

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

**APPLICATION OF CHENEY ENERGY PARTNERS  
FOR APPROVAL OF A UNIT AGREEMENT,  
CHAVES COUNTY, NEW MEXICO.**

CASE NO. 13515

**AFFIDAVIT OF MITCHEL E. CHENEY**

STATE OF TEXAS            )  
                                  ) ss.  
COUNTY OF HARRIS        )

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 13515           Exhibit No. 1  
Submitted by:  
Cheney Energy Partners  
Hearing Date: June 30, 2005

I, Mitchel E. Cheney, being first duly sworn on oath, states as follows:

1. My name is Mitchel E. Cheney. I reside in Houston, Texas. I am the petroleum geologist employed by Cheney Energy Partners, LLC ("Cheney") who is responsible for the formation of the proposed Mescalero Springs State Exploratory Unit ("the Unit") comprised of 1280 acres, more or less, of State of New Mexico lands situated in Chaves County, New Mexico. The horizontal limits of said Unit Area are described as follows:

**Township 11 South, Range 31 East, N.M.P.M.**

Section 23: All  
Section 24: All

2. Cheney, the designated Unit Operator in the Mescalero Springs State Exploratory Unit Agreement, proposes the formation of the Unit to test all formations from the surface to the base of the Morrow formation.

3. The initial unit well will be drilled at a standard well location 1980 feet from the South line and 660 feet from the West line of Section 23, Township 11 South, Range 31 East, NMPM, Chaves County, New Mexico to an approximate depth of 12,000 feet to test all formations from the surface to the base of the Morrow formation. The estimated costs for this well are \$1.2 million.

4. Attachment A to the Affidavit is a copy of the Unit Agreement for the proposed Mescalero Springs State Exploratory Unit. This agreement is on the New Mexico State Land Office State/Fee Unit Agreement form.

5. Attachment B to the Affidavit is the plat to the Unit Agreement that shows the boundaries of the Mescalero Springs State Exploratory Unit and the location of the initial unit test well.

6. Attachment C to this Affidavit is a copy of Schedule B to the Unit Agreement for the Mescalero Springs State Exploratory Unit that identifies the working interest ownership in the unit area. Approximately 78% percent of the working interest in the Unit Area is owned by Cheney and is committed to the Unit. Eighty (80) acres in the proposed Unit is unleased fee land. Cheney Exhibit 3 are copies of the notice letters that were sent to all owners with unleased mineral interests in the proposed unit area. The letter advises each owner that they have the option of leasing their interest to Cheney, participating in the Unit or not participating at all by signing a waiver.

7. The schedule under Attachment C to the Affidavit also identifies the royalty interest and ORRI interests in the Unit Area. 100% percent of the royalty interest is owned by the State of New Mexico. Attachment D to this Affidavit is a letter from the New Mexico Commissioner of Public Lands giving preliminary approval of the State Land Office to the proposed Mescalero Springs State Exploratory Unit.

8. All of Cheney's interest in the Unit Area have been committed to the Unit.

9. Attachment E to this affidavit is a montage comprised of a Middle Morrow Stratigraphic Cross Section, Gross Interval and Sand isopachs, and a Top of Chester Structure map showing the outlines of the incised valleys. Cheney is attempting to show that in the area of the Mescalero Springs Unit that sands deposited in an incised valley depositional system during Middle Morrow time are the main producing objectives. Intersecting these porous and permeable sands in the valley axis where they are 'stacked' is critical to the commercial production of hydrocarbons. Trends for these channelized deposits are generally West-Northwest to East-Southeast.

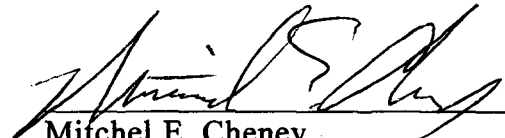
11. The unit covers an area that can be reasonably developed under a unit plan.

12. The primary target is the Morrow formation. There are secondary objectives in the Atoka and the San Andres formations.

13. If the initial unit well is successful, additional wells will be drilled in the Unit Area. Accordingly, approval of the unit agreement will result in the efficient recovery of hydrocarbons.

14. Approval of the Mescalero Springs State Exploratory Unit and the development of the Unit Area pursuant to a unit plan is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

FURTHER AFFIANT SAYETH NOT.

  
Mitchel E. Cheney  
Cheney Energy Partners, LLC

SUBSCRIBED AND SWORN before me on this 9<sup>th</sup> day of June, 2005.

  
Notary Public

My Commission Expires:  
02/04/2009

