



August 7, 2008

VIA HAND DELIVERY

Ms. Florene Davidson, Clerk
Oil Conservation Commission
New Mexico Energy, Minerals
and Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, NM 87505

2008 AUG 7 PM 4 41
RECEIVED

Re: Case No. 14001 (De Novo): Application of Chesapeake Exploration, L.L.C. for Statutory Unitization of the Quail Queen Unit Area, Lea County, New Mexico.

Case No. 14002 (De Novo): Application of Chesapeake Exploration, L.L.C. for approval of a Waterflood Project and Qualification of the Project Area of the Quail Queen Unit for the Recovered Oil Tax Rate Pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico.

Dear Ms. Davidson:

Enclosed are (1) six copies of the Pre-Hearing Statements of Chesapeake Exploration, L.L.C. in each of the above referenced cases, (2) the Index of Exhibits and (3) copies of all exhibits that Chesapeake Exploration, L.L.C. will offer at the Oil Conservation Commission hearing scheduled for August 14, 2008.

By copy of this letter, these pleadings and exhibits are being provided to all counsel of record in accordance with 19.15.14.1211.B NMAC.

Please call if you have any questions.

Very truly yours,

William F. Carr

ATTORNEY FOR CHESAPEAKE EXPLORATION, L.L.C.

Enclosures

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

**IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF CONSIDERING:**

**APPLICATION OF CHESAPEAKE EXPLORATION, L.L.C. FOR STATUTORY
UNITIZATION OF THE QUAIL QUEEN UNIT AREA, LEA COUNTY, NEW
MEXICO.**

**CASE NO. 14001
De Novo**

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Holland & Hart LLP as required by the
Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Chesapeake Exploration, L.L.C..
Attn: Terry Frohnapfel
6100 N. Western
Post Office Box 18496
Oklahoma City, OK 73154-0496
(405) 810-2727

ATTORNEY

William F. Carr, Esq.
Holland & Hart LLP
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(505) 988-4421

OPPOSITION

Pintail Production Company, Inc.

ATTORNEY

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

STATEMENT OF CASE

Applicant in the above-styled cause, seeks an order unitizing, for the purpose of establishing an enhanced recovery project, all mineral interest in the Queen formation, Quail-Queen Pool, underlying 840 acres, more or less, of State and Fee lands in the following acreage:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM

Section 11:	S/2, NE/4
Section 13:	W/2 NW/4, NW/4 SW/4
Section 14:	NE/4, N/2 NW/4

Said unit to be designated the Quail-Queen Unit. Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the designation of horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment and such other matters as may be necessary and appropriate for carrying on efficient unit operations; including but not limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations. Applicant also requests that any such order issued in this case include a non-consent penalty for risk to be charged against carried working interests within the unit area upon such terms and conditions to be determined by the Division as just and reasonable.

PROPOSED EVIDENCE

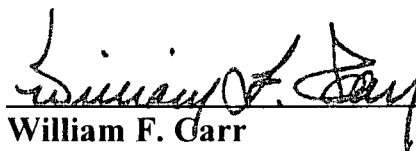
APPLICANT:

<u>WITNESSES</u> (Name and Expertise)	<u>ESTIMATED TIME</u>	<u>EXHIBITS</u>
Terry Frohnafel (Landman)	Approximately 20 Minutes	9
<p>Mr. Frohnafel will review the status of the lands in the Quail Queen Unit Area and Chesapeake Exploration L.L.C.'s efforts to identify and obtain the voluntary participation of all interest owners in the Quail Queen Unit.</p>		
Robert Martin (Geologist)	Approximately 15 Minutes	5
<p>Mr. Martin will present Chesapeake's geological interpretation of the Quail Queen formation in the Unit Area.</p>		
Greg Adams (Engineer)	Approximately 20 Minutes	10
<p>Mr. Adams will review Chesapeake's engineering data that supports the statutory unitization of this Unit Area and will review the applications of Chesapeake for approval of waterflood operations in the Unit Area and Qualification of the Unit Area for the Recovered Tax Rate authorized by the Enhanced Oil Recovery Act.</p>		

PROCEDURAL MATTERS

Chesapeake Exploration, L.L.C. will request that this case be consolidated

or the purposes of hearing with Case 14002.

A handwritten signature in black ink, appearing to read "William F. Garr", is written over a horizontal line.

William F. Garr

**Attorney for Chesapeake Exploration
L.L.C.**

**CASES 14001 AND 14002
CONSOLIDATED APPLICATIONS OF
CHESAPEAKE EXPLORATION, L.L.C.
FOR STATUTORY UNITIZATION AND
APPROVAL OF A WATERFLOOD PROJECT AND QUALIFICATION OF THE
PROJECT AREA OF THE QUAIL QUEEN UNIT
FOR THE RECOVERED OIL TAX RATE PURSUANT TO THE ENHANCED
OIL RECOVERY ACT,
LEA COUNTY, NEW MEXICO.**

LAND:

- EXHIBIT A: Oil Conservation Division Order No. R-12952
- EXHIBIT 1: Unit Map – Exhibit A to Unit Agreement
- EXHIBIT 2: Unit Agreement
- EXHIBIT 3: List of Participation by Unit Tract – Exhibit C to Unit Agreement
- EXHIBIT 4: List of redesignated well names
- EXHIBIT 5: Unit Operating Agreement
- EXHIBIT 6: Correspondence – Shows efforts to reach Voluntary Agreement
- EXHIBIT 7: Preliminary Approval Letter from the Commissioner of Public Lands
- EXHIBIT 8: List of Working Interest Owners
Working Interest Owner Ratifications
- EXHIBIT 9: Notice Letters – Waterflood Project

GEOLOGY:

- EXHIBIT 10: Type Log
- EXHIBIT 11: Structure Map – Top of Queen
- EXHIBIT 12: N/S Cross Section
- EXHIBIT 13: Queen B Sand -Net Porosity Map
- EXHIBIT 14: Queen C Sand - Net Porosity Map

ENGINEERING:

- EXHIBIT 15: Revised Executive Summary
- EXHIBIT 16: 4 Well Montage
- EXHIBIT 17: West Pearl Queen Locator
- EXHIBIT 18: Comparison QQU v. WQPU
- EXHIBIT 19: Tract Participation Factors
- EXHIBIT 20: First Capital Expenditures – shows conversions
- EXHIBIT 21: Second Capital Expenditures
- EXHIBIT 22: Plot – Expected Production
- EXHIBIT 23: C-108
- EXHIBIT 24: Application for Incentive Tax Rate
- EXHIBIT 25: Feasibility Study

CERTIFICATE OF SERVICE

I certify that on August 7, 2008 I served a copy of the foregoing document to the following by Hand Delivery or by Facsimile:

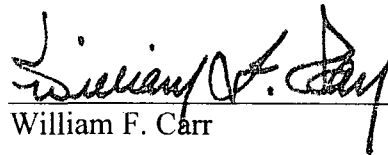
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Attorney for Gene A. Snow Operating Co.


William F. Carr

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
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**IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF CONSIDERING:**

**APPLICATION OF CHESAPEAKE EXPLORATION, L.L.C. FOR APPROVAL
OF A WATERFLOOD PROJECT AND QUALIFICATION OF THE PROJECT
AREA OF THE QUAIL QUEEN UNIT FOR THE RECOVERED OIL TAX RATE
PURSUANT TO THE ENHANCED OIL RECOVERY ACT, LEA COUNTY, NEW
MEXICO.**

**CASE NO. 14002
De Novo**

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Holland & Hart LLP as required by the
Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Chesapeake Exploration, L.L.C.
Attn: Terry Frohnafel
6100 N. Western
Post Office Box 18496
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OPPOSITION

Pintail Production Company, Inc.

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

STATEMENT OF CASE

Applicant in the above-styled cause, seeks approval of its Quail-Queen Unit Waterflood Project by injection of water into the Queen formation through six injection wells located in the following described area:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM

Section 11:	S/2, NE/4
Section 13:	W/2 NW/4, NW/4 SW/4
Section 14:	NE/4, N/2 NW/4

The applicant requests that the Division establish procedures for the administrative approval of additional injection wells within the unit area without the necessity of further hearings and the adoption of any provisions necessary for such other matters as may be appropriate for said waterflood operations.

PROPOSED EVIDENCE

APPLICANT:

<u>WITNESSES</u> (Name and Expertise)	<u>ESTIMATED TIME</u>	<u>EXHIBITS</u>
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Terry Frohnapfel (Landman)	Approximately 20 Minutes	9
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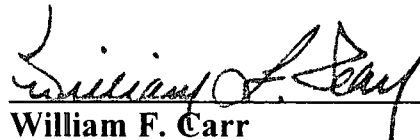
Mr. Martin will present Chesapeake's geological interpretation of the Quail Queen formation in the Unit Area.

Greg Adams (Engineer)	Approximately 20 Minutes	10
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Mr. Adams will review Chesapeake's engineering data that supports the statutory unitization of this Unit Area and will review the applications of Chesapeake for approval of waterflood operations, its application for authorization to inject into the Queen formation in the Unit Area and Qualification of the Unit Area for the Recovered Tax Rate authorized by the Enhanced Oil Recovery Act.

PROCEDURAL MATTERS

Chesapeake Exploration, L.L.C. will request that this case be consolidated for the purposes of hearing with Case 14001.



William F. Carr
Attorney for Chesapeake Exploration,
L.L.C.

**CASES 14001 AND 14002
CONSOLIDATED APPLICATIONS OF
CHESAPEAKE EXPLORATION, L.L.C.
FOR STATUTORY UNITIZATION AND
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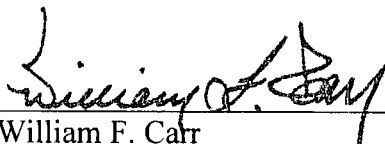
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