

**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

P.O. Box 2265  
Santa Fe, New Mexico 87504  
117 North Guadalupe  
Santa Fe, New Mexico 87501

Telephone 505-982-4285  
Facsimile 505-982-2047  
kellahin@earthlink.net

May 9, 2005

2005 MAY 9 PM 1 19

**HAND DELIVERED**

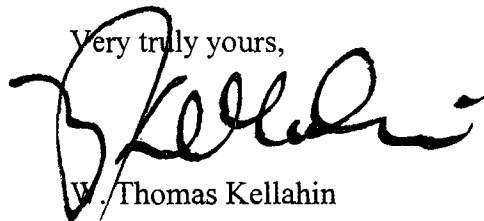
Mr. Mark E. Fesmire, Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Re: Cattleman "4" State Com Well No. 1 (API #30-025-37150)  
Location: Unit P (Lot 16)  
Dedication: Lots 1, 2, 7, 8, 9, 10, 15 and 16 of  
Irregular Section 4, T21S, R35E  
Application of Chesapeake Permian, L.P.  
for compulsory pooling,  
Lea County, New Mexico

Dear Mr. Fesmire:

On behalf of Chesapeake Permian, L.P., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for June 2, 2005. 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 13505 Application of Chesapeake Permian, L.P. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying Lots 1, 2, 7, 8, 9, 10, 15 and 16 of Irregular Section 4, T21S, R35E, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any production for any and all formations/pools developed on 320-acre gas spacing within that vertical extent, including but not limited to the South Osudo Morrow Pool. This unit is to be dedicated to its Cattleman "4" State Com Well No. 1 (API #30-025-37150) that is being drilled at a standard well location in Unit P (Lot 16) 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 6 miles west from Oil Center, 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. *13505*

**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 top of the Wolfcamp formation to the base of the Morrow formation underlying Lots 1, 2, 7, 8, 9, 10, 15 and 16 of Irregular Section 4, T21S, R35E, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any production for any and all formations/pools developed on 320-acre gas spacing within that vertical extent, including but not limited to the South Osudo Morrow Pool. This unit is to be dedicated to its Cattleman 4 State ComWell No. 1 (API#30-025-37150) that is being drilled at a standard well location in Unit P (Lot 16) 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.

In support of its application Chesapeake states:

- (1) Chesapeake is the current lessee of State of New Mexico Oil & Gas Lease # VO-7062, effective May 1, 2004, that concludes Lots 1, 2, 7, and 8 of Irregular Section 4.
- (2) Lots 9, 10, 15 and 16 of this section is subject to a State of New Mexico Oil & Gas Lease #V-7054, effective May 1, 20004, the working interest ownership was Samson Resources Company with 100% interest.

- (3) On March 18, 2005, Chesapeake filed its application for permit to drill ("APD") for the Cattleman "4" State Com Well No 1. (**API 30-025-37150**) to be located 3300 feet FSL and 990 feet FEL in Irregular Section 4, T21S, R35E and dedicated to a standard 320-acre spacing unit consisting of Lots 1, 2, 7, 8, 9, 10, 15, and 16 all of which was approved by the Division on March 21, 2005.
- (4) On March 30, 2005, Samson Resources Company attempted to rescind its March 16, 2005 election to participate with Chesapeake in another well proposed by Chesapeake on March 11, 2005 also within Irregular Section 4. This is the KF State "4" Well No. 1 (**API 30-025-37129**) that is the subject of Division Case 13493.
- (5) Apparently after Chesapeake had proposed its KF State "4" Well No. 1 during April 2005, Sampson joined with Kaiser-Francis Oil Company and Mewbourne Oil Company to object to the Division's approval of Chesapeake's wells and spacing unit orientations in Irregular Section 4.
- (6) On April 26, 2005, Mewbourne filed an application for an emergency order from the Division seeking to cancel Chesapeake's approved and valid APD for both the Cattleman "4" State Com Well No. 1 and the KF "4" State Well No. 1.
- (7) On May 3, 2005, the Division entered Order R-12343 denying Mewbourne's application.
- (8) By its actions, Samson Resources Company has apparently conspired with Mewbourne Oil Company and Kaiser-Francis Oil Company in an attempt to avoid Chesapeake proposal for these two wells and their spacing units.
- (9) Because of this action, Chesapeake has concluded that it will be unable to reach a voluntary agreement with Samson Resources Company, Kaiser Francis Oil Company and Mewbourne Oil Company concerning the Cattleman 4 State Com. Well No. 1.

- (10) Pursuant to Commission Order R-11992, effective August 15, 2003, Chesapeake requests that the 200% risk charge be applied.
- (11) 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.
- (12) 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 June 2, 2005.

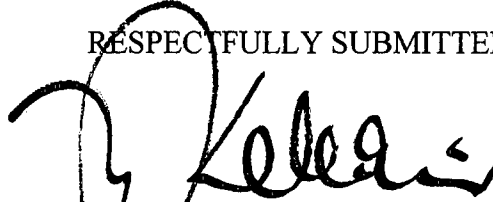
WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on June 2, 2005 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit 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 provisions to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (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;

NMOCD Application  
Chesapeake Operating, Inc.  
-Page 4-

(5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over a horizontal line.

W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN

P. O. Box 2265  
Santa Fe, New Mexico 87504  
Telephone: (505) 982-4285  
Fax: (505) 982-2047  
Email: [kellahin@earthlink.com](mailto:kellahin@earthlink.com)

**EXHIBIT "A"**

Kaiser Francis Oil Company  
P. O. Box 21468  
Tulsa, Oklahoma 74121-1468  
Attn: Jim Wakefield

Samson Resources Company  
2 W. 2<sup>nd</sup> Street  
Tulsa, Oklahoma 74103  
Attn: Mono Ables

Mewbourne Oil Company  
500 West Texas, Suite 1020  
Midland, Texas 79707