

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

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2009 MAY 1 AM 10 14

IN THE MATTER OF THE APPLICATION  
OF CHESAPEAKE ENERGY CORPORATION FOR  
CANCELLATION OF A PERMIT TO DRILL ("APD")  
ISSUED TO COG OPERATING LLC ("COG")  
EDDY COUNTY, NEW MEXICO.

CASE NO. 14323

APPLICATION

Comes now CHESAPEAKE ENERGY CORPORATION ("Chesapeake") by its attorneys, Kellahin & Kellahin, applies to the New Mexico Oil Conservation Division ("Division") for an order cancelling the Division's approval of the following for permit to drill ("APD") issued to COG Operating LLC ("COG"): API 30-015-36541 for the Blackhawk "11" Federal Com #1H Well, a horizontal wellbore with a surface location in Unit M and a subsurface location in Unit P of Section 11, T16S, R28E, Eddy County and to be dedicated to a non-standard 160-acre spacing unit consisting of the S/2S/2 of this section.

In support of its application, Chesapeake states:

1. About April 30, 2008, COG Operating, LLC filed an application for permit to drill ("APD") with the Bureau of Land Management-Roswell that were approved on August 4, 2008 for the Blackhawk "11" Federal Com #1H Well, (API # 30-015-36541) a horizontal wellbore with a surface location in Unit M and a subsurface location in Unit P of Section 11, T16S, R28E, Eddy County and to be dedicated to a non-standard 160-acre spacing unit consisting of the S/2S/2 of this section. See first page of APD and Division form C-102 attached as Exhibit "A"
2. In violation of the Division's Rules and Orders, COG has filed an APD for a horizontal wellbore in which COG does not have any interest in either (a) the surface location or (b) the first 1,604 feet of the producing interval of this wellbore. See Exhibit "B" attached

EXHIBIT A

3. COG's proposed 160-acre non-standard oil spacing unit each contains four 40-acre tracts consisting of S/2S/2: (See COG's Form C-102 attached as Exhibit "B")

Unit M and Unit N    Chesapeake = 56.18%; Devon=43.75%; and MacDonald = 0.07%  
Unit O and Unit P    COG= 100%

4. In compliance with Commission Order R-12343-E, dated March 16, 2007, the Division revised and modified its Form C-102 to require that the Operator certify that:

"I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division."

5. COG's for C-12 for this wellbore was improperly certified because COG Operating LLC had placed the surface location and approximately 1,604 feet of the production interval within two 40-acre tracts of the spacing unit location in which COG Oil & Gas LP had no interest and had not reached a voluntary agreement with Chesapeake or obtained a Division compulsory pooling order.

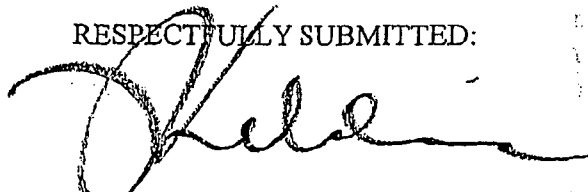
6. In doing so, COG violated the "operator certification" contained in Division Form C-102 by falsely certifying that it had an interest in each of the tracts to be penetrated by the wellbore.

7. COG has not proposed this well to Chesapeake.

8. Notice of this application and hearing has been send to the parties set forth on Exhibit "C" Attached

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on June 2, 2009 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order cancelling this APD.

RESPECTFULLY SUBMITTED:



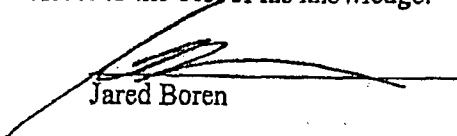
W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN  
706 Gonzales Road  
Santa Fe, New Mexico 87501  
(505) 982-4285

VERIFICATION

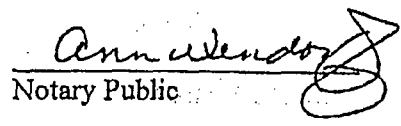
STATE OF OKLAHOMA     )  
                                      )  
COUNTY OF OKLAHOMA )

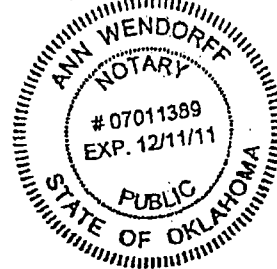
SS

Jared Boren, being duly sworn upon his oath, deposes and states: He is a landman employed by Chesapeake, that he is familiar with the matters set forth in this application and the statements therein are true and correct to the best of his knowledge.

  
Jared Boren

SUBSCRIBED AND SWORN to before me this 22 day of April 2009, by Jared Boren

  
Notary Public



My commission expires: 12/11/11

OCD-ARTESIA

ATS-08-118  
E1-08-1146Form 3160-3  
(February 2005)

AUG - 6 2008

OCD-ARTESIA

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

## APPLICATION FOR PERMIT TO DRILL OR REENTER

|   |  |   |  |
|---|--|---|--|
| 1a. Type of work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER   |  | FORM APPROVED<br>OMB No. 1004-0137<br>Expires March 31, 2007              |  |
| 1b. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone |  | 5. Lease Serial No. <b>95630</b>  |  |
| 2. Name of Operator: <b>COG OPERATING, LLC</b>  |  | 6. If Indian, Allottee or Tribe Name<br>N/A                               |  |
| 3a. Address <b>550 W. Texas Suite 1300<br/>Midland, Texas 79701</b>   |  | 7. If Unit or CA Agreement, Name and No                                   |  |
| 3b. Phone No. (include area code)<br><b>432-683-7443</b>  |  | 8. Lease Name and Well No. <b>37327</b><br>Blackhawk "11" Federal Coro #1 |  |
| 4. Location of Well (Report location clearly and in accordance with any State requirements)<br>At surface <b>430' FSL &amp; 430' FWL</b><br>At proposed prod. zone <b>330' FSL &amp; 330' FEL</b>                     |  | 9. API Well No.<br><b>30-015-36541</b>                                    |  |
| 14. Distance in miles and direction from nearest town or post office*   |  | 10. Field and Pool, or Exploratory<br>Wolfcamp-Crow Flats                 |  |
| 15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drg. unit line, if any) <b>330'</b>   |  | 11. Sec., T, R, M. or Bk. and Survey or Area<br>Section 11 T16S R28E      |  |
| 16. No. of acres in lease   |  | 12. County or Parish<br>Eddy County                                       |  |
| 17. Spacing Unit dedicated to this well<br>160  |  | 13. State<br>NM   |  |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft   |  | 20. BLM/BIA Bond No. on file<br>NMB 000215                                |  |
| 19. Proposed Depth <b>11130' MD</b><br><b>5580' TVD</b>   |  | 21. Estimated duration<br>45 days   |  |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc)<br>3570 GL   |  | 22. Approximate date work will start*<br>06/01/2008                       |  |
| 23. Attachments   |  |   |  |

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, must be attached to this form

- Well plat certified by a registered surveyor
- A Drilling Plan
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office)
- Bond to cover the operations unless covered by an existing bond on file (see item 20 above)
- Operator certification
- Such other site specific information and/or plans as may be required by the BLM.

|  |  |                     |
|--|--|---------------------|
| 25. Signature <i>Lee Ann Rollins</i>             | Name (Printed Type)<br>Lee Ann Rollins   | Date<br>04/30/2008  |
| Title<br>Agent                                   |  |                     |
| Approved by (Signature) <i>/s/ James Stovall</i> | Name (Printed Type)<br>/s/ James Stovall | Date<br>AUG 04 2008 |
| Title<br>FIELD MANAGER                           | Office<br>CARLSBAD FIELD OFFICE          |                     |

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.  
Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

Title 18 USC Section 1001 and Title 43 USC Section 1212, make it a crime for any person knowingly and States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

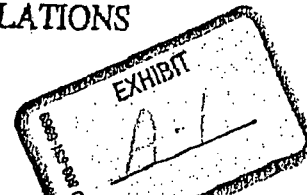
NOTE: NEW PIT RULE

19-15-17 NMAC PART 17

A form C-144 must be approved before starting drilling operations.

\*(Instructions on page 2)

ROSWELL CONTROLLED WATER BASIN

SEE ATTACHED FOR  
CONDITIONS OF APPROVALAPPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

## DISTRICT I

1825 N. French Dr., Hobbs, NM 88249

## DISTRICT II

7301 W. Grand Avenue, Artesia, NM 88210

## DISTRICT III

1000 Rio Grande Rd., Aztec, NM 87410

## DISTRICT IV

1210 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources DepartmentForm C-102  
Revised October 12, 2005Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

## OIL CONSERVATION DIVISION

1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

AUG 15 2008

OCD-ARTESIA AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

|                       |   |                                  |
|-----------------------|---|----------------------------------|
| API Number<br>30-015- | Pool Code<br>97102                          | Pool Name<br>CROW FLATS: WOLFCAH |
| Property Code         | Property Name<br>BLACKHAWK "11" FEDERAL COM | Well Number<br>1                 |
| OGRID No.<br>229137   | Operator Name<br>C.O.G. OPERATING L.L.C.    | Elevation<br>3570'               |

## Surface Location


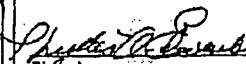
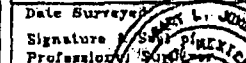
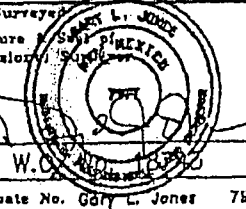
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| M             | 11      | 16 S     | 28 E  |         | 430           | SOUTH            | 430           | WEST           | EDDY   |

## Bottom Hole Location If Different From Surface

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| P             | 11      | 16 S     | 28 E  |         | 330           | SOUTH            | 330           | EAST           | EDDY   |

|                        |                 |                    |           |
|------------------------|-----------------|--------------------|-----------|
| Dedicated Acres<br>160 | Joint or Infill | Consolidation Code | Order No. |
|------------------------|-----------------|--------------------|-----------|

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

|   |  |  |   |
|---|--|--|---|
|  | <div style="display: flex; justify-content: space-around;"> <div> <b>SURFACE LOCATION</b><br/>           LAT.: N 32°55'55.47"<br/>           LONG.: W104°09'13.98"<br/>           N.: 702870.627<br/>           E.: 596395.029<br/>           (NAD-83)         </div> <div> <b>BOTTOM HOLE LOCATION</b><br/>           LAT.: N 32°55'54.42"<br/>           LONG.: W104°08'21.77"<br/>           N.: 702772.089<br/>           E.: 600844.111<br/>           (NAD-83)         </div> </div>   |  | <b>OPERATOR CERTIFICATION</b><br><br>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.<br><br><br>Signature Date 8-14-08<br><br>Phyllis A. Edwards<br>Printed Name Regulatory Analyst |
|   | <b>SURVEYOR CERTIFICATION</b><br><br>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.<br><br>DECEMBER 16, 2007<br>Date Surveyed<br><br>Signature<br>Gary L. Jones<br>Professional Surveyor<br> |  |   |
|   | PROJECT AREA<br><br>PRODUCING AREA<br><br>PENETRATION POINT  |  |   |
|   | Certificate No. Gary L. Jones 7977<br>BASIN SURVEYS  |  |   |

JOA Dated January 26, 1998

Contract Area:

All of Section 11 from surface to base of Morrow  
Leases not subject to JOA:

#VB-1111-0002, covering SENE & SE

Federal  
NMNM-097128

CHK 56.18% WI  
Devon 43.75% WI  
MacDonald 0.07% WI

EDDY

16S 28E

11

12

Federal  
NMNM-095630

COG Operating's  
Blackhawk 11  
Federal Com 2H

State  
V0-4932-000

COG Operating's  
Blackhawk 11  
Federal Com 1



|                      |  |
|----------------------|--|
| Legend               |  |
| • BHL                |  |
| • SHL                |  |
| Permits              |  |
| --- APD Approved     |  |
| --- APD Not Approved |  |
| Writers              |  |
| CHK                  |  |
| COG                  |  |
| Devon                |  |

|   |                                     |
|---|-------------------------------------|
| Section 11 APDs<br>11-16S-28E<br>Eddy Co., New Mexico |                                     |
| Scale: 1/4" = 100'                                    | Projection: UTM North American 1983 |
| Date: 4/22/2009                                       | Author: Edin Fay                    |

Exhibit "C"

COG Operating LLC  
550 West Texas Avenue  
Suite 1300  
Midland, TX 79701

COG Oil & Gas LP  
550 West Texas Avenue  
Suite 1300  
Midland, TX 79701

Tim MacDonald  
23 Graham Lane  
Lucas, TX 75002  
972-390-8106 ph

Ken Gray  
Devon Energy  
20 N. Broadway  
Oklahoma City, OK 73102  
405-552-4633