

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

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

APPLICATION OF CHESAPEAKE ENERGY  
CORPORATION FOR APPROVAL OF A  
160-ACRE NON-STANDARD SPACING AND  
PRORATION UNIT AND FOR  
COMPULSORY POOLING,

CHAVES COUNTY, NEW MEXICO CASE NOS. 14222; 14223; 14224;  
14225, 14226; 14227;  
14228; 14229; 14230;  
and 14231

PRE-HEARING STATEMENT

This prehearing statement is submitted by COG Operating LLC as  
required by the Oil Conservation Division.

**APPEARANCES OF PARTIES**

APPLICANT

Chesapeake Energy Corporation  
6100 North Western Ave  
Oklahoma City, OK 73118  
(405) 848-8000

ATTORNEY

W. Thomas Kellahin, Esq.  
706 Gonzales Road  
Santa Fe, New Mexico  
(505) 982-4285

OPPOSITION OR OTHER PARTY

COG Operating LLC  
550 W. Texas Ave., Suite 1300  
Tower II  
Midland, Texas 79701

ATTORNEY

J. Scott Hall, Esq.  
Montgomery and Andrews  
325 Paseo de Peralta  
Santa Fe, New Mexico 87501  
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name, address, phone and  
contact person

## STATEMENT OF CASE

### APPLICANT

Chesapeake Energy Corporation seeks (1) the Division's approval of the creation of 160-acre non-standard Wolfcamp formation proration units, and (2) the forced-pooling of un-joined interests for the drilling of horizontal project area wells on the following lands, all in T15S, R31E:

1. Case No. 14222 – Perseus 10 Federal Com Well #1H;  
S/2 S/2 of Section 10;
2. Case No. 14223 – Perseus 10 Federal Com Well #2H;  
N/2 S/2 of Section 10;
3. Case No. 14224 - Perseus 10 Federal Com Well #3H;  
S/2 N/2 of Section 10;
4. Case No. 14225 - Perseus 10 Federal Com Well #4H;  
N/2 N/2 of Section 10;
5. Case No. 14226 – Draco 14 Federal Com Well #1H;  
N/2 N/2 of Section 14;
6. Case No. 14227 - Draco 14 Federal Com Well #2H;  
S/2 N/2 of Section 14;
7. Case No. 14228 - Draco 14 Federal Com Well #3H;  
N/2 S/2 of Section 14;
8. Case No. 14229 – Wrinkle 13 Federal Com Well #1H;  
N/2 S/2 of Section 13;
9. Case No. 14230 – Wrinkle 13 Federal Com Well #2H;  
S/2 S/2 of Section 13;
10. Case No. 14231 – Wrinkle 13 Federal Com Well #3H;  
S/2 N/2 of Section 13.

### OPPOSITION OR OTHER PARTY

The lands described in the Chesapeake applications are also the subject of compulsory pooling applications which were previously filed on behalf of COG Operating LLC. COG also seeks the approval of non-standard Wolfcamp formation units for the drilling of its horizontal project area wells as follow:

**Pre-hearing Statement**

**NMOCD Case No. 14222 through 14231**

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1. Case No. 14203 – Taurus Federal Well #1;  
S/2 S/2 of Section 10;
2. Case No. 14204 – Taurus State Com Well #2;  
N/2 S/2 of Section 10;
3. Case No. 14205 – Taurus State Com Well #3;  
S/2 N/2 of Section 10;
4. Case No. 14206 - Taurus State Com Well #4;  
N/2 N/2 of Section 10;
5. Case No. 14207 – Orion Federal Com Well #1H;  
S/2 N/2 of Section 13;
6. Case No. 14208 – Orion Federal Well #2;  
N/2 S/2 of Section 13;
7. Case No. 14209 – Orion Federal Com Well #3;  
S/2 S/2 of Section 13;
8. Case No. 14210 – Andromeda Federal Well #1;  
N/2 N/2 of Section 14;
9. Case No. 14211 – Andromeda Federal Well #2;  
S/2 N/2 of Section 14;
10. Case No. 14212 – Andromeda Federal Well #3;  
N/2 S/2 of Section 14;
11. Case No. 14213 – Hercules Federal Well #1;  
S/2 N/2 of Section 15;
12. Case No. 14214 – Hercules Federal Com Well #2;  
N/2 N/2 of Section 15;
13. Case No. 14215 – Hercules Federal Com Well #3;  
N/2 S/2 of Section 15;
14. Case No. 14216 – Hercules Federal Com Well #4H;  
S/2 S/2 of Section 15.

COG contends that its applications for compulsory pooling and the establishment of the non-standard units should be approved and Chesapeake's denied.

COG has acted with diligence in furthering the development of its prospect in this area. Chesapeake has not and seeks only to delay drilling. COG acted promptly in evaluating area geology, negotiating well locations and SOPA agreements, and obtaining drilling permits. Chesapeake has done none of these things. COG stands ready to drill. Chesapeake does not. In most cases, COG has majority working interest control of the units. Chesapeake does not.

**PROPOSED EVIDENCE**

APPLICANT

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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OPPOSITION

WITNESSES	EST. TIME	EXHIBITS
Jan Spradlin, Landman	2 hours	75
Jesse Lawson, Petroleum Engineer	45 minutes	5
Ted Galowski, Geologist (may call)	20 minutes	5

**PROCEDURAL MATTERS**

(Please identify any procedural matters which  
need to be resolved prior to the hearing)

COG has filed its Motion To Dismiss seeking the dismissal of the  
Chesapeake compulsory pooling/non-standard unit applications.

*T. J. Kellahin*

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Signature

**Certificate of Service by Fax**

- W. Thomas Kellahin
- James Bruce, Esq.
- William F. Carr, Esq.

Certificate of Service

I hereby certify that on this 23<sup>rd</sup> day of October, 2008 a copy of the foregoing was faxed to the following:

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and hand delivered to:

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

*J. Scott Hall*

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J. Scott Hall