

**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 OGD
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.

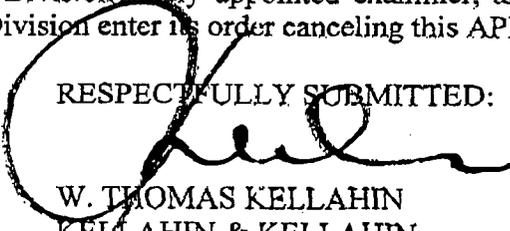
6. In doing so, COG violated the "operator certification" contained in Division Form C-102 by falsely certifying that it had an interest in each of the tracts to be penetrated by the wellbore.

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

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

5. Lease Serial No.
NM-95630

6. If Indian, Allottee or Tribe Name
N/A

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

8. Lease Name and Well No
Black Hawk 11 Fed Com #2

9. API Well No.
30-05-37106

10. Field and Pool, or Exploratory
Crown State, Abo
Well 1000

1a. Type of work: DRILL REENTER

1b. Type of Well Oil Well Gas Well Other Single Zone Multiple Zone

2. Name of Operator
COG Operating LLC

3a. Address
550 W. Texas, Suite 1300 Midland TX 79701

3b. Phone No. (include area code)
(432) 685-4385

4. Location of Well (Report location clearly and in accordance with any State requirements.)
At surface 1800' FSL & 1590' FWL, URSWELL CONTROLLED WATER BASIN
At proposed prod. zone 1650' FSL & 330' FEL, UL 1

11. Sec., T, R, M. or Blk and Survey or Area
Sec 11, T16S, R28E

14. Distance in miles and direction from nearest town or post office*
2.5 miles north of Loco Hills, NM

12. County or Parish
Eddy

13. State
NM

15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drilg unit line, if any) 1590'

16. No. of acres in lease 1760

17. Spacing Unit dedicated to this well .46 / 20

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' 9109'

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.
- 2. A Drilling Plan.
- 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).
- 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- 5. Operator certification
- 6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature *Phyllis A. Edwards* Name (Printed/Typed) Phyllis A. Edwards Date 02/27/2009

Title Regulatory Analyst

Approved by (Signature) *Is/ Don Peterson* Name (Printed/Typed) Is/ 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)

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED



DISTRICT I
1635 N. French Dr., Hobbs, NM 88405

DISTRICT II
1201 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 N. Hudson Rd., Artesia, 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 12, 2006

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
OCRD 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.
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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.: W104°08'23.24"	
SPC- N.: 704240.973	
E.: 697563.755	
(NAD-83)	

BOTTOM HOLE LOCATION	
LAT.: N 32°06'09.43"	
LONG.: W104°08'21.64"	
SPC- N.: 704092.809	
E.: 600553.626	
(NAD-83)	

PROJECT AREA

3576.2' 3582.4' PRODUCING AREA

1590' 3587.5' 3565.4'

1800' 1650'

3293.2'

ABO PENETRATION POINT

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 the owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the Division.

Robyn Odom 10/24/2008
Signature Date

Robyn Odom
Printed Name

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.

AUGUST 26 2007
Date Surveyed

[Signature]
Signature
Professional Surveyor

W. 20219
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

Federal
NMNM-097128

CHK 56.18% WI
Devon 43.75% WI
MacDonald 0.07% WI

EDDY

16S 28E

Federal
NMNM-095630

11

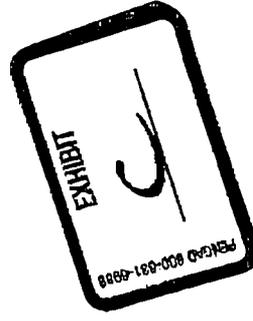
COG Operating's
Blackhawk 11
Federal Com 2H

COG 100%
State
VB-1111-0002

State
V0-4932-000

COG Operating's
Blackhawk 11
Federal Com 1

12



Legend

•	2HL
•	2HL
---	Permits
---	APD Approved
---	APD Not Approved
---	Owners
---	CHK
---	COG
---	Open

Section 11 APDs 11-16S-28E Eddy Co., New Mexico	
Scale: 1/4" = 50'	Prepared: OCS from American 1987
Date: 02/22/09	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