# Rehoboth Inc. 2600 West Coffee Creek Road Edmond, OK 73003

October 13, 2005

VIA FEDERAL EXPRESS 827081540948

State of New Mexico Oil Conservation Division 2330 South Saint Francis Drive Santa Fe, NM 87505

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Oil Conservation Division 1220 S. St. Francis Drive Santa Fe, NM 87505

Attention: Division Clerk

Re: Application of Chesapeake Operating, Inc., for Statutory unitization of the Trinity Burrus Area, Lea County, New Mexico, Case No. 13582

Gentlemen:

Enclosed please find two copies of (a) an Entry of Appearance and Pre-Hearing Statement in the referenced case and (b) a Protest to be made a part of the record in the case. In accordance with Rule 1211B, copies of these documents were e-mailed to counsel for the Applicant at the address set forth in the notice of hearing sent by counsel.

Thank you.

REHOBOTH INC. ₽

Terry R. Hanna, President 2600 W. Coffee Creek Road Edmond, OK 73003 (405) 844-9301 (405) 272-5248 Fax rehobothok@sbcglobal.net

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

IN THE MATTER OF THE APPLICATION OF CHESAPEAKE OPERATING INC. FOR STATUTORY UNITIZATION OF THE TRINITY BURRUS UNIT AREA, LEA COUNTY, NEW MEXICO

Oil Conservation Division 1220 S. St. Francis Drive Santa Fe, NM 87 CASE NO. 13382

## ENTRY OF APPEARANCE AND PRE-HEARING STATEMENT

REHOBOTH INC., a working interest owner in the proposed Trinity Burrus Unit Area (the "Unit") entitled to notice in the matter involving the application of Chesapeake Operating, Inc. ("Chesapeake"), hereby enters its appearance in such cause in accordance with Rule 1208B and states the following as its pre-hearing statement:

1. The names of the parties (the "Protestants) protesting the application of Chesapeake, all of whom are entitled to notice in such matter, are set forth in <u>Exhibit A</u>. The Protestants are not represented by counsel.

2. Rehoboth Inc. and the other Protestants object to the inclusion in the proposed unit operating agreement (the "Operating Agreement") of provisions relating to the application of non-consent penalties under the agreements governing the initial drilling of the wells which will be included in the Unit. It is the position of Protestants that this inclusion is an attempt to alter the private contractual rights of the parties contrary to NMSA 1978, section 70-7-18. It is the position of Protestants that the only non-consent provisions which are required to be contained in the Operating Agreement, and the only provisions which should be included, are those provisions which relate to elections not to participate made by any party allowed to make such election after the date of the formation of the Unit. Protestants also request that the order of the Division creating the Unit contain an undertaking by Chesapeake to comply with NMSA 1978, section 70-10-3.

3. None of the Protestants intend to testify at the hearing. In lieu of testifying, the Protestants ask that the Protest associated herewith and the exhibits attached thereto be considered by the division examiner in connection with the application and that such Protest and exhibits be made a part of the record of the hearing.

4. No time will be required by the Protestants to present their case, and they are not aware of any procedural matters which need to be resolved prior to the hearing.

Respectfully submitted,

Rehoboth Inc.

Terry R. Hanna, President 2600 W. Coffee Creek Road Edmond, OK 73003 (405) 844-9301 (405) 272-5248 Fax rehobothok@sbcglobal.net

# **EXHIBIT A TO PROTEST**

# Working Interest Owners in the Proposed Trinity Burrus Unit Area. Lea County, New Mexico Protesting the Application of Chesapeake Operating, Inc. In Case No. 13582

Working Interest Owner	Unit Tract Participation Factor
Blake Arnold	4.471982630
Cardinal River Energy Co	2.140694931
Claude C. Arnold	8.103586358
David C. Story	0.420507142
J Durwood Pate Trust	0.794589253
James D. Pate, Jr Trust	0.794589253
Joe H. Pate Trust	0.773618697
Larry Fenity	0.805620804
Monarch Resources, LLC	0.861528282
Rehoboth Inc.	2.507758236
Tropical Minerals, Inc.	0.877249152
Total Protestants	22.551724737
PERCENTAGE OF INTEREST REPRESENTED	BY PROTESTANTS
Chesapeake Energy	65.390492686
Chesapeake Investments	0.588517794
TLW Investments	0.588517794
Total Chesapeake Related Interests	66.567528273
Non Chesapeake Working Interest Owners	33.432471727
Total	100.00000000
Protestants	22.551724737
Non Chesapeake Working Interest Owners	33.432471727
Percentage Protesting	67.45%

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

### IN THE MATTER OF THE APPLICATION OF CHESAPEAKE OPERATING INC. FOR STATUTORY UNITIZATION OF THE TRINITY BURRUS UNIT AREA, LEA COUNTY, NEW MEXICO.

## CASE NO. 13582

#### **PROTEST**

REHOBOTH, INC., a working interest owner in the Trinity Burrus Unit Area (the "Unit") proposed by Chesapeake Operating, Inc., on behalf of itself and the other working interest owners in the Unit listed in **Exhibit A** (the "Protestants"), pursuant to the provisions of the New Mexico Statutory Unitization Act (Sections 70-7-1 through 70-7-21, NSMA, 1978 Comp., hereinafter referred to as the "Act") hereby protests to the Oil Conservation Division the application of Chesapeake Operating, Inc. (the "Application") applying for an order unitizing the Trinity Burrus Unit Area, Lea County (it should be noted that the application filed by Chesapeake erroneously states that the Trinity Burrus Unit is in Eddy County, New Mexico) and states as follows:

1. Chesapeake Operating, Inc., is an operator under contract to Chesapeake Exploration Limited Partnership and Chesapeake Permian, L.P., of certain oil and gas wells to be included in the Unit. Chesapeake Operating, Inc., Chesapeake Exploration Limited Partnership and Chesapeake Permian, L.P. are hereinafter sometimes referred to collectively as "Chesapeake."

2. The Protestants <u>do not protest</u> (a) the fact that the statutory unitization of the Unit is in the best interest of conservation, the prevention of waste and the protection of waste, (b) the formation of the Unit or (c) the methodology of the participation formula contained in the unitization agreement.

3. The proposed unit operating agreement (the "Operating Agreement") includes a Schedule G which deals with the inclusion of pre-existing non-consent wells included in the Unit. Chesapeake originally included the version of the Schedule G attached as <u>Exhibit B</u> as part of the Operating Agreement. While the Operating Agreement was under review by the working interest owners, Chesapeake sent to the working interest owners a substitute Schedule G, attached as <u>Exhibit C</u>. Protestants believe that the language of paragraph 3 of the Schedule G as substituted by Chesapeake (a) violates the provisions of NMSA 1978, section 70-7-18 and (b) is not a correct statement of New Mexico law.

4. Paragraph 3 of Schedule G as substituted by Chesapeake provides as follows:

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3) After the date of Unitization, unit production and costs shall be allocated to each tract which contains a well with a non-consent balance based on such tract's tract participation factor. Unit costs shall be subject to the non-consent penalties in accordance with the terms of the applicable original agreements, but shall be capped by the maximum 200% penalty allowed under New Mexico law for penalties pertaining to unit costs. In such a manner, each outstanding arrearage shall be recovered.

The language which the Protestants proposes distinguishes between investments which (a) are made by the parties entitled to make the decisions under the applicable agreements and (b) those which represent elections to go non-consent after the date of the unitization order creating the Unit. The proposed paragraph 3 would read as follows:

3) After the date of Unitization, unit production and costs shall be allocated to each tract which contains a well with a nonconsent balance based on such tract's tract participation factor. Unit costs attributable to any interest which is not a non-consenting interest with respect to unit operations shall be subject to the nonconsent penalties in accordance with the terms of the applicable original agreements. Unit costs attributable to any interest which is a non-consenting interest with respect to unit operations pursuant to an election made after the date of the Unitization Order shall be capped at the maximum 200% penalty allowed under New Mexico law for penalties pertaining to unit costs.

4. The language which Chesapeake proposes in its substituted Schedule G attempts. to alter the existing rights and obligations of Chesapeake and the Protestants contrary to the provisions of 70-7-18. The consequences of the Protestants electing to participate in the Unit which result from the prior elections of parties under the applicable joint operating agreements are "property rights, leases, contracts and other rights or obligations" and should "be regarded as amended and modified only to the extent necessary to conform to the provisions and requirements of the Statutory Unitization Act." It is simply not necessary, and is also improper, for the order sought by Chesapeake to attempt to alter the existing rights of the Protestants concerning the prior elections to which Chesapeake is subject. The financial ramifications of this are significant since almost 2% of the Unit is subject to existing non-consent penalties in favor of non-Chesapeake parties. The factual background of these elections is set forth in Exhibit E. Protestants do not protest any aspect of the penalty provisions in the Operating Agreement relating to elections to go non-consent made after the date of Unitization, including but not limited to the 200% penalty maximum attributable to elections not to participate in any Unit operations. However, the language proposed by Chesapeake in the

substituted Schedule G goes far beyond non-consent elections relating to Unit operations. This is contrary to 70-7-18, is not necessary to conform to the provisions and requirements of the Act and does not represent a correct statement of the application of New Mexico law under the applicable joint operating agreement.

5. Apparently Chesapeake is trying to use the unitization process to avoid the provisions applicable to it under the applicable operating agreements. If Chesapeake wishes to avoid the application of these agreements, it may do so by cash balancing with the Protestants prior to date of unitization. If Chesapeake cash balances prior to the date of Unitization then it would be unquestioned that all elections made with respect to the Unit thereafter would be subject to the maximum 200% penalty.

6. Protestant Rehoboth Inc. raised the issues relating to the application of the nonconsent provisions of the applicable joint operating agreement with Chesapeake well before the meeting held by Chesapeake with working interest owners on June 24, 2005. At that meeting an operating committee was formed including representatives of many of the Protestants (the operating committee is limited to representatives of those working interest owners who will own at least 2% in the Unit). It was understood by Rehoboth and others of the Protestants that the operating committee would meet to discuss the nonconsent penalty provisions and other matters before an operating agreement was submitted for approval. The operating committee did not meet and the matter was not discussed thereafter with the majority of the Protestants.

7. Since the time Chesapeake became operator of the wells within the Unit in which Protestants have a working interest, Chesapeake has paid to them the proceeds from the sale of production from such wells by the end of the second month following the sale of such provision. The provisions of NMSA 1978, section 70-10-3 provide that such proceeds are to be paid "not later than forty-five days after the end of the calendar month within which payment is received by payor for production." Protestant Rehoboth Inc. raised the fact with Chesapeake that it was not complying with the applicable New Mexico law immediately upon its receipt of Chesapeake's first check in May, 2004. Rehoboth was advised that Chesapeake's revenue department was reviewing the situation. Sixteen months later the matter has still has not been resolved. James D. Pate, Jr., on behalf of Protestant James D. Pate, Jr. Trust, has written a letter to Chesapeake each month for approximately one year asking that Chesapeake pay the interest provided for in 70-10-3. Chesapeake does not respond to these letters.

NMSA 1978, section 70-7-6 provides:

C. When the division determines that the preceding conditions exist, it shall make findings to that effect and make an order creating the unit and providing for the unitization and unitized operation of the pool or portion thereof described in the order, all upon such terms and conditions as may be shown by the evidence to be fair, reasonable, equitable and which are necessary or proper to protect and safeguard the respective rights and obligations of the working interest owners and royalty owners.

Protestants believe that it is necessary and proper to protect and safeguard their respective rights as set forth under New Mexico law for the order sought by Chesapeake to include an undertaking by Chesapeake to comply with the provisions of NMSA 1978, section 70-10-3.

WHEREFORE, the Protestants respectfully request that the Oil Conservation Division enter its order granting the application of Chesapeake statutorily unitizing the subject portions of the Trinity Wolfcamp Pool, Lea County, New Mexico only after it (a) amends the Unit Agreement by modifying the Schedule G made a part thereof in accordance with the terms proposed by the Protestant and (b) includes an undertaking by Chesapeake to comply with the provisions of NMSA 1978, section 70-10-3.

Respectfully submitted,

**REHOBOTH INC.** 

Terry R. Hanna President 2600 W. Coffee Creek Road Edmond, OK 73003 (405) 844-9301 (405) 272-5248 Fax rehobothok@sbcglobal.net

# **EXHIBIT A TO PROTEST**

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	Unit Tract
Working Interest Owner	Participation Factor
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James D. Pate, Jr Trust	0.794589253
Joe H. Pate Trust	0.773618697
Larry Fenity	0.805620804
Monarch Resources, LLC	0.861528282
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Tropical Minerals, Inc.	0.877249152
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Total	100.00000000
Protestants	22.551724737

Non Chesapeake Working Interest Owners33.432471727

**Percentage Protesting** 

67.45%

# **EXHIBIT B TO PROTEST**

#### EXHIBIT "G" (AS ORIGINALLY PRESENTED IN DRAFT SENT BY CHESAPEAKE)

#### Inclusion of Pre-Existing Non-Consent Well Included in the Unit

It is anticipated that several wells shall be included in the proposed Trinity Burrus Aba Unit that are subject to outstanding fees and costs incurred by the respective owners thereof following elections to go non-consent as to the initial drilling and completions prior to inclusion into the Unit. Expenses charged to these wells for recovery of such outstanding account balance after inclusion in the Unit shall be as follows:

- The Unit Operator shall render a statement to the operator/owner of the respective well(s) as to the outstanding net balance due including any non consent penalties as of the date of the Unitization Order.
- 2) A copy of this statement shall be forwarded to non-consent participants in the Unit.
- 3) The outstanding balance due shall be calculated on a per tract basis, which shall be recovered from production based on that tract's percent of unit production.
- 4) Such outstanding arrearage shall be recovered from production attributed to that tract's percent of ownership contributed, after deducting the approved, ordinary and usual operational expenses as well as capital costs and pre-unitization costs of that tract's percent of ownership contributed. Penalties prescribed in previous agreements shall be honored.

## EXHIBIT C TO PROTEST

#### EXHIBIT "G" (AS SUBSITUTED BY CHESAPEAKE IN DRAFT SENT BY CHESAPEAKE)

#### Inclusion of Pre-Existing Non-Consent Well Included in the Unit

It is anticipated that several wells shall be included in the proposed Trinity Burrus Abo Unit that are subject to outstanding fees and costs incurred by the respective owners thereof following elections to go non-consent as to the initial drilling and completions prior to inclusion into the Unit. Revenues and costs charged to these wells for recovery of such outstanding account balance after inclusion in the Unit shall be as follows:

- 1) The Unit Operator shall render a statement to the operator/owner of the respective well(s) as to the outstanding non-consent balance detailing all nonconsent costs, associated penalties and revenues as of the date of the Unitization Order.
- 2) A copy of this statement shall be forwarded to non-consent participants in the Unit.
- 3) After the date of Unitization, unit production and costs shall be allocated to each tract which contains a well with a non-consent balance based on such tract's tract participation factor. Unit costs shall be subject to the non-consent penalties in accordance with the terms of the applicable original agreements, but shall be capped by the maximum 200% penalty allowed under New Mexico law for penalties pertaining to unit costs. In such a manner, each outstanding arrearage shall be recovered.

## EXHIBIT D TO PROTEST

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#### DETAIL OF UNIT PARTICIPATION FACTORS AFFECTED BY PREVIOUS NON-CONSENT ELECTIONS

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Tracts Unit Participation Fraction		4.0702 TPF WI	NRI	TPF NRI	W	TPF WI	NRI	TPF NRI
Subject to Non Consent			· · · · · · · · · · · · · · · · · · ·		• • • • • • • • • • • • • • • • • • •	• • • • • • • • • • • • • • • • • • •		
Blake Amold	0.02700000	0.12625910	0.02250000	0.10521591	0.02700000	0.11910482	0.02250000	0.09925402
Blanco Company								
Cardinal River Energy Co	0.03775834	0.17656792	0.03019376	0.14119396	0.02342325	0.10332674	0.01951938	0.08610564
Charles B. Read	0 57004 405	0 66074007	0 45457450	0 44466700	0.05004500	0.00704400	0 54070650	0.0000000
Chesapeake Energy Chesapeake Investments	0.57091495 0.02500000	2.66974837 0.11690657	0.45157150 0.01977403	2.11166703 0.09246856	0.65904560 0.02500000	2.90724100 0.11028224	0.51978652	2.29292889 0.08697916
Claude C. Arnold	0.10800000	0.50503639	0.09000000	0.09240856	0.10800000	0.47641928	0.09000000	0.39701607
David C. Story	0.00450000	0.02104318	0.00375000	0.01753599	0.00468465	0.02066535	0.00390388	0.01722115
H J Freede, Inc.	0.07200000	0.33669093	0.06000000	0.28057577	0.07200000	0.31761285	0.06000000	0.26467738
J Durwood Pate Trust Dated Various	0.01510334	0.07062719	0.01207750	0.05647756				
James D. Pate, Jr Trust Dated Various	0.01510334	0.07062719	0.01207750	0.05647756				
Joe H. Pate Trust	0.01510334	0.07062719	0.01207750	0.05647756				
Larry Fenity	0.00900000	0.04208637	0.00750000	0.03507197	0.00900000	0.03970161	0.00750000	0.03308467
Monarch Resources, LLC	0.01510334	0.07062719	0.01207750 0.03623251	0.05647756	0.00936930 0.02810790	0.04133070	0.00780775	0.03444225
Rehoboth Inc. TLW Investments	0.04531001 0.02500000	0.21188152 0.11690657	0.03623251	0.16943274 0.09246856	0.02500000	0.12399209 0.11028224	0.02342325 0.01971740	0.10332674 0.08697916
Tropical Minerals, Inc.	0.01510334	0.07062719	0.01977403	0.09240850	0.00936930	0.04133070	0.00780775	0.03444225
	1.00000000	4.67626288	0.80168333	3.74888189	1.00000000	4.41128962	0.80168333	3.53645738
AFTER PAYOUT								
Blake Arnold	0.02700000	0.12625910	0.02250000	0.10521591	0.02700000	0.11910482	0.02250000	0.09925402
Blanco Company								
Cardinal River Energy Co	0.02250000	0.10521591	0.01875000	0.08767993	0.02250000	0.09925402	0.01875000	0.08271170
Charles B. Read	0.05500508	2 06204000	0 54479000	0 40709074	0.0000000	0.00060650	0 54700407	0.00405004
Chesapeake Energy Chesapeake Investments	0.65520526 0.01489737	3.06391202 0.06966402	0.51478922 0.01219705	2.40728971 0.05703661	0.65890858 0.01304571	2.90663659 0.05754841	0.51782127 0.01068103	2.28425961 0.04711712
Claude C. Amold	0.10800000	0.50503639	0.09000000	0.42086366	0.10800000	0.47641928	0.09000000	0.39701607
David C. Story	0.00450000	0.02104318	0.00375000	0.01753599	0.00450000	0.01985080	0.00375000	0.01654234
H J Freede, Inc.	0.07200000	0.33669093	0.06000000	0.28057577	0.07200000	0.31761285	0.06000000	0.26467738
J Durwood Pate Trust Dated Various	0.00900000	0.04208637	0.00750000	0.03507197	0.00900000	0.03970161	0.00750000	0.03308467
James D. Pate, Jr Trust Dated Various	0.00900000	0.04208637	0.00750000	0.03507197	0.00900000	0.03970161	0.00750000	0.03308467
Joe H. Pate Trust	0.00900000	0.04208637	0.00750000	0.03507197	0.00900000	0.03970161	0.00750000	0.03308467
Larry Fenity	0.00900000	0.04208637	0.00750000	0.03507197	0.00900000	0.03970161	0.00750000	0.03308467
Monarch Resources, LLC	0.00900000	0.04208637	0.00750000	0.03507197	0.00900000	0.03970161	0.00750000	0.03308467
Rehoboth Inc. TLW Investments	0.02700000 0.01489737	0.12625910 0.06966402	0.02250000 0.01219705	0.10521591 0.05703661	0.02700000 0.01304571	0.11910482 0.05754841	0.02250000 0.01068103	0.09925402 0.04711712
Tropical Minerals, Inc.	0.00900000	0.04208637	0.00750000	0.03507197	0.00900000	0.03970161	0.00750000	0.03308467
	1.00000000	4.67626285	0.80168332	3.74888193	1.00000000	4.41128964	0.80168333	3.53645739
SHIFT AT PAYOUT								
Blake Arnold								
Blanco Company								
Cardinal River Energy Co	(0.01525834)	(0.07135201)	(0.01144376)	(0.05351403)	(0.00092325)	(0.00407272)	(0.00076938)	(0.00339394)
Charles B. Read	0.08429031	0.39416365	0.06321772	0.29562268	(0.00040700)	(0.00000444)	(0.00400505)	(0.00000000)
Chesapeake Energy Chesapeake Investments	(0.01010263)	(0.04724255)	(0.00757698)	0.29562268		(0.00060441)	(0.00196525) (0.00903637)	(0.00866928)
Claude C. Arnold	(0.01010200)	(0.04724233)	(0.00/3/098)	(0.03543195)	(0.01195429)	(0.05275565)	(0.00903637)	(0.03986204)
David C. Story					(0.00018465)	(0.00081455)	(0.00015388)	(0.00067881)
H J Freede, Inc.					(	(0.00001100)	(0.00010000)	(0.00001001)
J Durwood Pate Trust Dated Various	(0.00610334)	(0.02854082)	(0.00457750)	(0.02140559)	0.00900000	0.03970161	0.00750000	0.03308467
James D. Pate, Jr Trust Dated Various	(0.00610334)	(0.02854083)	(,	(0.02140559)	0.00900000	0.03970161	0.00750000	0.03308467
Joe H. Pate Trust	(0.00610334)	(0.02854083)	(0.00457750)	(0.02140559)	0.00900000	0.03970161	0.00750000	0.03308467
Larry Fenity	(0.0004000 *)	10 0005 1000	10 00 15775	(0.004.10000	(0 000	/* **·***		
Monarch Resources, LLC	(0.00610334)	• • •	· · ·	(0.02140559)	• • •	· /	(0.00030775)	(0.00135758)
Rehoboth Inc. TLW Investments	(0.01831001) (0.01010263)	(0.08562242) (0.04724255)	· · ·	(0.06421683) (0.03543195)		(0.00488727)	(0.00092325)	(0.00407272)
Tropical Minerals, Inc.	(0.00610334)	(0.02854083)	• •	(0.03543195) (0.02140559)	(0.01195429) (0.00036930)	(0.05273383) (0.00162909)	(0.00903637) (0.00030775)	(0.03986204) (0.00135758)
	<u> </u>			(10000)			(0.00000110)	(0.00100700)
	(0.0000000)	(0.0000002)	(0.0000001)	(0.0000002)	(0.0000000)	0.00000002	0.00000000	0.00000002

#### DETAIL OF UNIT PARTICIPATION FACTORS AFFECTED BY PREVIOUS NON-CONSENT ELECTIONS

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Trade Unit Dationation Fraction		8.8264 TPF WI	66852 NRI	TPF NRI	wi	2.6051 TPF WI	65351 NRI	TPF NRI
Tracts Unit Participation Fraction Subject to Non Consent				IFF NRI			111/1	
Blake Arnold	0.08556350	0.75522340	0.06409190	0.56570503	0.10470438	0.27277221	0.07854792	0.20463032
Blanco Company								
Cardinal River Energy Co	0.03241040	0.28606932	0.02447770	0.21605161	0.03966078	0.10332289	0.02995300	0.07803252
Charles B. Read Chesapeake Energy	0.54625400	4.82149282	0.41701240	3.68074613	0.68222499	1.77730891	0.51429500	1.33981179
Chesapeake Investments	0.04020400	1.02 170202	0.71101240	0.00074010	0.00222700		0.01720000	1,00001178
Claude C. Arnold	0.10889900	0.96119341	0.08157330	0.72000165	0.13326016	0.34716474	0.09997008	0.26043859
David C. Story	0.00648210	0.05721404	0.00489550	0.04320997	0.00645554	0.01681775	0.00487540	0.01270122
H J Freede, Inc.	0.10371330	0.91542200	0.07832860	0.69136479				
J Durwood Pate Trust Dated Various	0.01296420	0.11442808	0.00979110	0.08642080				
James D. Pate, Jr Trust Dated Various	0.01296420	0.11442808	0.00979110	0.08642080				
Joe H. Pate Trust Larry Fenity	0.01296420 0.01296420	0.11442800 0.11442808	0.00979110 0.00979110	0.08642000	0.00800000	0.02084130	0.00600000	0.01563099
Monarch Resources, LLC	0.01296420	0.11442808	0.00979100	0.08641994	0.00982983	0.02560833	0.00738190	0.01923107
Rehoboth Inc.	0.03889250	0.34328336	0.02937320	0.25926158				
TLW Investments								
Tropical Minerals, Inc.	0.01296420	0.11442808	0.00979110	0.08642082	0.01586433	0.04132920	0.01198120	0.03121301
	1.00000000	8.82646675	0.75849910	6.69486394	1.00000001	2.60516533	0.75300450	1.96168951
AFTER PAYOUT		0 40000745	0.02003000	0.04/00774	0.05000000	0 40755070	0 02007000	0 40470000
Blake Arnold	0.05280000	0.46603745	0.03907200	0.34486771	0.05280000	0.13755273	0.03907200	0.10178902
Blanco Company Cardinal River Energy Co	0.02000000	0.17652934	0.01500000	0.13239700	0.02000000	0.05210331	0.01500000	0.03907748
Charles B. Read	0.02000000	0.17002304	0.01000000	0.10200700	0.02000000	0.00210001	0.01000000	0,00007740
Chesapeake Energy	0.72000000	6.35505613	0.54970000	4.85190883	0.72000000	1.87571905	0.54420000	1.41773098
Chesapeake Investments		_						
Claude C. Arnold	0.06720000	0.59313857	0.04972800	0.43892254	0.06720000	0.17506711	0.04972800	0.12954966
David C. Story	0.00400000	0.03530587	0.00300000	0.02647940	0.00400000	0.01042066	0.00300000	0.00781550
H J Freede, Inc.	0.06400000	0.56489388	0.04800000	0.42367041	0.06400000	0.16673058	0.04800000	0.12504794
J Durwood Pate Trust Dated Various	0.00800000	0.07061173	0.00600000	0.05295880	0.00800000	0.02084132	0.00600000	0.01563099
James D. Pate, Jr Trust Dated Various	0.00800000 0.00800000	0.07061173 0.07061173	0.00600000	0.05295880 0.05295880	0.00800000	0.02084132	0.00600000	0.01563099 0.01563099
Joe H. Pate Trust	0.00800000	0.07061173	0.00600000	0.05295880	0.00800000	0.02084132	0.00600000	0.01563099
Larry Fenity Monarch Resources, LLC	0.00800000	0.07061173	0.00600000	0.05295880	0.00800000	0.02084132	0.00600000	0.01563099
Rehoboth Inc.	0.02400000	0.21183520	0.01800000	0.15887640	0.02400000	0.06252397	0.01800000	0.04689298
TLW Investments								
Tropical Minerals, Inc.	0.0080000	0.07061173	0.00600000	0.05295880	0.00800000	0.02084132	0.00600000	0.01563099
·	1.00000000	8.82646685	0.75850000	6.69487511	1.00000000	2.60516535	0.75300000	1.96168951
SHIFT AT PAYOUT	(0.000700FC)	10 00040505	0.00504000	(0.00000700)	(0 0E400400)	10 405040 40	10 000 17500	10 4000 4400
Blake Arnold Blance Compony	(0.03276350)	(0.28918595)	(0.02501990)	(0.22083732)	(0.05190438)	(0.13521948)	(0.03947592)	(0.10284130)
Blanco Company Cardinal River Energy Co	(0.01241040)	(0.10953998)	(0.00947770)	(0.08365461)	(0.01966078)	(0.05121958)	(0.01495300)	(0.03895504)
Charles B. Read	(0.01241040)	(0.10000000)	(0.0004/110)	(0.00000401)	(0.01000078)	(0.00121000)	(0.01400000)	(0.00030004)
Chesapeake Energy	0.17374600	1.53356331	0.13268760	1.17116270	0.03777501	0.09841014	0.02990500	0.07791919
Chesapeake Investments								
Claude C. Arnold					(0.06606016)			
David C. Story					(0.00245554)			
H J Freede, Inc.	•	(0.35052812)	• •	• • •		0.16673058	0.04800000	0.12504794
J Durwood Pate Trust Dated Various	• •	(0.04381635)	• •	• •		0.02084132	0.00600000	0.01563099
James D. Pate, Jr Trust Dated Various Joe H. Pate Trust	• •	(0.04381635) (0.04381627)	• •	• •	0.00800000 0.00800000	0.02084132 0.02084132	0.00600000	0.01563099
Larry Fenity	• •	(0.04381627)	• •	• • •	0.00000000	0.02004132	0.00000000	0.01563099
Monarch Resources, LLC					(0.00182983)	(0.00476701)	(0.00138190)	(0.00360008)
Rehoboth Inc.		(0.13144816)				0.06252397	0.01800000	0.04689298
TLW Investments		,	. ,	/	-		-	
Tropical Minerals, Inc.	(0.00496420)	(0.04381635)	(0.00379110)	(0.03346202)	(0.00786433)	(0.02048788)	(0.00598120)	(0.01558202)
	(0.00000000)	0.0000010	0.00000090	0.00001117	0.0000000	(0.00000000)	0 0000450	(0.00000000)
	(0.00000000)	0.00000010	0.00000090	0.00001117	0.00000000	(0.00000000)	(0.00000450)	(ບັບບົບບົບບົບ)

## DETAIL OF UNIT PARTICIPATION FACTORS AFFECTED BY PREVIOUS NON-CONSENT ELECTIONS

		Tra		<u> </u>			act	
		1.1267				2.7922		
Tracts Unit Participation Fraction	wi	TPF WI	NRI	TPF NRI	WI			TPF NRI
Subject to Non Consent	L							
Blake Arnold	0.02948710	0.03322509	0.02307299	0.02599788	0.02625000	0,07329596	0.02053594	0.05734101
Blanco Company	0.00854700	0.00963048	0.00747860	0.00842664				
Cardinal River Energy Co	0.02457260	0.02768759	0.01942709	0.02188980	0.02187500	0.06107996	0.01736328	0.04848222
Charles B. Read	0.00854700	0.00963048	0.00747860	0.00842664				
Chesapeake Energy	0.58888890	0.66354057	0.44828717	0.50511519	0.64375000	1.79749611	0.49154798	1.37251352
Chesapeake Investments	0.02500000	0.02816917	0.01903104	0.02144355	0.02500000	0.06980567	0.01908931	0.05330169
Claude C. Arnold	0.11794870	0.13290070	0.09229223	0.10399184	0.10500000	0.29318383	0.08214374	0.22936397
David C. Story	0.00491450	0.00553750	0.00388537	0.00437791	0.00437500	0.01221599	0.00347265	0.00969643
H J Freede, Inc.	0.07863250	0.08860051	0.06216667	0.07004735	0.07000000	0.19545589	0.05556240	0.15514300
J Durwood Pate Trust Dated Various	0.00982910	0.01107511 0.01107511	0.00777085	0.00875594 0.00875594	0.00875000	0.02443199 0.02443199	0.00694531 0.00694530	0.01939288 0.01939288
James D. Pate, Jr Trust Dated Various	0.00982910	0.01107511	0.00777085 0.00777085	0.00875594	0.00875000	0.02443199	0.00694531	0.01939288
Joe H. Pate Trust	0.00982910	0.01107511	0.00777085	0.00875594	0.00875000	0.02443199	0.00694531	0.01939288
Larry Fenity Monarch Resources, LLC	0.00982910	0.01107511	0.00777085	0.00875594	0.00875000	0.02443199	0.00694531	0.01939288
Rehoboth Inc.	0.02948710	0.03322509	0.02331250	0.02626776	0.02625000	0.07329596	0.02083594	0.05817867
TLW Investments	0.02500000	0.02816917	0.01903104	0.02144355	0.02500000	0.06980567	0.01908931	0.05330169
Tropical Minerals, Inc.	0.00982910	0.01107511	0.00777085	0.00875594	0.00875000	0.02443199	0.00694531	0.01939228
	1.00000000	1.12676701	0.77208840	0.86996375	1.00000000	2.79222698	0.77131240	2.15367888
AFTER PAYOUT								
Blake Arnold	0.02948710	0.03322509	0.02307299	0.02599788	0.02625000	0.07329596	0.02053593	0.05734098
Blanco Company	0.00854700	0.00963048	0.00747860	0.00842664				
Cardinal River Energy Co	0.02457260	0.02768759	0.01942704	0.02188975	0.02187500	0.06107996	0.01736328	0.04848220
Charles B. Read	0.00854700	0.00963048	0.00747860	0.00842664				
Chesapeake Energy	0.61581198	0.69387661	0.46847955	0.52786729	0.66582200	1.85912614	0.50796419	1.41835131
Chesapeake Investments	0.01153846	0.01300116	0.00893485	0.01006749	0.01396400	0.03899066	0.01088122	0.03038284
Claude C. Arnold	0.11794870	0.13290070	0.09229219	0.10399180	0.10500000	0.29318383	0.08214373	0.22936394
David C. Story	0.00491450	0.00553750	0.00388539	0.00437793	0.00437500	0.01221599	0.00347266	0.00969644
H J Freede, Inc.	0.07863250	0.08860051	0.06216667	0.07004735	0.07000000	0.19545589	0.05556248	0.15514305
J Durwood Pate Trust Dated Various	0.00982910 0.00982910	0.01107511 0.01107511	0.00777086	0.00875595 0.00875595	0.00875000	0.02443199 0.02443199	0.00694531 0.00694531	0.01939288 0.01939288
James D. Pate, Jr Trust Dated Various Joe H. Pate Trust	0.00982910	0.01107511	0.00777086	0.00875595	0.00875000	0.02443199	0.00694531	0.01939288
Larry Fenity	0.00982910	0.01107511	0.00777086	0.00875595	0.00875000	0.02443199	0.00694531	0.01939288
Monarch Resources, LLC	0.00982910	0.01107511	0.00777086	0.00875595	0.00875000	0.02443199	0.00694531	0.01939288
Rehoboth Inc.	0.02948710	0.03322509	0.02331243	0.02626768	0.02625000	0.07329596	0.02083593	0.05817865
TLW Investments	0.01153846	0.01300116	0.00893485	0.01006749	0.01396400	0.03899066	0.01088122	0.03038284
Tropical Minerals, Inc.	0.00982910	0.01107511	0.00777086	0.00875595	0.00875000	0.02443199	0.00694531	0.01939288
	1.00000000	1.12676699	0.77208835	0.86996367	1.00000000	2.79222697	0.77131249	2.15367954
SHIFT AT PAYOUT								
Blake Arnold								
Blanco Company								
Cardinal River Energy Co								
Charles B. Read								
Chesapeake Energy	0.02692308	0.03033604	0.02019238	0.02275210	0.02207200	0.06163003	0.01641621	0.04583779
Chesapeake Investments	(0.01346154)	(0.01516801)	(0.01009619)	(0.01137606)	(0.01103600)	(0.03081501)	(0.00820809)	(0.02291885)
Claude C. Arnold								
David C. Story								
H J Freede, Inc. J Durwood Pate Trust Dated Various								
James D. Pate, Jr Trust Dated Various								
Joe H. Pate Trust								
Larry Fenity					*			
Monarch Resources, LLC								
Rehoboth Inc.								
TLW Investments	(0.01346154)	(0.01516801)	(0.01009619)	(0.01137606)	(0.01103600)	(0.03081501)	(0.00820809)	(0.02291885)
Tropical Minerals, Inc.	,	,	,	(	(	(2.00001001)	(3.00020008)	(0.02201000)
	(0.0000000)	0.00000001	0.00000000	(0.00000001)	(0.00000000)	0.00000001	0.00000003	0.0000008

#### DETAIL OF UNIT PARTICIPATION FACTORS AFFECTED BY PREVIOUS NON-CONSENT ELECTIONS

		Tra	ict		Tota	al of
		2			Ali Ti	
		3.2361			100.0	
Tracts Unit Participation Fraction	WI	TPF WI	NRI	TPF NRI	TPF WI	TPF NRI
Subject to Non Consent						
Blake Arnold	0.02700000	0.08737732	0.02093310	0.06774363	1.46725790	1.12588780
Blanco Company	0.02250000	0.07281443	0.01744000	0.05645303	0.00963048 0.83086885	0.00842664 0.64820878
Cardinal River Energy Co Charles B. Read	0.02250000	0.07281443	0.01744000	0.00040000	0.00963048	0.00842664
Chesapeake Energy	0.58640000	1.89770590	0.44763200	1.44862570		12.75140825
Chesapeake Investments	0.02500000	0.08090492	0.01908391	0.06175928	0.40606857	0.31595224
Claude C. Arnold	0.10800000	0.34950927	0.08373240	0.27097454	3.06540762	2.40265026
David C. Story	0.00774000	0.02504816	0.00588240	0.01903661	0.15854197	0.12377928
H J Freede, Inc.	0.07200000	0.23300618	0.05582160	0.18064969	2.08678836	1.64245798
J Durwood Pate Trust Dated Various	0.01548000	0.05009633	0.01176480	0.03807321	0.27065870	0.20912039
James D. Pate, Jr Trust Dated Various	0.01548000	0.05009633	0.01176480	0.03807321	0.27065870	0.20912039
Joe H. Pate Trust	0.00900000	0.02912577	0.00697700	0.02257895	0.24968806	0.19362533
Larry Fenity	0.00900000	0.02912577	0.00697770	0.02258121	0.28169023	0.22093848
Monarch Resources, LLC	0.01548000	0.05009633	0.01176480	0.03807321	0.33759773	0.26279285
Rehoboth Inc.	0.04644000	0.15028899	0.03529440	0.11421963	0.93596701	0.73068712
TLW Investments	0.02500000	0.08090492	0.01908391	0.06175928	0.40606857	0.31595224
Tropical Minerals, Inc.	0.01548000	0.05009633 3.23619695	0.01176480	0.03807321	0.35331860	0.27477507
AFTER PAYOUT	1.00000000	3.23019093	0.70591702	2.4/00/439	21.01431333	21.44420974
Blake Arnold	0.02700000	0.08737732	0.02093310	0.06774363	1.04285246	0.80220917
Blanco Company	0.02700000	0.00707702	0.02000010	0.00114000	0.00963048	0.00842664
Cardinal River Energy Co	0.02250000	0.07281443	0.01744425	0.05645303	0.59468457	0.46869109
Charles B. Read					0.00963048	0.00842664
Chesapeake Energy	0.65593024	2.12271945	0.49956335	1.61668538	18.87704600	14.52409311
Chesapeake Investments	0.01453488	0.04703773	0.01106992	0.03582443	0.22624197	0.18042849
Claude C. Arnold	0.10800000	0.34950927	0.08373240	0.27097454	2.52525516	1.99068221
David C. Story	0.00450000	0.01456289	0.00348885	0.01129061	0.11893689	0.09373820
H J Freede, Inc.	0.07200000	0.23300618	0.05582160	0.18064969	1.90299081	1.49981159
J Durwood Pate Trust Dated Various	0.00900000	0.02912577	0.00697770	0.02258121	0.23787389	0.18747648
James D. Pate, Jr Trust Dated Various	0.00900000	0.02912577	0.00697770	0.02258121	0.23787389	0.18747648
Joe H. Pate Trust	0.00900000	0.02912577	0.00697770	0.02258121	0.23787389	0.18747648
Larry Fenity	0.00900000	0.02912577 0.02912577	0.00697770 0.00697770	0.02258121 0.02258121	0.23787389 0.23787389	0.18747648 0.18747648
Monarch Resources, LLC Rehoboth Inc.	0.02700000	0.08737732	0.02093310	0.06774363	0.71362146	0.56242927
TLW Investments	0.01453488	0.04703773	0.01106992	0.03582443	0.22624197	0.18042849
Tropical Minerals, Inc.	0.00900000	0.02912577	0.00697770	0.02258121	0.23787389	0.18747648
Tropical milleraid, mo.	1.00000000	3.23619696	0.76592268	2.47867665	27.67437562	21.44422379
SHIFT AT PAYOUT						
Blake Arnold					(0.42440544)	(0.32367863)
Blanco Company						
Cardinal River Energy Co					(0.23618428)	(0.17951769)
Charles B. Read						
Chesapeake Energy	0.06953024	0.22501355	0.05193135	0.16805968	2.34251232	1.77268486
Chesapeake Investments	(0.01046512)	(0.03386719)	(0.00801399)	(0.02593485)	(0.17982660)	(0.135523/5)
Claude C. Arnold	(0.00004000)	(0.01049507)	(0.00000055)	(0.00774600)		
David C. Story H J Freede, Inc.	(0.00324000)	(0.01048527)	(0.00239355)	(0.00774000)		
J Durwood Pate Trust Dated Various	(0.00648000)	(0.02097056)	(0.00478710)	(0.01549200)	(0.03278481)	(0.02164391)
James D. Pate, Jr Trust Dated Various	• • •	• •			(0.03278481)	
Joe H. Pate Trust	(0.00040000)	(0.02007000)	(0.00110110)	(0.01010200)	•	(0.00614885)
Larry Fenity					,	,,
Monarch Resources, LLC	(0.00648000)	(0.02097056)	(0.00478710)	(0.01549200)	(0.09972384)	(0.07531637)
Rehoboth Inc.	• •	(0.06291167)	• •	(0.04647600)	• • •	(0.16825785)
TLW Investments	(0.01046512)	(0.03386719)	(0.00801399)	(0.02593485)	(0.17982660)	(0.13552375)
Tropical Minerals, Inc.	(0.00648000)	(0.02097056)	(0.00478710)	(0.01549200)	(0.11544471)	(0.08729859)
	(0.00000000)	0.00000000	0.00000044	/0 0000000 ···	0 00707450	0.04040457
	(0.00000000)	0.00000000	0.00000011	(0.00000001)	0.80737152	0.61813157

## EXHIBIT E TO PROTEST

#### FACTS RELATING TO PRE-EXISTING NON-CONSENT PENALTIES

By agreement dated December 16, 1999, Ricks Exploration, Inc. ("Ricks"), Matrix Production Company ("Matrix"), the Protestants and others entered into a Joint Operating Agreement, employing the 1982 version of the Form 610 Model Operating Agreement (the "JOA") relating to the area to be included in the Unit. Ricks was designated as the operator of the wells to be drilled under the JOA. The first well to be drilled under the JOA, the Burrus No. 1, was to be drilled on or before March 31, 2000. Ricks. Matrix and the Protestants all participated in the Burrus No. 1. The JOA describes the process to be followed in drilling wells after the initial well. Failure to participate in subsequent wells resulted in what was described in the JOA as a non-consent penalty. The penalty in the JOA is 400% of the portion of the costs and expenses of the well that would have been charged to the non-consenting party if it had participated in the well. Although the JOA labels the "penalty" as 400%, it is more properly a 300% penalty since it allows a party to recoup 100% of its actual costs and a "penalty" of 300%. Under its Rule 35, the State of New Mexico allows a 200% penalty in its pooling orders. These orders allow a recoupment of 100% of actual costs plus a 200% penalty. This is commonly referred to in New Mexico as a 200% penalty even though it allows the party to recoup 300% of the costs expended by it. In computing the unit ownership percentages, Chesapeake refer to New Mexico's 200% penalty situation as "300% payout." Using the JOA approach, the 400% "penalty" is more properly described in the way that New Mexico its penalties as a 100% recoupment of costs plus a 300% penalty for a total of 400%. According to John R. Reeves & J. Matthew Thompson, The Development of the Model Form Operating Agreement: An Interpretive Accounting, 54 Okla. L. Rev. 211, 254 (2001), the relinguishment (penalty) normally ranges between 200% and 500%.

On May 4, 2001, Ricks notified the other parities to the JOA that it intended to drill the Burrus No. 3 well (the Burrus No. 2 well had already been drilled under the JOA). Matrix did not elect to participate in the Burrus No. 3 and was therefore a non-consenting party with respect to that well. The Burrus No. 3 comprises Tract 11 under the proposed Unit.

In 2002, Matrix discovered an irregularity in the location of the Burrus No. 3. As a result Matrix sued Ricks and the Protestants seeking an accounting for its share of profits from the well and seeking accounting. The Protestants were joined in the lawsuit because they were parties to the JOA. The trial court granted summary judgment in favor of Ricks and the Protestants finding that the exculpatory clause of the JOA was applicable and no liability resulted from the mistake. Matrix appealed the decision of the trial court. In Matrix Production Company v. Ricks Exploration, Inc., 2004-NMSC-135, the Court of Appeals of the State of New Mexico, sustained the granting of summary judgment by the trial court. On December 7, 2004, Matrix's motion for certiorari was denied by the Supreme Court of the State of New Mexico.

In its opinion the Court referred to its opinion in <u>Nearburg v. Yates Petroleum Corp.</u>, 1997-NMCA-069, ¶ 2, 123 N.M. 526, 943 P.2d 560, observing "[o]perating agreements are commonly used in the oil and gas industry in New Mexico and other producing states to set forth the arrangement between interest owners as to exploration and development of jointly owned interests." The Court found that when Matrix declined to participate in the Burrus No. 3 it agreed "to temporarily relinquish the specified amount of its interest in production in exchange for the consenting party bearing the risk of the operation." Nearburg, 1997-NMCA-069, ¶ 17.

In 2002, Concho Resources, Inc. ("Concho"), acquired the assets of Ricks and thereby succeeded to all of Ricks' rights under the JOA and the wells drilled there prior to the date of purchase. On April 1, 2003, Ricks proposed the Burrus No. 2A well pursuant to the JOA. Protestant Rehoboth Inc. and others elected not to participate in the well and temporarily relinquished their income from the Burrus No.2A until the parties, including Ricks, who took the risk with respect to the Burrus No. 2A recouped the amounts specified under the JOA. The Burrus No. 2A is Tract 12 in the Unit.

In early 2004, Chesapeake acquired Concho, thereby succeeding to all of Ricks' rights and Concho's rights under the JOA and the wells drilled there under prior to the date of Chesapeake's purchase. After Chesapeake's acquisition of Concho, Chesapeake elected in all cases to take any interest of non-consenting parties available to it under the JOA.

Matrix on the other hand took a different approach, it did not participate in the State No. 22-3 (Tract 4), the Burrus No. 26-2 (Tract 19), the Burrus No. 27-9 (Tract 25) or the Burrus No. 27-12 (Tract 27). Rather it again elected to "temporarily relinquish the specific amount of its interest in the production in exchange for the consenting party bearing the risk of the operation." Chesapeake and certain of the Protestants were the consenting parties in these wells.

In 2005, Chesapeake acquired the interest of Matrix in all of its wells to be included in the Unit. At the time of such acquisition, Chesapeake was fully aware of the fact that Matrix was subject to the non-consent penalties in the seven (7) wells.

The non-consent provisions in the JOA provide that the consenting parties bear all of the expenses with respect to the well until the penalty is satisfied from revenue. Attached is **Exhibit F** prepared by Ricks showing the status of the non-consent interest of the Burrus No. 3 at the end of 2002. It can be seen that many expenditures subsequent to the drilling of the well increase the amount subject to the 400% penalty. The costs of the Unit attributable to the interest of the non-consenting interests add to the non-consent amount subject to the penalty in the same manner as the costs incurred in the original drilling of the well.

The application of these concepts can be illustrated in the case of the Burrus No. 2A (Tract 12 of the Unit). Protestant Rehoboth Inc. went non-consent under the JOA. It has no current interest in the income of the Burrus No. 2A. Rehoboth is not entitled to vote concerning Tract 12 because it has temporarily relinquished its rights. Chesapeake has not provided a payout report on the well so Rehoboth and the other non-consent parties do not currently know where they stand on the well, although from the information available from (a) the amount contained in the AFE indicating the estimate of the cost of dirlling, (b) public sources concerning the production from the well and (c) the fact that the price paid for the proceeds from the sale of production from the well is approximately the same of the wells in the Unit for which Rehoboth is being paid, Rehoboth is able to ascertain that the penalty provisions have not been satisfied and its rights continue to be relinquished and will continue to be relinquished to Chesapeake and the other consenting parties at the time of the formation of the Unit unless Rehoboth cash balances with those consenting parties prior to the unitization.

The calculations made by Chesapeake show that Rehoboth's current interest in the well is zero and that its current unit participation in the Unit attributable which is derived from the Burrus No. 2A is also zero. These calculations show that Rehoboth will have a 2.4% interest in the well after the 400% payout and that interest will equate to a .0004689298 interest in the Unit after 400% payout occurs. The share of the cost of the Unit attributable to the .0004689298 interest will be paid by Chesapeake and most of the other Protestants, because they were the consenting parties to the drilling of the well and they are liable for the current costs of the well and are entitled to the revenue attributable to the well. Based upon statements made to Rehoboth, none of these parties are making a non-consent election under the unit agreement (at least Protestant Rehoboth is unaware of such intent). If any of the consenting parties currently entitled to the revenue from and liable for the expenses attributable to the .0004689298 interest in the Unit which will ultimately revert to Rehoboth if payout occurs, elect to go non-consent with respect to a unit operation (which would be at the option of those parties), such nonconsent choice would be subject to the terms of the unit agreement and would be limited to the 200% penalty provided for by New Mexico law for unit operations. However, if the parties who consented to the drilling of the Burrus No. 2A also elect to pay their .0004689298 of the cost of the Unit, which will almost certainly be the case, those expenditures are treated under the JOA as any other well cost and add to the computations of payout required under the applicable JOA.

The same result which applies to Tract 12 should apply to the other tracts in the Unit which contain the six wells which are subject to non-consent penalties. The Protestant Pate Trusts and Chesapeake are the non-consenting parties in Tract 4. In the other five tracts, Chesapeake is the sole non-consenting party.

# EXHIBIT F TO PROTEST

YRMMO         Second         Second </th <th></th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th>									
0         0									
0         0									
0									PAYOUT
1         700.40         6.480.00         6.480.00         6.470.00         39.219.04           1         700.40         6.480.00         6.480.00         6.470.00         5.772.50           1         700.40         6.480.00         6.480.00         6.480.00         6.470.00           1         700.40         6.480.00         6.480.00         6.480.00         6.470.00           1         700.42         83.728.91         130.525.00         83.728.00         6.470.00           1         700.43         5.780.90         6.480.00         6.480.00         6.480.00         6.480.00           1         1.476.40         716.512         716.525         27.701.93         5.775.90           1         1.478.40         6.480.00         6.51660         6.576.00         6.51660           2.7769.12         8.577.525         716.2752         22.7701.93         5.775.90           2.7769.12         716.276.90         6.57660         6.576.00         6.576.00           2.7769.12         8.567.50         9.567.50         9.677.50         9.677.50           3.300.01         6.57660         6.581.50         9.657.50         9.647.50           3.300.01         1.1.138.79         8.567.3		YRUMO: N							BALANCE
11         1.00525.09           11         793.40         6.480.00           11         793.40         6.480.00           12         793.40         6.480.00           11         793.40         6.480.00           12         793.40         6.480.00           130.525.09         6.480.00         6.480.00           1476.46         5.722.52         33.219.44           1.476.48         5.740.04         65.972.52           2.7701.93         6.572.52         22.7701.93           1.476.48         5.7292.56         765.570.94           2.7693.12         46.000.00         6.5165.94           46.000.00         6.316.39         765.2753           2.7763.12         46.000.00         6.316.39           5.505.42         93.299.56         765.2753           5.505.42         93.299.56         765.2753           5.505.42         93.200.24         199.4727.66           5.505.42         1.1,136.76         5.567.50           5.505.43         1.3.567.42         1.446.54           5.505.37         1.3.567.42         1.446.54           5.505.37         1.3.567.42         1.446.54           5.505.37         1									
11		Jan-01	•	•			•		
1         7393.40         6,480.00         55,372.65         130,525.09           1         7393.40         6,480.00         55,372.65         130,525.09           1         7393.40         6,480.00         55,372.65         130,525.09           1         7393.40         6,480.00         55,372.65         130,525.09           1         7393.40         6,480.00         55,372.65         22,70133           1         7393.40         5,480.00         55,372.65         22,70133           1         7393.40         5,480.00         55,472.65         22,70133           1         739.41         55,372.65         765,576.96         26,675.60           1         739.42         65,202.56         765,276.96         26,675.60           2,769.31         46,000.00         6,316.590         2,667.500         10,475.66           1,176,43         11,196.76         53,102.00         13,567.42         11,446.54           2,769.32         13,567.42         13,402.00         11,446.54           2,566.37         13,567.42         11,446.54         1465.54           2,566.37         13,567.42         11,446.54         1465.54           2,566.365         13,567.42 <td< td=""><td></td><td>Feb-01</td><td>•</td><td></td><td></td><td></td><td></td><td>•</td><td></td></td<>		Feb-01	•					•	
1         739.40         6.400.00         55.3726.57         130.525.06           1         799.40         6.400.00         55.3726.57         130.525.06           1         779.40         6.400.00         55.3726.57         130.525.06           1         779.40         5.400.00         55.372.52         22.701.93           1         779.40         5.400.00         55.372.52         22.701.93           1         7.793.40         55.44.26         85.004.55         22.701.93           1         7.793.40         55.47.52         25.7701.93         56.577.50           1         7.793.41         55.772.53         465.000.00         5.316.90         2.677.50           2.7769.72         43.026.56         775.275.91         495.000.00         5.316.90         -           2.7769.72         45.000.00         6.316.90         -         5.677.50         -           3.006.42         11.190.76         5.310.26         5.310.26         -         -         -           3.007.12         1.1.136.76         1.1.136.76         1.1.136.76         -         -         -           3.007.13         1.3.567.42         1.3.567.42         1.1.466.54         -         -		Shine of		-					
1         23,726,57         130,525,08           1         23,726,57         130,525,08           1         799,40         6,400,00         55,572,52           1         799,40         6,400,00         55,572,52           1         779,54         35,134,28         35,726,57           1         779,44         5,504,55         22,701,53           1         7,99,40         6,400,00         5,517,52           1         7,99,43         6,400,00         6,516,59           2,765,54         76,276,59         46,000,00         6,316,590           4,005,54         51,526,59         76,276,59         46,177,50           7,765,13         46,000,00         6,316,290         -         -           2,7769,13         46,000,00         6,316,390         -         -           2,7769,13         46,000,00         6,316,390         -         -           2,7769,13         46,000,00         6,316,390         -         -           2,7769,13         46,000,00         6,316,390         -         -           3,06,422         1,146,54         1,146,54         -         -           1,1,145,17         1,3,567,422         1,3,46,54 <td></td> <td>おいろ</td> <td></td> <td></td> <td></td> <td>•</td> <td></td> <td>1</td> <td></td>		おいろ				•		1	
1         709.30         6.480.00         55.372.6.57         130.525.09           1         709.30         6.480.00         55.372.6.27         130.525.09           1         709.30         6.480.00         55.372.6.27         130.525.09           1         7.99.30         55.972.6.27         22.701.93           1         7.99.30         55.972.6.27         22.701.93           1         7.99.30         55.972.6.27         22.701.93           1         7.905.54         7.1608.33         9.0.277.31         5.677.500           2.7053.42         63.392.56         7.15.276.54         136.575.50         5.677.500           2.7763.54         6.3064.65         7.15.276.54         7.16.275.56         1.5.677.54           2.7763.53         4.6,000.00         6.316.300         6.316.300         1.1.46.54           2.7763.54         11,150.76         5.310.300         1.1.46.54         1.1.46.54           2.7763.54         11,150.76         310.00         5.310.300         1.1.46.54           2.2763.55         10.14.54         1.3.567.422         1.446.54         1.446.54           2.2763.55         1.3.567.422         1.3.5667.422         1.446.54         1.446.54 <td< td=""><td>1.</td><td></td><td></td><td></td><td></td><td>•</td><td></td><td></td><td></td></td<>	1.					•			
1         730.637         130.525.09           1         799.40         6,480.00         55,9726.27         130.525.09           1         7799.40         6,480.00         55,9726.27         130.525.09           1         1.478.46         35,124.28         85,094.65         22,701.93           1         4.80.00         55,972.62         22,701.93           2         2,769.34         6,480.00         55,975.94         480.569           6         2,769.35         4,6,000.00         6,316.99         19,057.96           3         3,306.34         6,376.96         76,576.94         19,057.96           3         3,306.34         6,376.90         6,316.90         1,46.00           3         3,306.34         6,316.90         6,316.90         1,46.64           3         3,306.34         1,1,130.76         6,567.90         1,1,46.64           3         3,001.16         1,1,140.76         13,567.42         1,446.64           4,505.66         10,145.64         13,567.42         1,446.64           4,505.66         10,145.64         1,3,466.64         1,446.64           4,505.66         1,3,567.42         1,3,466.64         1,446.64		HA CHI		-					
1         -         83,728,97         130,525,09           1         799,40         6,480,00         55,9726,25         39,2719,04           1         1,478,46         35,724,28         85,004.65         22,701,953           1         1,478,46         35,724,28         85,004.65         22,701,953           4         1,478,46         35,724,28         85,004.65         22,701,953           4         0,537,31         5,675,500         10,527,31         5,675,500           4         0,537,33         85,004.65         716,277,31         5,675,500           6,205,54         21,688,38         10,527,31         5,675,500           2,768,312         46,000,00         6,316,990         198,17196           2,768,312         46,000,00         6,316,990         198,17196           3,306,343         6,300,626         715,300         6,310,400           3,306,343         11,149,176         11,140,54         11,446,54           10,963,56         11,140,164         11,146,54         11,446,54           2,561,37         13,567,422         11,446,54         11,446,54           2,561,37         1,5,567,422         11,446,54         11,446,54           2,561,37		HOHAP 1		-					
1         793.40         6.480.00         55.972.52         33.219.64           1.478.46         35.724.28         85.004.65         22.701.93           1.478.46         35.724.28         85.004.65         22.701.93           4.00554         71.688.38         10.277.31         5675.00           2.765.342         83.392.66         7%27.31         5675.00           6.265.42         83.392.66         7%27.59         198.761.96           2.765.342         83.392.66         7%27.59         198.761.96           2.765.342         83.295.66         7%27.59         198.761.96           2.765.342         83.6.00.00         6.316.90         198.761.96           2.765.342         46.000.00         6.316.90         198.762           3.306.43         9.3567.42         11.466.4         1.1.130.16           3.306.345         13.567.42         11.446.64         1.1.446.64           2.7653.54         13.567.42         1.446.64         1.446.64           3.306.366         5.567.42         13.567.42         1.446.64         1.446.64           2.3866.066         5.567.42         13.567.42         1.446.64         1.446.64           2.5661.37         5.567.42         13.567.42		Aug-01	  -  -	-			   	1	
1         793.40         6,480.40         55,57.25         22,701.93           1,476.46         35,724.28         85,094.65         22,701.93           4,005554         71,688.38         10,327.31         5,675.00           6,265.42         83,392.66         716,205.94         198,561.96           6,265.42         83,392.66         716,205.94         198,561.96           6,205.42         83,292.96         716,205.94         198,561.96           2,765.72         83,294.26         716,205.94         199,127.96           3,306,402         6,316,90         6,316,90         5,316,90           3,306,403         6,316,90         6,316,90         5,316,90           3,306,412         11,136,17         11,136,17         11,146,14           3,001,19         11,145,17         13,567,42         11,446,64           10,145,61         11,148,076         310,00         5,310,30           4,670,96         11,146,164         11,146,164         11,446,64           2,2866,095         11,146,164         13,466,142         1,446,64           3,601,19         13,567,422         1,446,64         1,446,64           2,561,37         13,567,422         1,446,64         1,446,64		Sep-01				•	•		
1         1.478.46         35,124.28         85,004.65         22,701.93           1         4,106554         21,668.38         16,377.31         5,675.60           6,265.42         43,06554         21,668.38         16,377.31         5,675.60           6,265.42         43,005.54         21,668.38         16,377.31         5,675.60           6,250.42         45,000.00         6,316.90         6,316.90         -         -           2,765.72         45,000.00         6,316.90         -         -         16,475.61           2,765.72         45,000.00         6,316.90         -         -         16,475.61           3,306.43         11,135.76         -         6,567.90         -         -           3,001.19         11,135.76         -         6,567.42         -         -           4,670.34         11,144.54         113,567.42         -         -         -           3,001.19         11,135.76         310.00         -         -         -         -           3,001.95         11,135.76         13,567.42         11,465.4         -         -         -           3,005.66         -         -         -         -         -         -		(Botor	144,842.34	12.043.78	132,758.56	7,096.72	05459	6,452,42	-
1         4106554         21,668.38         10,377.31         5,675.00           6,265.42         43,292.66         746,205.94         488,423.96           6,265.42         45,000.00         6,316.90         198,423.96           2,759.72         45,000.00         6,316.90         -           3,306.43         45,000.00         6,316.90         -         -           3,306.43         45,000.00         6,316.90         -         -           3,306.43         45,000.00         6,316.90         -         -           3,306.43         11,136.76         -         6,567.90         -           3,001.19         11,136.76         -         -         -           4,603.47         11,136.76         -         -         -           3,001.19         11,136.74         -         -         -           10,145.51         11,144.54         11,446.54         -         -           3,005.66         5,205.55         340.42         1,446.54         -           3,015.66         -         -         -         -         -           3,014.67         -         -         -         -         -           3,026         <		10-volu	178,283.25	14,624,45	163,468.80	14,246.70	1,274.46	12,972,222	
6.265.32/2         43.292.56         716.205.54         488.561.56           6.255.42         53.292.56         716.205.54         156.756           7.755.75         45.000.00         6.316.90         -         156.756           2.7755.75         45.000.00         6.316.90         -         156.756           3.306.43         15.000.00         6.316.90         -         -           3.306.43         11.135.76         -         6.567.30         -           46.001.32         838.31         -         6.567.30         -           3.306.43         11.13561.42         13.40.00         -         -           46.034         11.13561.42         13.40.00         -         -           3.00.19         11.13561.42         13.40.00         -         -           46.036         11.1435.76         13.40.04         -         -           3.00.19         11.1435.76         13.40.64         -         -           3.00.195         3.00.00         3.00.00         -         -         -           3.00.195         17.144.56         13.4664         -         -         -           3.00.55         5.66416005         2.24614.822         1.446.6		Deep	404,630,83	12,049,96	59,299,141	11.625407	1.040.29	10,505.58	
6:203.42         63.202.82         745.209.04         156.200           2:763.72         46.000.00         6.316.90         -           2:763.72         46.000.00         6.316.90         -           3:306.44         46.000.00         6.316.90         -           3:306.43         46.000.00         6.316.90         -           3:306.43         11,135.76         6.567.30         -           46.03         838.31         -         -           3:001.19         11,135.76         -         -           46.03         11,135.76         -         -           3:001.19         11,135.76         -         -           46.03         11,135.76         -         -           3:00.00         13.567.42         1         -           10.145.51         13.567.42         1         -           3:00.56         -         -         -         -           3:00.56         -         13.567.42         1         -           3:00.56         -         -         -         -           3:05.55         -         -         -         -           3:0.566.56         -         -         <		1014	477,863,42	19,748.27	ASTRAS M		2.949607	30,010,22	
2.75637.8         46.000.00         6.316.90         -           2.306-343         46.000.00         6.316.90         -           3.306-343         46.000.00         6.316.90         -           3.306-343         46.000.00         6.316.90         -           3.306-343         11,135.76         6.527.30         -           46.00.3         11,135.76         13.40.42         -           46.01.9         11,135.76         -         -           46.01.9         11,135.76         -         -           46.01.9         11,135.76         -         -           46.01.9         11,135.76         -         -           46.01.9         11,135.76         -         -           46.01.6         11,135.76         -         -           46.01.6         11,145.77         -         -           46.01.6         11,146.64         -         -           46.01.6         5.667.442         1,1466.64         -           46.01.6         -         -         -         -           2.2661.347         10.146.64         -         -         -           3.40.005         -         -         -		CIN	470,668,42	12,847,84	AST SKEN	32,956,29	2,999.97	300f0.22	
2.765.78     46,000.00     6,316.50       3.306.43     46,000.00     6,316.50       3.306.43     6,567.50       46,001.19     11,135.78       5,301.19     11,135.78       4,800.64     11,135.78       17,144.54     11,135.78       10,145.51     13,567.42       10,145.51     13,567.42       10,145.51     13,567.42       10,145.51     13,567.42       10,145.51     1,446.54       10,145.51     1,446.54       10,145.51     1,446.54       10,145.51     1,446.54       10,145.51     1,446.54       10,145.51     1,446.54       10,145.51     1,446.54       10,145.51     1,446.54       10,145.51     1,446.54       10,145.51     1,446.54       10,145.51     1,446.54       11,145.71     13,567.42       11,145.71     13,567.42       11,145.71     13,567.42       11,145.71     1446.54       11,145.71     1446.54       11,145.71     1446.54       11,145.71     1446.54       11,145.71     1446.54       11,145.71     1446.54       11,145.71     1446.54									3,376,005.11
27/69.742         46,000.00         6,316.50         6,5667.50           3,306.40         6,5667.50         6,5667.50         6,5667.50           6,506.40         11,139.76         310,300         -           3,007.19         11,139.76         310,300         -           4,600.64         (1,809.07)         310,300         -           17,144.54         (1,809.07)         13,567.42         -           10,145.61         10,145.64         -         -           10,145.61         13,567.42         10,446.64         -           10,145.61         11,158.77         13,567.42         -           10,145.61         11,144.54         11,144.54         11,144.54           10,145.61         13,567.42         13,567.42         -           310,150         13,567.42         11,144.54         -           310,150         13,567.42         11,144.54         -           310,150         11,154.54         11,144.54         -           310,150         2,5657.34         11,1446.54         -           310,150         31,15567.42         11,446.56         -           310,150         31,15567.42         11,446.56         -									
3,206:40     -     6,567/20     6,567/20       10(567:42     -     6,567/20     6,567/20       6,200,52     838.31     310,300     -       4,670,54     (1,809,07)     310,300     -       17,144.54     (1,809,07)     13,567/42     -       10,145,51     10,145,54     11,446,564       2,2056,37     2,3860,505     -     -       4,650,66     -     13,567/42     1,446,564       10,145,51     10,145,54     1,446,564       10,145,51     11,164,564     -       2,2866,055     34,650,656     1,446,564       31,7566,156     26,546,056     1,446,564       4,656,656     36,541,422     1,446,564       31,7566,156     26,546,056     36,541,422       31,7566,156     27,5541,422     1,446,564	SCOBROB AND	Jac-02	162,050,84	15,48772	166.915.42	11,126.92	90400	10,128,92	
10/00152	3,306.413	Feb.02	162,559,50	13.517.63	149,051.77	8,165.46	732.79	7,432.67	
6,200/62         638.31         -           3,001 19         11,130.76         310.00           4,870 64         (1,809.07)         310.00           17,744.54         (1,809.07)         13,567.42           10,145.61         13,567.42         1,446.54           10,145.61         13,567.42         1,446.54           2,566/37         2,266/37         1,446.54           3,660.66         3,567.42         1,446.54           4,656.66         3,567.42         1,446.54           4,656.66         3,567.42         1,446.54           6,77189.67         2,868.06         3,667.65           3,468.06         5,67.660.00         3,887.422           3,567.11         2,887.422         1,446.54	16586182	Mar/02	201.061.32	16,718.45	184,342.60	15,671.98	1,401.61	14,270.37	
3.00110         11,130.19         310.00           4.670.54         (1,809.07)         310.00           17.144.54         (1,809.07)         13,567.42           10.145.51         10.145.54         11,446.54           2.0651.37         10.145.54         1,446.54           2.0650.57         2.0651.57         1,446.54           3.0550.55         2.000.55         1,446.54           3.0450.55         2.000.55         1,446.54           3.0450.55         2.000.55         1,446.54           3.0450.55         2.000.55         1,446.54           3.0450.55         2.000.55         1,446.54           3.0450.55         2.000.55         1,446.54           3.0450.55         2.000.55         1,446.54           3.0450.55         2.000.55         1,446.54	7,458583 6 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	ADE-02	205,142,81	17,057,84	156.004.57	22,786:69	2,008.61	20,700.09	
4.870.84 (1.809.07) 310.00 17.144.54 (1.809.07) 315.67.42 10.145.81 2.2866.06 3.468.0666 3.468.0666 3.468.0666 3.468.0666 3.46	and the second se	200-005	246,709.10	16,019,050	10000001	25,870.25	2,371,03	23,499,22	
17.144.54 13.567.42 13.567.42 10.145.61 10.145.61 10.145.61 11.446.64 11.446.64 11.446.64 11.446.64 11.446.66 11.446	3,371.57	Jun-02	157,379.94	13,086.30	144,293,64	22,558.81	2,067.53	20,491.28	
10,145,51 2,565(37 2,3866.005 1,446.64 1,446.64 1,446.64 3,466.65 3,466.65 2,26,846.05 2,26,846.05 2,26,844.22 1,446.64 4,44	30,741.96	Jui-02	166,269,53	13,825,48	152,444.05	26,706.95	2,447.63	24,258.32	
2.065/37 2.3386.095 1.6.05.66 3.4.05.66 3.4.05.66 3.4.05.66 3.4.05.66 3.4.05.66 3.4.05.66 3.4.05.66 3.4.05.66 3.4.05.66 4.4.05	10,145.61	Aug-02	169,423.64	15,750.76	173,672,88	32,487.47	2,977.51	29,509,96	
2.2386.005 1.656.66 3.466.66 3.466.66 3.466.46 3.46.74 4.44.747 4.44.74 4.44.74 4.44.74 4.44.74 4.44.74 4.44.74 4.44.74 4.44.74 4.44.74 4.44.747 4.44.747 4.44.747 4		Sep-02	177,587.45	14,796.24	162,791.21	49,107.95	5,534.38	43,573,57	
1.630.860 2010 2010 2010 2010 2010 2010 2010 20		001180		11,573,13	131,730.97	52,756.73	5,629.08	47,127.05	
3488.065 57.7 (\$5.4) 55.460.03 71.5 (\$5.7) 1.6 55.460.03 7.7 5.741.42 7.7 7.741.74 7.7 7.741.74 7.77777777777777777777777777777	1.636.36	Nov-02	136,418.87	11,366,15	125,052.72	41,563.64	4,190.22	37,373.42	
67778947 2567460.03 28,814.22 1,448.64 4 4 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	3,405,86	Dec-82	160,647.48	13,384,62	147,262.66	46,527.86	4,583.70	41,944,16	
74 000 08 140 451 ED 742 M4 45 400 200 ED	Ŀ	YT0 2.	2,098,964.68	174,634,04	1,924,300.37	355,331.71	35,022.09	320,309.62	
43,004,007 [13,404.09 [43,041.10 ] 133,000,50	1,136,065,28	CUML 2	2,576,628.10 2	214,352.52 2	2,362,275.58	388,291.00	37,971.16	350,319.64	
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