

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 ENERGY  
CORPORATION FOR CANCELLATION OF  
CERTAIN PERMITS TO DRILL ISSUED TO  
COG OPERATING LLC,  
CHAVES COUNTY, NEW MEXICO, CASE NOS.

14217; 14218; and  
14219

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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  
Andrews  
Tower II  
Midland, Texas 79701  
87501

ATTORNEY

J. Scott Hall, Esq.  
Montgomery and  
325 Paseo de Peralta  
Santa Fe, New Mexico  
982-3873

\_\_\_\_\_  
name, address, phone and  
contact person

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## STATEMENT OF CASE

### APPLICANT

In these three cases, Chesapeake seeks to have the Division enter an order canceling previously approved APD's issued to COG Operating LLC for the following wells, all in T15S R 31E:

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;

Chesapeake asserts that horizontal wells cannot traverse section subdivisions unless the operator owns interests in each subdivision and therefore the Division should not have approved APD's for any such horizontal well projects.

### OPPOSITION OR OTHER PARTY

COG opposes Chesapeake's Applications. Chesapeake's theory is a departure from firmly established Division practice and the agency's interpretation and application of its well location and permitting rules.

The lands described in the Applications for these three cases are also the subject of competing compulsory pooling applications filed on behalf of Chesapeake Energy Corporation and COG Operating LLC. Notably, in its pooling Applications, Chesapeake also seeks the approval of non-standard Wolfcamp formation units (and by implication, APD's) for the drilling of horizontal project area wells through section subdivisions where it does not own an interest. COG has pointed-out Chesapeake's inconsistent positions by way of a Motion to Dismiss filed in Case Nos. 14222 through 14231.

### PROPOSED EVIDENCE

#### APPLICANT

WITNESSES

(Name and expertise)

EST. TIME

EXHIBITS

#### OPPOSITION

WITNESSES

EST. TIME

EXHIBITS

Jan Spradlin, Landman

10 minutes

2

### PROCEDURAL MATTERS

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

*T. J. Kellahin*

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:

W. Thomas Kellahin, Esq.  
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and hand delivered to:

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1220 S. St. Francis Drive  
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*J. Scott Hall*

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J. Scott Hall