

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

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)

CASE NO. 13,247

APPLICATION OF CHESAPEAKE PERMIAN, L.P.,)
FOR COMPULSORY POOLING, LEA COUNTY,)
NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

RECEIVED

April 15th, 2004

Santa Fe, New Mexico

APR 29 2004

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, April 15th, 2004, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

April 15th, 2004
 Examiner Hearing
 CASE NO. 13,247

PAGE

APPEARANCES

3

APPLICANT'S WITNESS:

MIKE BRAUN (Landman)

Direct Examination by Mr. Kellahin

5

Examination by Mr. Owen

14

Examination by Examiner Stogner

21

REPORTER'S CERTIFICATE

26

* * *

E X H I B I T S

Applicant's

Identified

Admitted

Exhibit 1

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Exhibit 2

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Exhibit 3

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Exhibit 4

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Exhibit 5

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Exhibit 6

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A P P E A R A N C E S

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

FOR MATRIX NEW MEXICO HOLDINGS, L.L.C.:

MONTGOMERY & ANDREWS, P.A.
Attorneys at Law
325 Paseo de Peralta
P.O. Box 2307
Santa Fe, New Mexico 87504-2307
By: PAUL R. OWEN

* * *

1 WHEREUPON, the following proceedings were had at
2 8:21 a.m.:

3 EXAMINER STOGNER: With that, I'm going to call
4 Case 13,247. This is the Application of Chesapeake
5 Permian, L.P., for compulsory pooling, Lea County, New
6 Mexico.

7 Call for appearances.

8 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
9 the Santa Fe law firm of Kellahin and Kellahin, appearing
10 on behalf of the Applicant this morning, and I have one
11 witness to be sworn.

12 EXAMINER STOGNER: Any other appearances?

13 MR. OWEN: Yes, Mr. Examiner, Paul Owen of the
14 Santa Fe law firm of Montgomery and Andrews, appearing on
15 behalf of Matrix New Mexico Holdings, L.L.C.

16 EXAMINER STOGNER: Do you have any witnesses?

17 MR. OWEN: I do not.

18 EXAMINER STOGNER: Let's see, Mr. Owen, did I get
19 a prehearing statement from you or an entry of appearance?

20 MR. OWEN: No, I'll file a prehearing -- I mean,
21 an entry of appearance following the hearing, Mr. Examiner.
22 I don't anticipate doing much other than taking the
23 exhibits.

24 EXAMINER STOGNER: Okay. And I'm sorry, who --
25 You're representing Matrix who?

1 MR. OWEN: Matrix New Mexico Holdings, L.L.C.

2 EXAMINER STOGNER: Any other appearances in Case
3 13,247?

4 I'm going to ask the witnesses to please stand
5 and be sworn at this time.

6 (Thereupon, the witnesses were sworn.)

7 EXAMINER STOGNER: Mr. Kellahin?

8 MR. KELLAHIN: Thank you, Mr. Examiner.

9 MIKE BRAUN,

10 the witness herein, after having been first duly sworn upon
11 his oath, was examined and testified as follows:

12 DIRECT EXAMINATION

13 BY MR. KELLAHIN:

14 Q. Mr. Braun, for the record would you please state
15 your full name and occupation?

16 A. My name is Mike Braun, B-r-a-u-n. I'm a
17 petroleum landman.

18 Q. Mr. Braun, on prior occasions have you testified
19 as a petroleum landman before the Division?

20 A. No, I have not.

21 Q. Where do you reside, sir?

22 A. Midland, Texas.

23 Q. Do you have a degree in petroleum land
24 management?

25 A. Yes, sir --

1 Q. From --

2 A. -- from the University of Oklahoma.

3 Q. In what year, sir?

4 A. 1977.

5 Q. Summarize for us your general employment
6 background as a petroleum landman.

7 A. I was employed by four different companies from
8 1977 to 1985, and since that time I've been an independent
9 consultant.

10 Q. Describe for the Examiner in what capacity you're
11 appearing today.

12 A. I'm appearing on behalf of Chesapeake Permian,
13 L.P., as a -- having been involved with this pooling.

14 Q. And you're appearing as a consulting landman?

15 A. Yes, sir.

16 Q. And you provided that service to Chesapeake in
17 addition to Concho?

18 A. Yes, sir.

19 Q. Have you become knowledgeable of the ownership
20 within the proposed 40-acre spacing unit?

21 A. Yes, I have.

22 Q. And you have attempted to consolidate the
23 interest owners in a voluntary agreement?

24 A. Yes.

25 MR. KELLAHIN: We tender Mr. Braun as an expert

1 witness, Mr. Examiner.

2 EXAMINER STOGNER: Any objections?

3 MR. OWEN: No objection.

4 EXAMINER STOGNER: Mr. Braun is so qualified.

5 Q. (By Mr. Kellahin) To orient the Examiner, Mr.
6 Braun, about what we're seeking to accomplish here, would
7 you refer to what we've marked as Exhibit Number 1?

8 A. Yes.

9 Q. What's the source of the plat that's shown on the
10 first page?

11 A. This is a plat derived from an oil and gas
12 publication called *drillinginfo.com*, and I merely prepared
13 this map indicating the well locations and producing wells
14 in the immediate area of our proposed location.

15 Q. Chesapeake's intention is to drill a well to test
16 the Wolfcamp Pool; is that not true?

17 A. Yes, sir.

18 Q. And that would be a 40-acre spacing unit?

19 A. Yes, sir.

20 Q. And where is that 40-acre spacing unit?

21 A. That 40-acre spacing unit is the southeast
22 quarter of the northwest quarter of Section 3, Township 13
23 South, Range 38 East.

24 Q. To the best of your knowledge, Mr. Braun, is this
25 40-acre tract and this well within a mile of any other pool

1 in the Wolfcamp formation?

2 A. Yes, it is within a mile of the Bronco-Wolfcamp
3 Pool.

4 Q. So when we look at page 2 and 3 of the
5 attachments to Exhibit 1, we're identifying for the
6 Examiner the boundaries as we know them to be for that
7 pool?

8 A. Yes, sir.

9 Q. Let me direct your attention now to an
10 explanation of the relationship between Concho Exploration
11 Company in Midland and Chesapeake. Would you help us by
12 turning to Exhibit Number 2 --

13 A. Yes, sir.

14 Q. -- and describe what we're looking at in Exhibit
15 Number 2?

16 A. In Exhibit Number 2 we're looking at a
17 certificate of merger between Concho Exploration, who was
18 the proposing operator under our proposed well, and
19 Chesapeake Permian, L.P., which is the surviving limited
20 partnership in the merger between Concho Exploration, Inc.,
21 and Chesapeake Permian, L.P.

22 Q. When we look at the documents in a minute that
23 propose the well, the well was originally proposed by
24 Concho Exploration?

25 A. The well was originally proposed by Concho

1 Exploration, Inc.

2 Q. And as a result of the mergers, Chesapeake
3 Permian is the working interest owner in the spacing unit?

4 A. Yes.

5 Q. And they propose to designate Chesapeake
6 Operating, Inc., as the operator?

7 A. Yes.

8 Q. Let me direct your attention, now, to Exhibit
9 Number 3. When we turn to Exhibit 3, what are we looking
10 at?

11 A. Exhibit 3 describes in the first column all of
12 what we call the working interest owners. There is one
13 mineral owner, Roy Glen Fox, who at the time that we
14 prepared this summary table we understood to be an unleased
15 mineral owner. But all of the other entities are leasehold
16 owners.

17 The second column is their working interest in
18 our proposed location.

19 The third column indicates those who responded to
20 our proposed well with the election to join.

21 And the fourth column, headed Outstanding Working
22 Interests, are those owners who did not respond or make an
23 election to join in our proposed location.

24 Q. When we look at Exhibit 3, it's got a date down
25 in the lower left-hand corner of March 23rd. As of that

1 date, how do we separate those entities or individuals that
2 have joined in some manner from those parties that have not
3 committed their interest to the well?

4 A. If you don't mind restating that question?

5 Q. Yes, sir. Is there a column on this spreadsheet
6 that equates to the outstanding interest owners?

7 A. Yes, sir, the column -- it's the fourth column
8 from the left, and it's headed Outstanding Working Interest
9 Owners.

10 Q. So if there's a percentage in that row associated
11 with the name, that represents an outstanding interest
12 owner?

13 A. Yes, sir.

14 Q. And as we go down, we can see the various
15 percentages?

16 A. Yes.

17 Q. Would you turn now to -- Well, let me ask you
18 this: As of now, are there any of the parties with
19 outstanding interests that may now be deleted from this
20 list?

21 A. Yes, sir, the interest of Fasken Land and
22 Minerals, Ltd., can be deleted from this list, and the
23 interest of Pure Resources can be deleted from this list.

24 Q. Now, let's turn to Exhibit Number 4. Is Exhibit
25 Number 4 the correspondence associated with the well?

1 A. Yes, sir.

2 Q. Is the first page of Exhibit 4 the first well
3 proposal by Concho Exploration for this well and spacing
4 unit?

5 A. Yes, sir.

6 Q. What's the date, and who sent the letter?

7 A. The letter is dated January the 15th, 2004, and
8 the person preparing and sending the letter was Michael M.
9 Gray, senior landman, employee of Concho Exploration, Inc.

10 Q. Do the Concho Exploration files reflect that Mr.
11 Gray, in addition to the letter, included an AFE for the
12 well?

13 A. Yes, sir.

14 Q. As we turn through the pages of Exhibit 4, what
15 are we seeing as we continue through the package?

16 A. We're seeing individual letters that were
17 addressed to each of the individual working interest owners
18 that are also listed on the summary table, Exhibit 3.

19 Q. Have you satisfied yourself that there was a
20 letter sent to all of the outstanding interest owners that
21 had not yet committed their interest to the spacing unit or
22 to this well?

23 A. All of the interest owners were sent a letter
24 January the 15th. A few of the interest owners were sent
25 an additional letter February the 10th or 11th, due to

1 address issues, the original letter not being received.

2 But Exhibit 4 contains those owners who received the letter
3 but did not respond back to our letter.

4 Q. With regards to Mr. Owen's clients, Matrix New
5 Mexico Holdings, have you had recent conversations or
6 contacts with that entity?

7 A. Yes, sir, over the last three weeks I have had a
8 few phone conversations with employees of Matrix,
9 attempting to discern their desire to join in our proposed
10 well.

11 Q. Have you been successful in that effort to
12 culminate in having them commit to executing a signed
13 written agreement to voluntarily commit their interest?

14 A. No, sir.

15 Q. Do you have any lease expiration issues of
16 concern to you?

17 A. Yes, sir. One of the reasons that we went ahead
18 to apply for a force pooling is, we have leases which will
19 begin to expire May the 1st of this year, and we would like
20 to get the well drilled prior to that time.

21 Q. At this point, are you satisfied that you and
22 others on behalf of either Chesapeake or Concho have made
23 reasonable efforts to obtain voluntary agreement by all
24 these parties?

25 A. Yes, sir.

1 Q. And at this point, the remaining uncommitted
2 interest owners, in your opinion, require compulsory
3 pooling?

4 A. Yes, sir.

5 Q. Let's turn to Exhibit 5. Would you identify this
6 for me?

7 A. Exhibit 5 is the authority for expenditure or AFE
8 that was included with the original well-proposal letter of
9 January the 15th.

10 Q. Is it your understanding that Chesapeake intends
11 to use the same estimated well costs for the well that was
12 prepared by Concho?

13 A. Yes, sir.

14 Q. Do you have a recommendation to the Examiner for
15 some overhead rates for a drilling well rate on a monthly
16 basis and then a producing well rate?

17 A. Yes, sir. A drilling well rate of \$6500 a month
18 and an overhead producing rate of \$600 a month.

19 Q. Have you confirmed with Chesapeake that that's
20 the minimum overhead rates that they propose to apply to
21 this particular spacing unit?

22 A. Yes, sir.

23 Q. Let me direct your attention now to Exhibit
24 Number 6. This is an affidavit over my signature that
25 reflects the notification. Would you turn to the third

1 page? Is the third page, which says Exhibit "A" -- does
2 this represent notification to all the parties for whom you
3 are seeking compulsory pooling with the deletion of Pure
4 Resources, now, and Fasken Land and Mineral?

5 A. Yes, sir.

6 MR. KELLAHIN: Mr. Examiner, that concludes my
7 examination of this witness, and I move the introduction of
8 Exhibits 1 through 6.

9 EXAMINER STOGNER: Exhibits 1 through 6, if there
10 are no objection --

11 MR. OWEN: No objection.

12 EXAMINER STOGNER: -- will be admitted into
13 evidence at this time.

14 Thank you, Mr. Kellahin.

15 MR. KELLAHIN: Thank you, sir.

16 EXAMINER STOGNER: Mr. Owen, your witness.

17 MR. OWEN: Thank you, Mr. Examiner.

18 EXAMINATION

19 BY MR. OWEN:

20 Q. Mr. Braun, referring back to Exhibit Number
21 1, I believe that the Harris Wells Number 1 and 2 have
22 already been drilled; is that correct?

23 A. My understanding is, the -- a well drilled by
24 Concho Exploration, Inc., in the southeast quarter -- we
25 named that well the Harris 3 Number 1 -- was drilled and

1 temporarily abandoned, I believe, is the status of it.

2 Q. Are there any other wells in that section?

3 A. My understanding is, there's a well in the
4 southwest quarter that's operated by Fasken Land and
5 Minerals. I believe it produces out of the Wolfcamp
6 formation, and I believe it is in the Stallion Pool.

7 Q. The well in the southwest quarter is in a
8 different pool than the pool that you reviewed for us,
9 attached to Exhibit Number 1, the Bronco-Wolfcamp Pool?

10 A. The information that I reviewed prior to coming
11 here indicated that the well was at one time within the
12 Bronco Pool and then later moved to the Stallion Pool.
13 Other than that, I don't know why, if they named a new pool
14 or what.

15 Q. But it appears that the closest pool is not, in
16 fact, the Bronco Pool but the Stallion Pool; is that right?

17 A. Yes, sir.

18 Q. Okay. Are there any other Wolfcamp producers in
19 the adjoining sections?

20 A. I don't know the answer to that to the west. To
21 the north, no, as far as I know. And to the south, I'm not
22 sure.

23 Q. And it appears that there are a number of
24 Wolfcamp producers in Section 2 to the east; is that right?

25 A. Yes, sir.

1 Q. Are those the wells that are in the Bronco-
2 Wolfcamp Pool?

3 A. Yes, sir.

4 Q. Are you presenting any testimony as to the risk
5 penalty that should be applied?

6 MR. KELLAHIN: Mr. Examiner, we're relying on the
7 Division Rules that make the 200 percent a default penalty
8 if there is no prehearing statement filed on Friday before
9 the hearing.

10 EXAMINER STOGNER: Mr. Owen, Mr. Kellahin is so
11 correct. The rules have been changed regarding risk
12 penalty factors, and there is a certain procedure in which,
13 if a party wishes to bring that in issue, then they are to
14 provide some information prior to the hearing.

15 MR. OWEN: I understand that, Mr. Examiner, I was
16 asking if the witness, though, whether he was presenting
17 any geologic or engineering testimony.

18 EXAMINER STOGNER: Okay, I'll allow the question.

19 Q. (By Mr. Owen) Mr. Braun?

20 A. I did not intend to.

21 Q. Okay. Do you have a -- Do you know if Chesapeake
22 has a rig available to drill this well?

23 A. I understand that they do.

24 Q. Do you know when that rig is scheduled to come on
25 the property?

1 A. My best understanding is within the next week.

2 Q. The well is supposed to be spudded within the
3 next week?

4 A. That's my understanding.

5 Q. And you understand that if there is an order
6 granting compulsory pooling as a result of this hearing,
7 you'll be required to give the pooled parties 30 days to
8 decide whether to join?

9 A. Yes, sir.

10 Q. Have the parties that have joined, that are
11 represented by Chesapeake in Exhibit Number 4 -- Well,
12 where's your spreadsheet?

13 EXAMINER STOGNER: I believe that's Exhibit 3.
14 Is that what you're looking for?

15 MR. OWEN: Yeah, on Exhibit Number 3 -- Thank you
16 Mr. Examiner.

17 Q. (By Mr. Owen) Did they all join with the terms
18 of the AFE that is attached as Exhibit Number 5?

19 A. Yes, sir.

20 Q. And is there a JOA that they've signed?

21 A. No, sir.

22 Q. There's not a JOA covering this acreage at all?

23 A. There is one that is being circulated at this
24 time and reviewed, but not all parties have executed at
25 this time.

1 Q. Okay. Do you know if any of these parties that
2 are represented on Exhibit Number 3 are interest owners in
3 the existing wells in Section Number 3?

4 A. To my knowledge, the interest owners as follows
5 -- Fasken, Pure, Allante, Robert Landreth, David Essex --
6 are interest owners in the well in the southwest quarter.

7 Q. Does that well in the southwest quarter have a
8 JOA governing it?

9 A. I understand that it does. I have not seen it.

10 Q. But it doesn't cover the acreage in the south and
11 the northwest quarter?

12 A. I understand that it covers the south half of the
13 northwest quarter.

14 Q. So there is a JOA that governs subsequent
15 operations in the south half of the northwest where this
16 well will be drilled?

17 A. As to those parties.

18 Q. As to those parties?

19 A. Yes, sir.

20 Q. Are there any other parties, that are parties to
21 this case, that are also parties to that JOA?

22 A. Not that I'm aware of.

23 Q. Is Matrix a party to that JOA?

24 A. Not that I'm aware of.

25 Q. Where is the Harris 3 Number 2 well?

1 A. I don't know anything about a Harris 3 Number 2
2 well.

3 Q. The Harris 3 Number 1, you stated, is in the
4 southeast quarter; is that right?

5 A. Yes, sir.

6 Q. Is that that one dot indicated with the 001?

7 A. Yes, sir.

8 Q. And the well in the southwest quarter, do you
9 know the name of that well?

10 A. I understand that well to be the Fasken Oil and
11 Ranch, Ltd., Grande Number 1 well.

12 Q. But you don't know if a Harris 3 Number 2 well
13 has been proposed or drilled?

14 A. As far as my knowledge, Concho Exploration or
15 Chesapeake has not proposed a Harris 3 Number 2, if that's
16 the way you're describing it. Now, I believe we have
17 proposed what we call our Harris 3 A Number 1, which is in
18 the northeast quarter, which is designated by that empty
19 circle with a 001 in the northeast quarter.

20 Q. Is that acreage subject to any JOA?

21 A. That acreage -- that proposal -- the east half is
22 subject to a JOA, yes, sir.

23 Q. Is Matrix a party to that JOA?

24 A. No, they are not.

25 Q. Does Chesapeake operate any Wolfcamp wells in the

1 area?

2 A. Yes, sir.

3 Q. What wells does it operate?

4 A. Well, beginning from the nearest to our proposed
5 location, the temporarily abandoned Harris 3 Number 1 in
6 the southeast quarter of Section 3 --

7 Q. Any others?

8 A. I believe in Section 2, in the southeast quarter
9 of the southwest quarter, the Harris 2 Number 2; in Section
10 35, 12 South, 38 East, in the northeast quarter of the
11 southeast quarter a well we call the Harris 35 1; a well in
12 the northwest quarter of the southeast quarter, a well
13 named the Harris 35 2; a well in the southeast quarter of
14 the northeast quarter, again of Section 35, I believe a
15 well we call the Field 35 Number 1. Those would be the
16 nearest wells.

17 Q. Do you know when those wells were drilled?

18 A. Approximately, yes, sir.

19 Q. When?

20 A. All of those wells were drilled within the last
21 18 months.

22 Q. Okay. Do you know what the overhead rates that
23 were actually charged were on those wells, both drilling
24 and operating?

25 A. I don't have that information with me today, no,

1 sir, I don't know that.

2 Q. Do you know if it is anywhere close to the \$6600
3 that you asked for today?

4 A. No, I do not.

5 Q. Turning to Exhibit Number 3, you stated that at
6 the time this exhibit was prepared the only unleased
7 acreage was due to Roy Glen Fox; is that right?

8 A. Yes, sir.

9 Q. And that has since been leased?

10 A. I have been advised that that has been leased.
11 Matrix New Mexico Holdings has advised me that they have
12 leased that interest and that they now own that interest.

13 Q. Is there any other unleased acreage that would be
14 attributable to this well to --

15 A. Not that I'm aware of.

16 MR. OWEN: That's all the questions I have, Mr.
17 Examiner.

18 EXAMINER STOGNER: Any redirect?

19 MR. KELLAHIN: No, sir.

20 EXAMINATION

21 BY EXAMINER STOGNER:

22 Q. Mr. Braun, looking at Exhibit 3 --

23 A. Yes, sir.

24 Q. -- just so I have everything right here, this is
25 fee acreage; is that correct?

1 A. Yes, sir.

2 Q. And is Mr. Roy Fox the sole mineral royalty
3 owner, or is that divvied out some other way?

4 A. My understanding is, that's a mineral interest
5 owned by Roy Glen Fox individually.

6 Q. Okay. What is the makeup of the royalty interest
7 underneath this acreage?

8 A. I'm not sure I understand your question. What is
9 our net revenue interest, or average --

10 Q. No, how many owners are there?

11 A. Oh, I would have to look here. There's a number
12 of owners. I would say approximately 20, 25.

13 Q. Is that undivided or divided?

14 A. Undivided.

15 Q. Undivided. And of those 20, give or take, Mr.
16 Roy Fox is the only unleased that you --

17 A. As far as I'm aware, yes, sir.

18 Q. Okay. Now, Mr. Paul Owen had asked you a
19 question. It's your understanding that Mr. Fox has leased
20 to Matrix; is that correct?

21 A. That's what I've been advised by Matrix. I have
22 not reviewed any copies of recorded documents to evidence
23 that.

24 Q. So that's the reason his name still appears on
25 here; is that correct?

1 A. Yes, sir.

2 Q. Okay. Let's see, now, whenever I, again, refer
3 to Exhibit Number 3, you had testified that Fasken and Pure
4 Resources' interest can be moot. Could you enlighten me a
5 little bit more? Have they joined, signed the AFE, or how
6 did that interest join up in this well?

7 A. They have agreed to certain arrangements, to not
8 participate but to farm out to Concho -- I mean, to
9 Chesapeake Permian, L.P.

10 Q. Okay. So that would bring that down to under 30
11 percent, then, to be pooled at this time; is that correct?
12 Because you show a 41 --

13 A. Yes, sir.

14 Q. -- in interest to be outstanding?

15 A. Yes, sir.

16 Q. Okay. What's the status of the APD on this well
17 with the OCD in Hobbs; do you know?

18 A. I do not have a copy of it with me, but I
19 understand that the permit has been approved.

20 EXAMINER STOGNER: Mr. Kellahin, subsequent to
21 today's hearing, could you either e-mail me the API
22 number --

23 MR. KELLAHIN: I certainly will.

24 EXAMINER STOGNER: -- and, if possible, a copy of
25 the APD, the C-101 and C-102 on that well?

1 MR. KELLAHIN: Yes, sir, be happy to.

2 EXAMINER STOGNER: That will be just for the
3 record.

4 MR. KELLAHIN: All right, sir.

5 Q. (By Examiner Stogner) One final question. What
6 is the relationship between Chesapeake Permian, L.P., as
7 the Applicant, and Chesapeake Operating as the operator of
8 the well?

9 A. I believe that Chesapeake Permian, L.P., is a
10 subsidiary of Chesapeake Operating, Inc.

11 Q. So one function is to -- just the operator; is
12 that correct?

13 A. Yes, sir.

14 Q. Because you have provided me Exhibit Number 2,
15 but I don't see Chesapeake Operating, Inc., listed on page
16 2.

17 A. One explanation for that was that Chesapeake
18 Operating, Inc., I understand, existed prior to the merger
19 of Chesapeake Permian, L.P., and Concho Exploration, Inc.

20 MR. KELLAHIN: Mr. Stogner, it might help if you
21 look at page 2 of Exhibit 2.

22 EXAMINER STOGNER: Okay, I'm looking at that now.

23 MR. KELLAHIN: Look at the signature blank. You
24 can see that Chesapeake Operating, Inc., is the sole
25 general partner of Chesapeake Permian, L.P.

1 EXAMINER STOGNER: And that was the last place I
2 would look, down there. Okay, thank you for pointing that
3 out, Mr. Kellahin.

4 Is there anything further in Case 13,247?

5 MR. KELLAHIN: No, sir.

6 EXAMINER STOGNER: At this point you may be
7 excused, and Case 13,247 will be taken under advisement.

8 (Thereupon, these proceedings were concluded at
9 8:55 a.m.)

10 * * *

11
12
13 I do hereby certify that the foregoing is
14 a complete record of the proceedings in
15 the Examiner hearing of Case No. 13247
16 heard by me on 15 April 2004.

17  , Examiner
18 Oil Conservation Division
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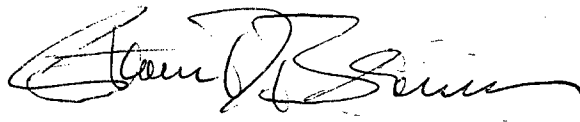
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL April 16th, 2004.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006