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FAX TRANSMITTAL FORM**To**

Name: Florene Davidson
Agency:
Oil Conservation Division
Fax: 476-3462

- ☐ Urgent
☐ For Review
☐ Please Comment
☐ Please Reply

From

W. Thomas Kellahin

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kellahin@earthlink.net

Date sent: 3-23-04
Time sent: 4:57 pm
Number of pages including cover page:

-6

**Re: New Case for April 15, 2004 docket
Chesapeake Permian, L.P.**

Case 13247

Dear Florene:

I am faxing this application to you for filing today.

I will E-mail the add to Sally first thing tomorrow

Regards, Tom

NOTICE OF CONFIDENTIALITY

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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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March 23, 2004

VIA FACSIMILE

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

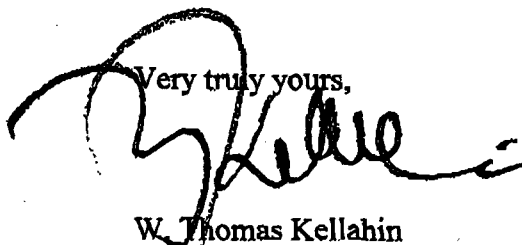
Re: Harris "3" C Well No. 1
Unit F, SE/4NW/4 of Section 3, T13S, R38E
Application of Chesapeake Permian, L.P.
for Compulsory Pooling
Lea County, New Mexico

Case 13247

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 April 15, 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 13247: 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 SE/4NW/4 of Section 3, T13S, 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, including the Bronco-Wolfcamp Pool. This unit is to be dedicated to its Harris 3-C Well No. 1 that is to be drilled at a standard location in Unit F 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 northeast 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.**

CASE NO. 13247

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 SE/4NW/4 of Section 3, T13S, 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, including the Bronco-Wolfcamp Pool. This unit is to be dedicated to its Harris 3-C Well No. 1 that is to be drilled at a standard location in Unit F 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 SE/4NW/4 of Section 3, T13S, R38E, NMPM, Lea County, New Mexico, to be dedicated as a standard 40-acre oil proration and spacing unit for its Harris 3-C Well No. 1 located in unit F of this section.
2. On January 15, 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 Harris 3-C Well No. 1 to be drilled 1980 feet FNL and 1650 feet FWL, Unit F of Section 3, T13S, R38E, Lea County, New Mexico and dedicated to the SE/4NW/4 of this section.

NMOCD Application
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. 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.
7. 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 April 15, 2004.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on April 15, 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:

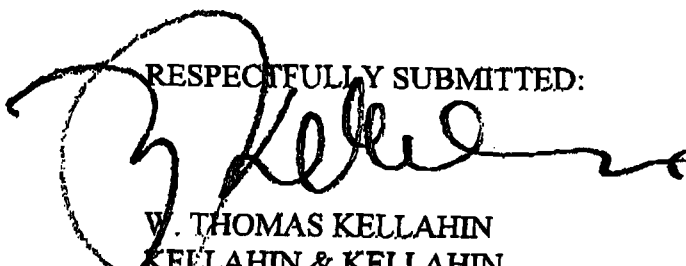
- (1) Chesapeake Operating, Inc. be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of re-entering, completing, equipping and operating the well;
- (3) In the event a mineral interest or working interest owner fails to elect to participate, then 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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Chesapeake Permian, L.P.
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(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:

A large, stylized handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name and firm name.

W. THOMAS KELLAHIN
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Chesapeake Permian, L.P. (NEW DRILL) AFE dated 1/7/04				
HARRIS 3-C #1 WELL Enerstar South Prospect				
T13S, R38E, SECTION 3 1980' FNL & 1650' FWL LEA COUNTY, NEW MEXICO				
AFE's mailed by certified/return receipt on 1/15/04.				
AFE's mailed to Dimsha & JPH by certified/return receipt on 2/10/04.				
Corrected AFE mailed to HEP Partners (Pure) by certified/return receipt on 2/11/04.				
WI Owners	WI%	Join WI%	Outstanding WI%	Not Under JOA
Claude C. Arnold Working Interest Oil & Gas Properties, LLC	8.19616%		8.19616%	8.19616%
Blake Arnold Working Interest Oil & Gas Properties, L.L.C.	2.04904%		2.04904%	2.04904%
H. J. Freede, Inc.	5.46411%	5.46411%		5.46411%
Rehoboth, Inc.	2.04904%	2.04904%		2.04904%
Tropical Minerals, Inc.	0.68301%	0.68301%		0.68301%
J. Durwood Pate Trust	0.68301%	0.68301%		0.68301%
James D. Pate Trust u/v/a 8-8-86	0.68301%	0.68301%		0.68301%
Monarch Resources, L.L.C.	0.68301%	0.68301%		0.68301%
Joe H. Pate Trust	0.68301%	0.68301%		0.68301%
David C. Story	0.34151%	0.34151%		0.34151%
Cardinal River Farm, Inc.	1.70753%	1.70753%		1.70753%
Larry Fenity	0.68301%	0.68301%		0.68301%
Discovery Exploration	11.95273%	11.95273%		11.95273%
Enerstar Resources O&G LLC	7.17164%	7.17164%		7.17164%
Bob Blundell, Jr.	4.78109%	4.78109%		4.78109%
Roy Glen Fox (unleased)	0.65104%		0.65104%	0.65104%
Fasken Land and Minerals Ltd.	8.33333%		8.33333%	8.33333%
Pure Resources	4.16666%		4.16666%	4.16666%
Allante Joint Venture	2.08333%		2.08333%	2.08333%
Robert E. Landreth	1.25000%		1.25000%	1.25000%
David H. Essex	0.83333%	0.83333%		0.83333%
Matrix New Mexico Holdings, LLC	14.38096%		14.38096%	14.38096%
J. P. H. Oil Producers Inc. (Under Discovery, Enerstar, Blundell)				
Stanley J. Dimsha (Under Discovery, Enerstar, Blundell)				
Concho Oil & Gas LP	20.49040%	20.49040%		20.49040%
	100.0000%	58.8894%	41.1105%	100.0000%
<i>Bold Italics-may be under JOA from SW/4 production</i>				

3/23/2004