



FAX

Fasken Center, Tower II  
550 West Texas Avenue, Suite 1300  
Midland, TX 79701

Phone: (432) 683-7443  
Land Dept. Fax: (432) 685-4398

Total Pages (including cover): 7

Privileged and Confidential

Date: August 11, 2009

To: Kevin Rister

Fax: Chesapeake Supl.  
405-935-1450

From: Jan Spradlin

Subject: Blackhawk II Le #1

The information transmitted by this Facsimile is considered privileged and confidential, and is intended only for the use of the individual or entity named. If the reader of this message is not the intended recipient or the employee or agent responsible to deliver it to the intended recipient, you should be aware that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by telephone, and return the original message to us at the above address via the U.S. Postal Service.  
Thank you.

If you have any difficulty in receiving this fax, please call

Mar Conner 432-686-3006

Before the Oil Conservation Division  
Case 14323  
Hearing August 20, 2009  
Chesapeake Energy Corp.  
Exhibit No. 2



August 11, 2009

**VIA FEDERAL EXPRESS**  
**AND FACSIMILE (405) 935-1450**

Chesapeake Exploration LP  
6100 N. Western Avenue  
Oklahoma City, OK 73118  
Attn: Kevin Pfister

RE: Big Game Prospect  
Blackhawk "11" Federal Corn #1  
S2S2 of Section 11-T16S-R28E  
Eddy County, New Mexico

Dear Mr. Pfister:

COG Operating LLC (hereinafter referred to as Concho) hereby propose the drilling of a horizontal well to a depth sufficient to adequately test the Crow Flats Abo formation at an anticipated total vertical depth of 6680' and total measured depth being approximately 11,130'. The surface location for this well has been permitted at 430' FSL & 430' FWL with a bottomhole location at 330' FSL & 330' FEL with the dedicated project area being the S2S2 of Section 11, Township 16 South, Range 28 East, Eddy County, New Mexico. Included herein is our AFE dated August 10, 2009 as well as a copy the submitted Permit to Drill.

We ask that you join Concho to the full extent of your interest in the drilling, testing and completing of this proposed well by indicating your acceptance in the space provided.

However, in the event you do not wish to participate, Concho respectfully requests that you consider as an alternative either of the below proposals:

**Proposal 1:**

Concho would be interested in purchasing, subject to reaching mutually agreeable price and terms, all of Chesapeake Exploration LP's or its entity's of record contractual and leasehold interests situated in Section 11-T16S-R28E, Eddy County, New Mexico.

**Proposal 2:**

Chesapeake Exploration LP or its entity of record will farmout all of its contractual and leasehold interests in Section 11-T16S-R28E, Eddy County, New Mexico, retaining an

overriding royalty interest equal to the difference between existing lease burdens of record and twenty percent (20%), proportionately reduced.

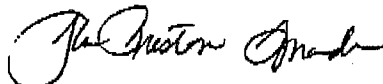
Please indicate below the option of your choice below, sign and return this letter at your earliest convenience to my attention by any of the following methods:

- US Mail – 550 West Texas Avenue, Suite 1300, Midland, Texas 79701
- Fax – 432.685.4398
- Email – Jspradlin@conchoresources.com

Should you have any questions, please do not hesitate to contact me at 432.683.7443.

Very truly yours,

COG Operating LLC



Jan Preston Spradlin, CPL  
Senior Landman

\_\_\_\_ I/We hereby elect to participate in the Blackhawk "11" Federal Com #1  
\_\_\_\_ I/We hereby elect not to participate in the Blackhawk "11" Federal Com #1  
\_\_\_\_ I/We hereby elect to pursue Proposal 1  
\_\_\_\_ I/We hereby elect to pursue Proposal 2

CHESAPEAKE EXPLORATION LP

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

WELL NAME: Blackhawk "11" Fed Com #1  
Surf. Loc: 430' FS&WL, Sec 11  
B.H. Loc: 330' FS&EL, Sec 11  
T16S - R28E w/pilot. wo/LWD

PROSPECT NAME: Crow Flats  
COUNTY & STATE: Eddy, NM  
OBJECTIVE: 10,900' MD (6680' TVD) Lwr Abo/Wolfcamp

**INTANGIBLE COSTS**

	BCP	ACP	TOTAL
Title/Curative/Permit	201 5,500		5,500
Insurance	202 22,000	302	22,000
Damages/Right of Way	203 15,000	303	15,000
Survey/Steke Location	204 3,000	304	3,000
Location/Pits/Road Expense	205 45,000	305 5,000	50,000
Drilling / Completion Overhead	206 5,000	306 1,000	6,000
Turnkey Contract	207	307	0
Footage Contract	208	308	0
Daywork Contract 32-4 @ \$10,000/day	209 320,000	309 40,000	360,000
Directional Drilling Services, With out LWD	210 180,000	310	180,000
Fuel & Power	211 54,000	311 5,000	60,000
Water	212 30,000	312 50,000	80,000
Bits	213 50,000	313 1,000	51,000
Mud & Chemicals	214 60,000	314	60,000
Drill Stem Test	215	315	0
Coring & Analysis	216		0
Cement Surface	217 12,200		12,200
Cement Intermediate	218 15,000		15,000
Cement 2nd Intermediate 7"	218	318 23,400	23,400
Cement Squeeze & Other (Kickoff Plug)	220 18,700	320	18,700
Floot Equipment & Centralizers	221 5,000	321 2,000	7,000
Casing Crews & Equipment	222 15,000	322 10,000	25,000
Fishing Tools & Service	223	323	0
Geologic/Engineering	224 10,000	324 1,000	11,000
Contract Labor	225 10,000	325 30,000	40,000
Company Supervision	226 2,000	326 2,000	4,000
Contract Supervision	227 36,000	327 4,000	40,000
Testing Casing/Tubing	228 4,000	328 1,500	5,500
Mud Logging Unit	229 22,500	329	22,500
Logging	230 60,000	330	60,000
Perforating/Wireline Services	231 1,500	331 12,500	14,000
Stimulation/Treating		332 750,000	750,000
Completion Unit		333 18,000	18,000
Swabbing Unit		334	0
Rentals-Surface	235 100,000	335 45,000	145,000
Rentals-Subsurface	236 45,000	336 10,000	55,000
Trucking/Forklift/Rig Mobilization	237 80,000	337 15,000	95,000
Welding Services	238 3,000	338 1,500	4,500
Water Disposal	239	339 15,000	15,000
Plug to Abandon	240	340	0
Seismic Analysis	241	341	0
Closed Loop & Environmental	244 225,000	344	225,000
Miscellaneous	242 5,000	342 1,000	6,000
Contingency	243 145,600	343 105,100	251,700
<b>TOTAL INTANGIBLES</b>	<b>1,606,000</b>	<b>1,150,000</b>	<b>2,756,000</b>

**TANGIBLE COSTS**

Surface Casing 500' 13 3/8"	401 18,000		18,000
Intermediate Casing 2300' 8 5/8", 8000' - 7"	402 89,000	503 145,000	204,000
Production Casing/Liner 4800' - 4.5"		503 59,000	59,000
Tubing 8000' 2 7/8"		504 34,000	34,000
Wellhead Equipment	405 10,000	505 8,000	18,000
Pumping Unit		506	0
Prime Mover		507	0
Rods		508	0
Pumps		509	0
Tanks		510 60,000	60,000
Flowlines		511 15,000	15,000
Heater Treater/Separator		512 25,000	25,000
Electrical System		513	0
Packers/Anchors/Hangers	414	514 200,000	200,000
Couplings/Fittings/Valves	415 2,000	515 50,000	52,000
Gas Compressors/Meters		516 4,000	4,000
Dehydrator		517	0
Injection Plant/CO2 Equipment		518	0
Miscellaneous	418 1,000	519 1,000	2,000
Contingency	420 9,000	520 61,000	70,000
<b>TOTAL TANGIBLES</b>	<b>89,000</b>	<b>652,000</b>	<b>741,000</b>
<b>TOTAL WELL COSTS</b>	<b>1,705,000</b>	<b>1,812,000</b>	<b>3,517,000</b>

COG Operating LLC

By: J. Coffman / C. Bird

Date Prepared: 8/10/09

We approve:  
\_\_\_\_\_% Working Interest

Company:  
By:

Printed Name:  
Title:  
Date:

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

OCD-ARTESIA

ATS-08-118  
EL-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

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 466844 95630	
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		6. If Indian, Allottee or Tribe Name N/A	
2. Name of Operator COG OPERATING, LLC 229137		7. If Unit or CA Agreement, Name and No	
3a. Address 550 W. Texas Suite 1300 Midland, Texas 79701		8. Lease Name and Well No. 37327 Blackhawk "11" Federal Com #1	
3b. Phone No. (include area code) 432-683-7443		9. API Well No. 30-015-36541	
4. Location of Well (Report location clearly and in accordance with any State requirements) At surface 430' FSL & 430' FWL At proposed prod zone 330' FSL & 330' FEL		10. Field and Pool, or Exploratory Wolfcamp- Crow Flats	
14. Distance in miles and direction from nearest town or post office		11. Sec, T, R, M or Blk and Survey or Area Section 11 T16S R28E	
15. Distance from proposed location to nearest property or lease line, ft (Also to nearest drg. unit line, if any) 330'		12. County or Parish Eddy County	
16. No. of acres in lease		13. State NM	
17. Spacing Unit dedicated to this well 160		18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft	
19. Proposed Depth 11230' MD 6680' TVD		20. BLM/BIA Bond No. on file NMB 000215	
21. Elevations (Show whether DF, KDB, RT, GL, etc) 3570 GL		22. Approximate date work will start 06/01/2008	
23. Estimated duration 45 days			

## 24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No 1, must 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 must be filed with the appropriate Forest Service Office) | 6. 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) Lee Ann Rollins		Date 04/30/2008	
Title Agent					
Approved by (Signature) <i>/s/ James Stovall</i>		Name (Printed Type) /s/ James Stovall		Date AUG 04 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 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

\*(Instructions on page 2)

## NOTE: NEW PIT RULE

19-15-17 NMAC PART 17

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

ROSWELL CONTROLLED WATER BASIN

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

DISTRICT I  
1826 N. French Dr., Hobbs, NM 88240

DISTRICT II  
1301 W. Grand Avenue, Artesia, NM 88210

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

DISTRICT IV  
1820 S. St. Francis Dr., Santa Fe, NM 87500

State of New Mexico  
Energy, Minerals and Natural Resources Department

**OIL CONSERVATION DIVISION**  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

Form C-102  
Revised October 12, 2005

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number 30-015-	Pool Code 97102	Pool Name CROW FLATS: WOLF CAMP
Property Code	Property Name BLACKHAWK "11" FEDERAL COM	Well Number 1
OGRIID No. 229137	Operator Name C.O.G. OPERATING L.L.C.	Elevation 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	Joint or Infill	Consolidation Code	Order No.
160			

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

		<b>OPERATOR CERTIFICATION</b> 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 released 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. Signature: <i>Phyllis A. Edwards</i> 8-14-08 Date:
		Printed Name: Phyllis A. Edwards Regulatory Analyst
		<b>SURVEYOR CERTIFICATION</b> 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: DECEMBER 16, 2007 Signature: <i>Gary L. Jones</i> Professional Surveyor W.C. 18323 Certificate No. Gary L. Jones 7877 BASIN SURVEYS
		<b>DECEMBER 16, 2007</b> Signature: <i>Gary L. Jones</i> Professional Surveyor W.C. 18323 Certificate No. Gary L. Jones 7877 BASIN SURVEYS

Form 3160-5  
(April 2004)UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENTOPERATOR'S COPY  
FORM APPROVED  
DATE 10-4-2007  
Expires March 31, 2007

## SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an  
abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well  
☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator COG Operating LLC

3a. Address  
550 W. Texas Ave., Suite 1300 Midland, TX 797013b. Phone No. (include area code)  
432-685-4340

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

SURFACE: 430' FSL & 430' FWL  
Section 11, T16S, R28E, UL MBHL: 330' FSL & 330' FEL  
Section 11, T16S, R28E, UL P

5. Lease Serial No.

NMNM-95630

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

Blackhawk 11 Federal Com #1

9. API Well No.

30-015-36541

10. Field and Pool, or Exploratory Area  
Crow Flats, Wolfcamp

11. County or Parish, State

Eddy County, NM

## 12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Chg pool, casing & cementing program
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

COG respectfully requests permission:

to change Field and Pool from Wolfcamp to Crow Flats Abo;

to change proposed Casing &amp; Cement Program;

for a variance to the 200' minimum tie back in order to set the pump as close to the formation as possible. The curve and horizontal are all located in the Abo Formation.

Attached is a revised plat and revised Form 3160-3 Drill Plan with changes reflected in shaded areas.

APPROVED

OCT 18 2008

14. I hereby certify that the foregoing is true and correct  
Name (Printed/Typed)

Phyllis A. Edwards

Title Regulatory Analyst

Signature

*Phyllis A. Edwards*

Date

10/08/2008

JAMES A. AMOS  
SUPERVISOR-EPS

## THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Conditions of approval, if any, are attached. Approval of this notice 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.

Title

Date

Office

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)