin  
117 North Guadalupe Street  
Santa Fe, New Mexico 87501

**APPLICANT**

Kaiser-Francis Oil Company

Mewbourne Oil Company

Samson Resources Company

**OPPONENT**

Chesapeake Operating, Inc.

Earl E. Debrine, Jr., Esq.  
John Cooney, Esq.  
Modrall Sperling Roehl Harris & Sisk P.A.  
Post Office Box 2168  
Albuquerque, New Mexico 87103

Chesapeake Operating, Inc.

## **STATEMENT OF THE CASE**

### **APPLICANT:**

#### **KAISER-FRANCIS OIL COMPANY**

Applicant seeks an order canceling two drilling permits issued to Chesapeake Operating, Inc. covering (i) the S/2 of Section 4, Township 21 South, Range 35 East, and (ii) Lots 9-16 of said Section 4, and requiring the Division's Hobbs District office to approve a drilling permit filed by Mewbourne Oil Company covering Lots 9, 10, 15, 16, and the SE/4 of Section 4, to form a standard 320-acre gas spacing and proration unit in the South Osudo-Morrow Gas Pool. The units are located approximately 6-1/2 miles west of Oil Center, New Mexico.

### **OPPOSITION OR OTHER PARTY**

## **PROPOSED EVIDENCE**

#### **KAISER-FRANCIS OIL COMPANY**

### **WITNESSES:**

### **Est. Time**

### **No. of Exhibits**

Jim Wakefield (Petroleum Engineer)

1 hour

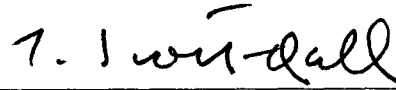
11

## **PROCEDURAL MATTERS**

1. This matter may be consolidated with Case No. 13493 for hearing.
2. Chesapeake's operations on the KF "4" State Well No. 1 on the subject lands are subject to the restrictions of Order No. R-12343-A.

MILLER STRATVERT P.A.

By:



J. Scott Hall  
Attorneys for Kaiser-Francis Oil Company  
Post Office Box 1986  
Santa Fe, New Mexico 87504-1986  
(505) 989-9614

**Certificate of Service**

I hereby certify that a true and correct copy of the foregoing was faxed to counsel of record on the 10<sup>th</sup> day of June, 2005, as follows:

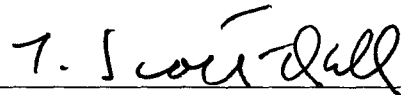
Thomas Kellahin, Esq.  
Post Office Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-2047/Facsimile

Gail MacQuesten, Esq.  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87504  
(505) 476-3462/Facsimile

James Bruce, Esq.  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2151/Facsimile

J. E. Gallegos, Esq.  
460 St. Michaels Drive, Suite 300  
Santa Fe, New Mexico 87505  
(505) 983-6686

Earl E. Debrine, Jr., Esq.  
Modrall Sperling Roehl Harris & Sisk P.A.  
Post Office Box 2168  
Albuquerque, New Mexico 87103  
(505) 848-1891/Facsimile



J. Scott Hall

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

**IN THE MATTER OF THE APPLICATION  
OF MEWBOURNE OIL COMPANY FOR  
CANCELLATION OF A DRILLING PERMIT,  
AND APPROVAL OF A DRILLING PERMIT,  
LEA COUNTY, NEW MEXICO.**

**OCD CASE NO. 13492**

**PRE-HEARING STATEMENT**

This Pre-Hearing Statement is submitted by Samson Resources Company  
("Samson") in accordance with Rule 1208.B., 19 NMAC 15.N.

**APPEARANCES OF PARTIES**

**APPLICANTS**

Mewbourne Oil Company

**ATTORNEYS**

James Bruce  
P.O. Box 1056  
Santa Fe, New Mexico 87504

**PARTIES**

Samson Resources Company

J.E. Gallegos  
Gallegos Law Firm  
460 St. Michael's Drive, Bldg. 300  
Santa Fe, NM 87505  
505-983-6686

Kaiser-Francis Oil Company

J. Scott Hall  
Miller Stratvert, P.A.  
P.O. Box 1986  
Santa Fe, NM 87504-1986

Chesapeake Permian LP

W. Thomas Kellahin  
Kellahin & Kellahin  
P.O. Box 2265  
Santa Fe, New Mexico 87504

2005 JUN 10 PM 3 13

John Cooney  
Earl DeBrine  
Modrall, Sperling, Roehl, Harris & Sisk  
P.O. Box 2168  
Albuquerque, NM 87103-2168

To Samson's knowledge, no other party has entered an appearance or filed opposition in this matter.

### **SAMSON'S STATEMENT OF THE CASE**

Mewbourne filed this Application to cancel, terminate or revoke a permit granted to Chesapeake Operating Inc. with respect to its proposed KF State "4" Well No. 1. Samson supports this Application.

On March 10, 2005, Chesapeake Operating Inc. filed with the Division's Hobbs District office an Application for Permit to Drill (APD) its proposed KF State "4" Well No. 1 in the SE/4 of Section 4, T21S, R35E, NMPM, Lea County, New Mexico. The Division permitted the well without investigating whether Chesapeake had a right to permit or drill the well. Chesapeake, its affiliates and working interest partners, own no interest in the SE/4 of Section 4, a fact recognized in Division Order No. R-12343 issued May 5, 2005 in Case No. 13492. Samson, Kaiser-Francis and Mewbourne are the lessees and parties with the working interest in the SE/4 of Section 4 and thereby entitled to drill a well and develop the acreage.

Chesapeake is a bad faith trespasser. Notwithstanding that it owns no interest sufficient to authorize its entry onto the SE/4 of Section 4, Chesapeake began drilling its KF State "4" Well No. 1 on or about April 24, 2005. The Division by Order No. R-12343-A entered May 24, 2005 in this case granted Samson's and Kaiser-Francis' Motion to

Prohibit production from the KF State "4" Well No. 1 prior to issuance of an approval unit. The well is designed to test the morrow formation.

In Order No. R-12343-A, the Division also ordered Chesapeake to comply with a Division subpoena and produce and provide to Kaiser-Francis, Samson and Mewbourne copies of numerous documents related to the KF State "4" Well No. 1. Chesapeake has only partially complied with the subpoena and the Division Order. Indeed, after the Division issued Order No. R-12343-A, Chesapeake filed a sundry notice with the Division's Hobbs' District Office to note a change in the proposed bottomhole location of the KF State "4" Well No. 1. Chesapeake did not advise Samson, Kaiser-Francis or Mewbourne of this development, nor did it advise the Division counsel of this development.

Chesapeake filed a force pooling application in Case No. 13493 on April 29, 2005. That proceeding presents an effort by Chesapeake to (1) excuse itself from the consequences of its bad faith trespass, and (2) insert itself into a spacing unit to share in production to which it is not entitled. Chesapeake has relied on the APD to support its bad faith trespass and other misconduct in this case. Samson, Kaiser-Francis and Mewbourne are ready, willing and able to develop the acreage and test the Morrow formation.

Mewbourne's application should be granted for the following reasons:

1. Chesapeake is a bad faith trespasser. The Division should not sanction a trespass and reward a trespasser by allowing Chesapeake to operate under its ill-gotten APD.

2. Chesapeake has failed to comply completely with Division Order R-12343-A and with a Division subpoena.

3. Chesapeake contributes no productive acreage in its proposed unit. By its force pooling Application that relies on the APD, Chesapeake is attempting to obtain ownership in a spacing unit in which it otherwise has no entitlement.

4. Samson, Kaiser-Francis and Mewbourne are lessees/working interest owners in the SE/4 of Section 4. They have an approved communitization agreement by the Commissioner of Public Lands, the mineral lessor, and are ready, willing and able to drill a well to test the Morrow formation and develop the acreage. Mewbourne's APD inclusive of the SE/4 of Section 4 was rejected solely because of Chesapeake's outstanding but improvident APD.

5. Geology and engineering do not support Chesapeake's Application for force pooling.

### **PROPOSED EVIDENCE**

#### **SAMSON**

<b>WILL-CALL WITNESSES (Name and Expertise)</b>	<b>ESTIMATED TIME</b>	<b>EXHIBITS</b>
Rita Burress Landman	45 min.	5-10
Ron Johnson Geologist	45 min.	5-10
Leo Gallegos Engineer	45 min.	5-10

Counter exhibits may be presented to rebut, explain or otherwise address testimony or exhibits of Mewbourne or any other party who appears at the hearing.

Additional rebuttal witnesses may be called, depending on the evidentiary presentation made by the Division or other parties appearing at the hearing.

**PROCEDURAL MATTERS**

Kaiser-Francis has filed a Motion to Enforce Subpoena Duces Tecum and for Sanctions.

Respectfully submitted,

GALLEGOS LAW FIRM, P.C.

By   
J.E. GALLEGOS

MICHAEL J. CONDON

460 St. Michael's Drive, Bldg. 300  
Santa Fe, New Mexico 87505  
(505) 983-6686

Attorneys for Samson Resources  
Company

**CERTIFICATE OF SERVICE**

I hereby certify that I have caused a true and correct copy of the foregoing to be mailed on this 10<sup>th</sup> day of June, 2005 to the following:

Gail MacQuesten  
New Mexico Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87504

W. Thomas Kellahin  
Kellahin & Kellahin  
P.O. Box 2265  
Santa Fe, New Mexico 87504

John Cooney  
Earl DeBrine  
Modrall, Sperling, Roehl, Harris & Sisk  
P.O. Box 2168  
Albuquerque, NM 87103-2168



J. Scott Hall  
Miller Stratvert, P.A.  
P.O. Box 1986  
Santa Fe, NM 87504-1986

James Bruce  
P.O. Box 1056  
Santa Fe, New Mexico 87504

  
\_\_\_\_\_  
MICHAEL J. CONDON