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2007 JAN 31 PM 3 07  
January 31, 2007

## **HAND-DELIVERED**

Mark Fesmire, Chairman  
New Mexico Oil Conservation Commission  
1220 South St. Francis Drive  
Santa Fe, New Mexico

Re: NMOCD Case No. 13492; In the Matter of the Application of Samson Resources Company, Kaiser-Francis Oil Company and Mewbourne Oil Company for Cancellation of a Drilling Permit and Approval of a Drilling Permit, Lea County, New Mexico

NMOCD Case No. 13493; Order No. 12343-B; De Novo; In the Matter of the Application of Chesapeake Permian, L.P. for Compulsory Pooling, Lea County, New Mexico

Dear Mr. Fesmire:

Enclosed for filing are the original and six copies of the Joint Motion For Temporary Suspension of Proceedings in the above consolidated cases pending before the Commission.

As explained in the motion, the Commission is requested to consider temporarily suspending the proceedings before acting on a final order to allow the parties an opportunity to negotiate a mutually agreeable resolution.

As is also explained in the motion, the individual from Samson Resources Company with authority to approve or object to this Joint Motion is traveling and is unavailable. I have conferred with Mr. Gallegos regarding this circumstance and he has requested that I inform the Commission that Samson Resources does not concur for now.

A PROFESSIONAL ASSOCIATION

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Mark Fesmire, Chairman  
January 31, 2007  
Page 2

Your earliest consideration of this matter is requested.

Thank you.

Very truly yours,

MILLER STRATVERT P.A.

A handwritten signature in black ink, appearing to read "J. Scott Hall". The signature is written in a cursive style with a horizontal line above the "H".

J. Scott Hall

JSH/glb

cc: Counsel of Record (via facsimile)  
Cheryl Bada, Esq. (hand-delivered)

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

2007 JAN 31 PM 3 07

**IN THE MATTER OF THE APPLICATION  
OF SAMSON RESOURCES COMPANY,  
KAISER-FRANCIS OIL COMPANY AND  
MEWBOURNE OIL COMPANY FOR  
CANCELLATION OF A DRILLING PERMIT  
AND APPROVAL OF A DRILLING PERMIT,  
LEA COUNTY, NEW MEXICO**

**CASE NO. 13492**

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

**CASE NO. 13493  
ORDER NO. R-12343-B  
DE NOVO**

**JOINT MOTION FOR TEMPORARY SUSPENSION OF PROCEEDINGS**

Kaiser-Francis Oil Company, through its undersigned counsel, moves that the Commission enter its order temporarily suspending the proceedings in this matter pending the efforts of the parties to negotiate a settlement of the issues precipitated by the applications in these consolidated matters. In support, movants states:

In Case No. 13492, the Applicants propose to dedicate the KF 4 State Well No. 1 to a 320-acre  $\pm$  stand-up spacing unit in irregular Section 4, T21SR35E consisting of lots 9, 10, 15 & 16 (east half of the middle one-third) and lots 17, 18, 23 & 24 (SE/4). In Case No. 13493, the Applicant proposes to configure a 320-acre  $\pm$  lay-down spacing unit comprised of lots 17, 18, 23 & 24 (SE/4) and lots 19, 20, 21 & 22 (SW/4).

Following the completion of the evidentiary hearing on January 2, 2007, the Commission provided preliminary notification to the parties of its intent to create a 640-acre  $\pm$  force-pooled

unit comprised of the lower two-thirds of Section 4 (lots 9 through 24). Neither the legal nor evidentiary basis for doing so was indicated, but it was apparent that participation in the well would be based on a 100 percent surface-acres allocation formula.

No party applied for or advocated the inclusion of the west half of the middle one-third of the section (lots 11, 12, 13 & 14) in a production unit. The testimony and evidence elicited at the hearing effectively condemned this acreage due primarily to the fact that a well penetrating the Morrow formation there was a dry-hole.

As demonstrated by the table set forth below, the effect of the Commission's unilateral action to configure a 640-acre force-pooled unit would substantially alter the participation factors for each of the parties involved versus the participation that would be created under either of the 320-acre units proposed. Under the Division's Order No. 12343-B, Chesapeake Operating, Inc. was designated operator of the KF 4 well and was allocated a 50% interest in the 320 acre lay-down spacing unit established by such order. Kaiser-Francis and Mewbourne are the majority owners in the base lease in the SE/4 where the KF 4 State Well No. 1 is located and producing. In a 640-acre unit, the participation of all three parties is reduced by one-half from the interest established by the Division's order establishing a lay-down unit. The participation of Kaiser-Francis and Mewbourne is similarly reduced by one-half from the interest that would be established by the stand-up unit previously advocated by them.

<b>Owner</b>	<b>SE/4 160 acres</b>	<b>WIO Decimal</b>	<b>SW/4 160 acres</b>	<b>WIO Decimal</b>	<b>NE/4</b>	<b>WIO Decimal</b>	<b>Standup 320 acres</b>	<b>WIO Decimal</b>	<b>Laydown 320 acres</b>	<b>WIO Decimal</b>	<b>640 acres</b>	<b>WIO Decimal</b>
KFOC	116.3330	0.7271	0.0000	0.0000	0.0000	0.0000	116.3330	0.3635	116.3330	0.3635	116.3330	0.1818
MOC	23.6670	0.1479	0.0000	0.0000	0.0000	0.0000	23.6670	0.0740	23.6670	0.0740	23.6670	0.0370
SRC	20.0000	0.1250	0.0000	0.0000	160.0000	1.0000	180.0000	0.5625	20.0000	0.0625	340.0000	0.5313
CHK	0.0000	0.0000	160.0000	1.0000	0.0000	0.0000	0	0.0000	160	0.5000	160	0.2500
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
	160.0000	1.0000	160.0000	1.0000	160.0000	1.0000	320.0000	1.0000	320.0000	1.0000	640.0000	1.0000

Therefore, the SE/4 of Section 4, where the only commercial well in the section is located, is effectively diluted by the Commission's prospective action. Simultaneously, the west-half of the middle one-third, effectively condemned by a dry-hole, is given undue value. Further, the Commission's prospective action precipitates additional, serious issues that will have to be addressed. Among these are adjustments and reimbursements for well costs and previously distributed revenues.

The prospect of the creation of a 640-acre force-pooled unit has introduced new and increasingly complex conflicts that did not exist before. Requests for rehearing and appeals are certain to follow. The Commission will be required to craft, and then later defend, an order that may or may not accord full relief that is in accordance with law. Requests for rehearing, stays, and appeals are certain to follow. Final resolution will undoubtedly experience significant delays that serve no one's interests.

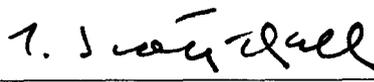
Faced with these unpleasant prospects, the majority of the parties have begun negotiations to resolve their participation in the well and all related issues. For this reason, the Commission is asked to temporarily suspend this de novo proceeding for a reasonable time that will allow the parties a meaningful opportunity to pursue settlement. It is further requested that the Commission hold in abeyance the entry of a de novo order for the period of the temporary suspension. It is further proposed that the Commission be provided with an initial progress report no later than thirty days from the date these proceedings are ordered suspended.

Granting the relief requested in this motion promotes administrative efficiency and economy and is otherwise in the interests of justice.

Kaiser-Francis Oil Company, Mewbourne Oil Company and Chesapeake Operating, Inc. all concur with this motion. Samson Resources Company was unable to indicate its position on this motion due to the unavailability of corporate counsel until after February 1st.

Respectfully submitted,

MILLER STRATVERT P.A.

By:   
J. Scott Hall  
Attorneys for Kaiser-Francis Oil Company  
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APPROVED:

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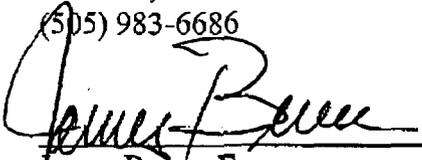
Respectfully submitted,

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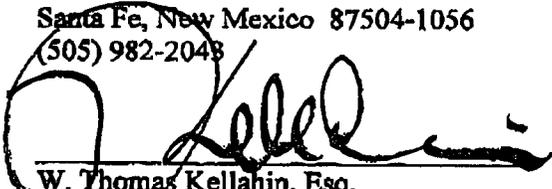
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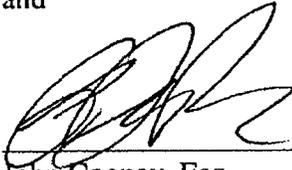
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and Chesapeake Operating, Inc.

Certificate of Service

I hereby certify that a true and correct copy of the foregoing was faxed to the following counsel of record on this the \_\_\_\_ day of January 2007:

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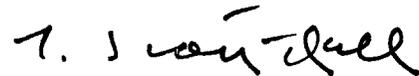
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