

KELLAHIN & KELLAHIN Attorney at Law

W. Thomas Kellahin
Recognized Specialist in the Area of
Natural Resources-oil and gas law-
New Mexico Board of Legal Specialization

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May 18, 2004

VIA FACSIMILE

Mrs. Carol Leach, Acting Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

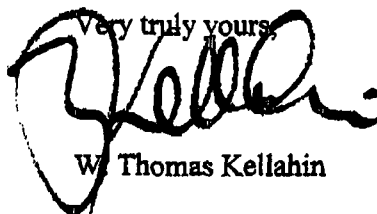
Case 13280

Re: Burrus "26" Federal Well No. 2
Unit E, SW/4NW/4 of Section 26, T12S, R38E
Application of Chesapeake Permian, L.P.
for Compulsory Pooling
Lea County, New Mexico

OLD

Dear Mrs. Leach:

On behalf of Chesapeake Permian, L.P. as successor to Concho Exploration Inc, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for June 10, 2004. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,

W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Lynda Townsend

CASE 13280: Application of Chesapeake Permian, L.P. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the SW/4NW/4 of Section 26, T12S, R38E, NMPM, Lea County, New Mexico, forming a standard 40-acre oil spacing and proration unit for any production for any and all formations/pools developed on 40-acre spacing within that vertical extent. This unit is to be dedicated to its Burrus "26" Federal Well No. 2 that is to be drilled at a standard location in Unit E of this section. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Chesapeake Operating, Inc. as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well. This unit is located approximately 14 miles east from Tatum, New Mexico.

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

**IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE PERMIAN, L.P.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

OLD

CASE NO. 13280

APPLICATION

CHESAPEAKE PERMIAN, L.P. ("Chesapeake") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the SW/4NW/4 of Section 26, T12S, R38E, NMPM, Lea County, New Mexico, forming a standard 40-acre oil spacing and proration unit for any production for any and all formations/pools developed on 40-acre spacing within that vertical extent. This unit is to be dedicated to its Burrus "26" Federal Well No. 2 that is to be drilled at a standard location in Unit E of this section. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well.

In support of its application Chesapeake states:

1. Chesapeake, as successor in interest to Concho Exploration Inc., is a working interest ownership in the oil and gas minerals underlying the SW/4NW/4 of Section 26, T12S, R38E, NMPM, Lea County, New Mexico, to be dedicated as a standard 40-acre oil proration and spacing unit for its Burrus "26" Federal Well No. 2 located in unit E of this section.
2. On April 7, 2004, Concho Oil & Gas LP as the operating company for Concho Exploration Inc., sent to all working interest owners (See Exhibit "A" attached) its written well proposal, including an AFE, for its Burrus "26" Federal Well No. 2 to be drilled 2250 feet FNL and 500 feet FWL, Unit E of Section 26, T12S, R38E, Lea County, New Mexico and dedicated to the SW/4NW/4 of this section.

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Chesapeake Permian, L.P.

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3. Dispute reasonable efforts, Concho was unable to conclude a voluntary agreement with those parties listed on Exhibit "A"
4. Effective March 10, 2004, Concho Exploration Inc., Concho Oil & Gas LP, Concho Resources GP LLC and Concho Resources LP LLC were merged into Chesapeake Permian, L.P.
5. Pursuant to Commission Order R-11992, effective August 15, 2003, Chesapeake requests that the 200% risk charge be applied.
6. This spacing unit is subject to Division Rule 104 providing for standard 40-acre spacing unit, among other things.
7. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Chesapeake needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.
8. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for June 10, 2004.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on June 10, 2004 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- (1) Chesapeake Operating, Inc. be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of re-entering, completing, equipping and operating the well;
- (3) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;

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-Page 3-

(4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS

(5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504
Telephone: (505) 982-4285
Fax: (505) 982-2047

EXHIBIT "A"

Matrix Production Company and
Matrix New Mexico Holdings, LLC
5725 Commonwealth Blvd.
Sugar Land, TX 77479

Claude C. Arnold Working Interest Oil & Gas Properties, LLC
4323 NW 63rd Street, Suite 200
Oklahoma City, OK 73116

Blake Arnold Working Interest Oil & Gas Properties, LLC
4323 NW 63rd Street, Suite 200
Oklahoma City, OK 73116

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June 6, 2004

RECEIVED

Hand Delivered

JUN -7 2004

Mr. Mark Fesmire, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

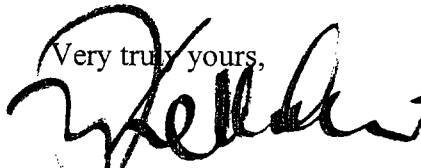
Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: NMOCD Case 13280 to be continued and re-advertised
Burrus "26" Well No. 2
Unit E, SW/4NW/4 of Section 26, T12S, R38E
First Amended Application of Chesapeake Permian, L.P.
for Compulsory Pooling
Lea County, New Mexico

Dear Mr. Fesmire:

On May 18, 2004, on behalf of Chesapeake Permian, L.P. as successor to Concho Exploration Inc, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for June 10, 2004.

Unfortunately, after this case was advertised, I discovered several errors in the docket that require that this case be to continued and re-advertised for the July 8, 2004 docket. Accordingly, I have enclosed a First Amended Application

Very truly yours,

W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Lynda Townsend

CASE 13280. Continued from June 10 and re-advertised: Application of Chesapeake Permian, L.P. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the SW/4NW/4 of Section 26, T12S, R38E, NMPM, Lea County, New Mexico, forming a standard 40-acre oil spacing and proration unit for any production for any and all formations/pools developed on 40-acre spacing within that vertical extent. This unit is to be dedicated to its Burrus "26" Well No. 2 that is to be drilled at a standard location in Unit E of this section. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Chesapeake Operating, Inc. as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well. This unit is located approximately 14 miles east from Tatum, New Mexico.

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

**IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE PERMIAN, L.P.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

80
CASE NO. 13298

FIKIRST AMENDED A P P L I C A T I O N

CHESAPEAKE PERMIAN, L.P. ("Chesapeake") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the SW/4NW/4 of Section 26, T12S, R38E, NMPM, Lea County, New Mexico, forming a standard 40-acre oil spacing and proration unit for any production for any and all formations/pools developed on 40-acre spacing within that vertical extent. This unit is to be dedicated to its Burrus "26" Well No. 2 that is to be drilled at a standard location in Unit E of this section. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well.

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Chesapeake Permian, L.P.

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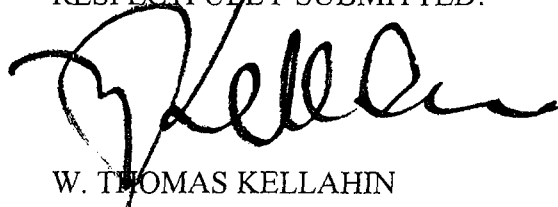
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- (2) Provisions for applicant and all working interest owners to participate in the costs of re-entering, completing, equipping and operating the well;
- (3) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;

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Chesapeake Permian, L.P.
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(5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



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