

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

**IN THE MATTER OF THE APPLICATION  
OF MEWBOURNE OIL COMPANY FOR  
CANCELLATION OF A DRILLING PERMIT,  
AND APPROVAL OF A DRILLING PERMIT,  
LEA COUNTY, NEW MEXICO.**

**OCD CASE NO. 13492**

2005 AUG 16 PM 2 11

**AMENDED PRE-HEARING STATEMENT**

This Amended Pre-Hearing Statement is submitted by Samson Resources Company ("Samson") in accordance with Rule 1208.B., 19 NMAC 15.N.

**APPEARANCES OF PARTIES**

**APPLICANTS**

Mewbourne Oil Company

**ATTORNEYS**

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Santa Fe, New Mexico 87504

**PARTIES**

Samson Resources Company

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Kaiser-Francis Oil Company

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Chesapeake Permian LP

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Earl DeBrine  
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Albuquerque, NM 87103-2168

To Samson's knowledge, no other party has entered an appearance or filed opposition in this matter.

### **SAMSON'S STATEMENT OF THE CASE**

Mewbourne filed this Application to cancel, terminate or revoke a permit granted to Chesapeake Operating Inc. with respect to its proposed KF State "4" Well No. 1. Samson supports this Application.

On March 10, 2005, Chesapeake Operating Inc. filed with the Division's Hobbs District office an Application for Permit to Drill (APD) its proposed KF State "4" Well No. 1 in the SE/4 of Section 4, T21S, R35E, NMPM, Lea County, New Mexico. The Division permitted the well without investigating whether Chesapeake had a right to permit or drill the well. Chesapeake, its affiliates and working interest partners, own no interest in the SE/4 of Section 4, a fact recognized in Division Order No. R-12343 issued May 5, 2005 in Case No. 13492. Samson, Kaiser-Francis and Mewbourne are the lessees and parties with the working interest in the SE/4 of Section 4 and thereby entitled to drill a well and develop the acreage.

Chesapeake is a bad faith trespasser. Notwithstanding that it owns no interest sufficient to authorize its entry onto the SE/4 of Section 4, Chesapeake began drilling its KF State "4" Well No. 1 on or about April 24, 2005. The Division by Order No. R-12343-A entered May 24, 2005 in this case granted Samson's and Kaiser-Francis' Motion to

Prohibit production from the KF State "4" Well No. 1 prior to issuance of an approval unit. The well is designed to test the Morrow Formation.

In Order No. R-12343-A, the Division also ordered Chesapeake to comply with a Division subpoena and produce and provide to Kaiser-Francis, Samson and Mewbourne copies of numerous documents related to the KF State "4" Well No. 1. Chesapeake has only partially complied with the subpoena and the Division Order. Indeed, after the Division issued Order No. R-12343-A, Chesapeake filed a sundry notice with the Division's Hobbs' District Office to note a change in the proposed bottomhole location of the KF State "4" Well No. 1. Chesapeake did not advise Samson, Kaiser-Francis or Mewbourne of this development, nor did it advise the Division counsel of this development.

Mewbourne's application should be granted for the following reasons:

1. The APD issued March 11, 2005 was improvidently issued in contravention of the Commission's regulations and to a party who had no right to apply for the permit to drill the well at issue.
2. Chesapeake is a bad faith trespasser. The Division should not sanction a trespass and reward a trespasser by allowing Chesapeake to operate under its ill-gotten APD.
3. Chesapeake has failed to comply completely with Division Order R-12343-A and with a Division subpoena.

**PROPOSED EVIDENCE**

**SAMSON**

<b>WILL-CALL WITNESSES (Name and Expertise)</b>	<b>ESTIMATED TIME</b>	<b>EXHIBITS</b>
Rita Burress Landman	45 min.	5-10
Paul Kautz OCD- Hobbs Office	20 min.	2

Counter exhibits may be presented to rebut, explain or otherwise address testimony or exhibits of Mewbourne or any other party who appears at the hearing.

Additional rebuttal witnesses may be called, depending on the evidentiary presentation made by the Division or other parties appearing at the hearing.

**PROCEDURAL MATTERS**

Kaiser-Francis has filed a Motion to Enforce Subpoena Duces Tecum and for Sanctions and a Motion In Limine to exclude a letter by the Commissioner of Public Lands.

Respectfully submitted,

GALLEGOS LAW FIRM, P.C.

By

  
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J.E. GALLEGOS

MICHAEL J. CONDON

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Attorneys for Samson Resources  
Company

**CERTIFICATE OF SERVICE**

I hereby certify that I have caused a true and correct copy of the foregoing to be mailed on this 16<sup>th</sup> day of August, 2005 to the following:

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