

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

IN THE MATTER OF THE APPLICATION  
OF CHESAPEAKE ENERGY CORPORATION FOR  
CANCELLATION OF A PERMIT TO DRILL ("APD")  
ISSUED TO COG OPERATING LLC ("COG")  
[BLACKHAWK "11" FED COM Well No. 2-H]  
EDDY COUNTY, NEW MEXICO.

RECEIVED OCD  
2009 AUG 11 A 11:10

CASE NO. 14382

APPLICATION

Comes now CHESAPEAKE ENERGY CORPORATION ("Chesapeake") by its attorneys, Kellahin & Kellahin, applies to the New Mexico Oil Conservation Division ("Division") for an order canceling the Division's approval of the following for permit to drill ("APD") issued to COG Operating LLC ("COG"); API 30-015-37106 for the Blackhawk "11" Federal Com #2-H Well, a horizontal wellbore with a surface location in Unit I and a bottom-hole location in Unit K of Section 11, T16S, R28E, Eddy County and to be dedicated to a non-standard 120-acre spacing unit consisting of the NE/4SW/4 of this section.

In support of its application, Chesapeake states:

1. About February 27, 2008, COG Operating, LLC filed an application for permit to drill ("APD") with the Bureau of Land Management-Roswell, with a Division form C-102, that were approved on May 22, 2008 for the Blackhawk "11" Federal Com #1H Well, (API # 30-015-37106) a horizontal wellbore with a surface location in Unit K and a subsurface location in Unit I of Section 11, T16S, R28E, Eddy County and to be dedicated to a non-standard 120-acre spacing unit consisting of the NE/4SW/4 & N/2SE/4 of this section. See first page of APD and Division form C-102 attached as Exhibit "B"
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 1,050 feet of the producing interval of this wellbore. See Exhibit "B" attached

3. COG's proposed 120-acre non-standard oil spacing unit each contains three 40-acre tracts consisting of NE/4SW/4 & N/2SE/4: (See Locator Map attached as Exhibit "C")

Unit K Chesapeake = 56.18%; Devon=43.75%; and MacDonald = 0.07%  
Unit I and Unit J 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 form C-102 for this wellbore was improperly certified because COG Operating LLC had placed the surface location and approximately 1,050 feet of the production interval within one of the three 40-acre tracts of the spacing unit in which COG Oil & Gas LP had no mineral interest and had not reached a voluntary agreement with Chesapeake or obtained a Division compulsory pooling order.

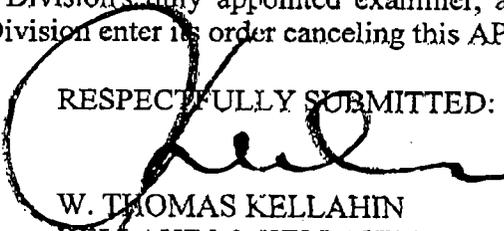
6. In doing so, COG violated the "operator certification" contained in Division Form C-102 by falsely certifying that it had an interest in each of the tracts to be penetrated by the wellbore.

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 "D"  
Attached

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on September 17, 2009 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order canceling this APD.

RESPECTFULLY SUBMITTED:



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

AT 10 00 704

ET-09-523

RM

# OCD-ARTESIA

Form 3160-3  
(April 2004)

MAY 27 2009

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

## APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED  
OMB No. 1004-0137  
Expires March 31, 2007

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-95630
1b. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name N/A
2. Name of Operator COG Operating LLC		7. If Unit or CA Agreement, Name and No N/A
3a. Address 550 W. Texas, Suite 1300 Midland TX 79701	3b. Phone No. (include area code) (432) 685-4385	8. Lease Name and Well No Black Hawk 1) Fed Corn #2
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1800' FSL & 1590' FWL, <b>ROSSWELL CONTROLLED WATER BASIN</b> At proposed prod. zone 1650' FSL & 330' FEL, DL 1		9. API Well No. 30-015-37106
14. Distance in miles and direction from nearest town or post office* 2.5 miles north of Loco Hills, NM		10. Field and Pool, or Exploratory Crown State Abo W. 1 Block
15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drig. unit line, if any) 1590'		11. Sec., T, R, M. or Blk and Survey or Area Sec 11, T16S, R28E
16. No. of acres in lease 1760		12. County or Parish Eddy
17. Spacing Unit dedicated to this well 46/20		13. State NM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 450'		19. Proposed Depth Pilot Hole 6850' TVD 6690', MD 9950' 6,686' 9709'
20. BLM/BIA Bond No on file NMB000215		21. Elevations (Show whether DF, KDB, RT, GL, etc) 3576' GL
22. Approximate date work will start* 04/01/2009		23. Estimated duration 10 days

### 24. Attachments

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

- |   |  |
|---|--|
| 1. Well plat certified by a registered surveyor.  | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).    |
| 2. A Drilling Plan.   | 5. Operator certification  |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>Phyllis A. Edwards</i>	Name (Printed/Typed) Phyllis A. Edwards	Date 02/27/2009
Title Regulatory Analyst		

Approved by (Signature) /s/ Don Peterson	Name (Printed/Typed) /s/ Don Peterson	Date MAY 22 2008
Title FIELD MANAGER		
Office 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**

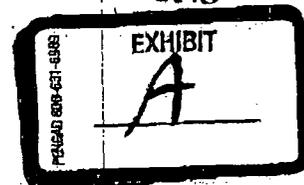
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\*(Instructions on page 2)

*NR*

SEE ATTACHED FOR  
CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED



DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II  
1901 W. Grand Avenue, Artesia, NM 88210

DISTRICT III  
1000 Rio Wabos Rd., Aztec, NM 87410

DISTRICT IV  
1220 E. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised October 13, 2005

Submit 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

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number 30-015-37106	Pool Code	Pool Name Wildcat CROW FLATS; ABO
Property Code 37327	Property Name BLACKHAWK "11" FEDERAL COM	Well Number 2H
OCRID No. 229137	Operator Name C.O.G. OPERATING L.L.C.	Elevation 3576'

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	11	16 S	28 E		1800	SOUTH	1590	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
I	11	16 S	28 E		1650	SOUTH	330	EAST	EDDY

Dedicated Acres 120	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

**SURFACE LOCATION**  
LAT.: N 32°58'09.01"  
LONG.: W 104°09'23.24"  
SPC- N: 704240.973  
E: 597563.755  
(NAD-83)

**BOTTOM HOLE LOCATION**  
LAT.: N 32°58'09.48"  
LONG.: W 104°08'21.64"  
SPC- N: 704092.509  
E: 800853.626  
(NAD-83)

**PROJECT AREA**  
3578.2' (North)  
1590' (West)  
3567.5' (South)  
1800' (East)

**PRODUCING AREA**  
3582.4' (North)  
3283.3' (East)

**ABO PENETRATION POINT**  
330' (West)  
1650' (South)

**OPERATOR CERTIFICATION**

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 pursuant to a contract with an owner of such a mineral or working interest, or to a unitary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature: *Robyn Odom* Date: 10/24/2008  
Printed Name: Robyn Odom

---

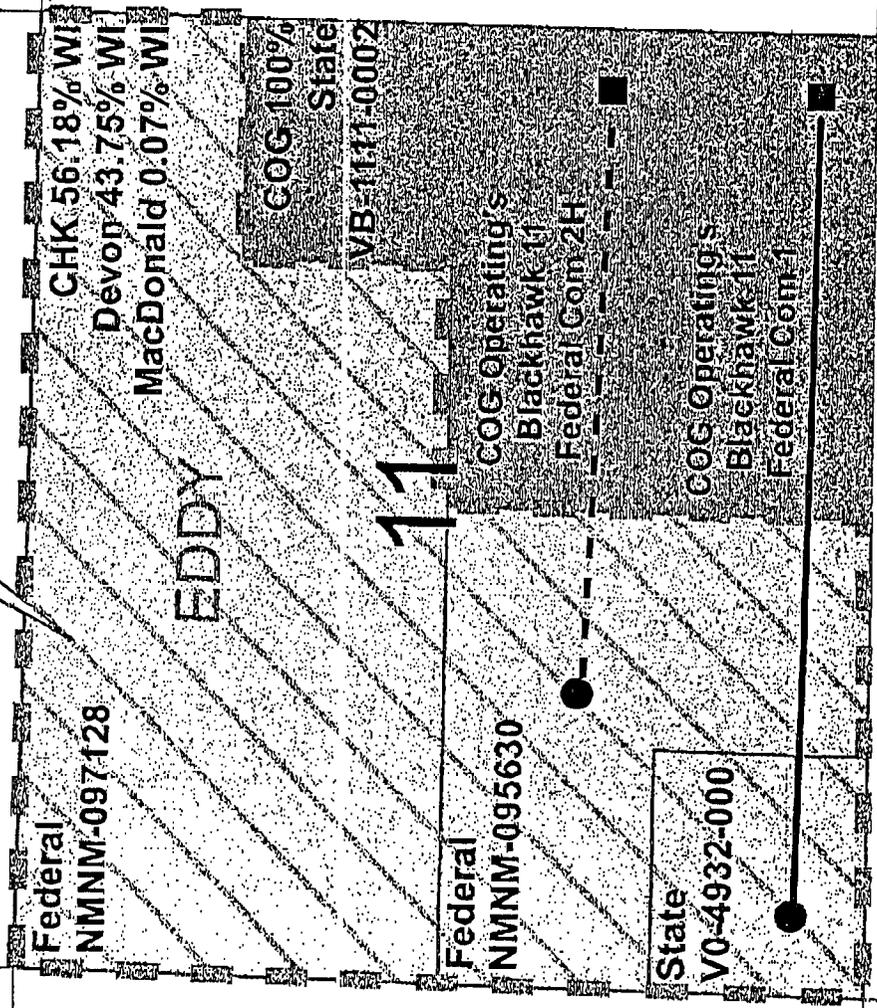
**SURVEYOR CERTIFICATION**

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.

Date Surveyed: AUGUST 26 2007  
Signature: *Cory L. Jones*  
Professional Surveyor  
W. 7977  
Certificate No. Cory L. Jones 7977  
BASIN SURVEYS

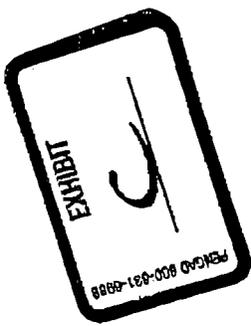
EXHIBIT  
**B**

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



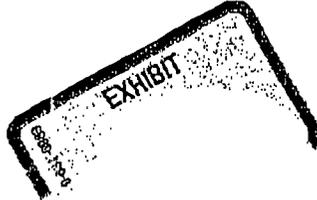
16S 28E

12



**Legend**

- 2H/L
- 2H
- 2R
- Permits
- APD Approved
- APD Not Approved
- Owners
- CHK
- COG
- Direct



Section 11 APDs 11-16S-28E Eddy Co., New Mexico	
Scale: 1/4" = 50'	Prepared by: GSI Hon. American 1997
Date: 02/27/09	Author: Erin Fry

Exhibit "D"

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