

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

IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE PERMIAN, L.P. FOR
COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO

CASE NO. 13493

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Miller Stratvert P.A. (J. Scott Hall) on behalf of Kaiser-Francis Oil Company, as required by the Oil Conservation Division.

APPEARANCES

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APPLICANT

Chesapeake Operating, Inc.

OPPONENT

Kaiser-Francis Oil Company

Mewbourne Oil Company

Samson Resources Company

STATEMENT OF THE CASE

APPLICANT

Applicant seeks an order pooling all formations spaced on 320-acres from the top of the Wolfcamp to the base of the Morrow formation to form a gas spacing unit consisting of the S/2 of Section 4, Township 21 South, Range 35 East for the KF "4" State Well No. 1 now being drilled in Unit X.

KAISER-FRANCIS OIL COMPANY

Kaiser-Francis Oil Company, Samson Resources Company and Mewbourne Oil Company, are the working interest owners in Lots 9, 10, 15, 16, and the SE/4 of Irregular Section 4, T. 21 S., R. 35 E., NMPM, Lea County, New Mexico (the "Subject Lands"). The mineral interests under the Subject Lands are owned entirely by the State of New Mexico and are subject to State Oil and Gas Lease Nos. V-7054 and B-1481-14, 100 percent of which are owned and/or controlled by Kaiser-Francis, Samson and Mewbourne. Under that Communitization Agreement approved by the Commissioner of Public Lands on April 27, 2005, effective April 1, 2005, and pursuant to that Joint Operating Agreement dated March 24, 2005, the subject lands were consolidated to form a standard 320-acre stand-up gas spacing and proration unit comprised of Lots 9, 10, 15, 16 and the SE/4 of Section 4. Further, pursuant to the Joint Operating Agreement the Movants have designated Samson Resources Company as operator and have agreed to drill the Osudo "4" State Com Well No. 1 at a standard gas well location 660 feet from the south line and 1,650 feet from the east line of said Section 4.

The Applicant, through Chesapeake Operating, Inc., purports to have dedicated a lay-down 320-acre gas spacing and proration unit for the KF State "4" No. 1 Well consisting of the SW/4 and SE/4 of Section 4. Applicant claims it has the authority to do so solely on the basis of an APD. Neither Applicant nor Chesapeake Operating, Inc. own any interest in any portion of

the Subject Lands. However, Chesapeake Permian, L.P., purports to own the lease outside the Subject Lands covering the SW/4 of Section 4.

On approximately April 27, 2005, without notice, Chesapeake moved a drilling rig onto the location for the KF State "4" No. 1 Well and commenced drilling operations that same day. It is undisputed that Chesapeake trespassed onto the Subject Lands. Further, the proration unit proposed by Applicant conflicts with the communitized unit previously approved by the Commissioner of Public Lands. Kaiser-Francis contends that Applicant is without the requisite authority to drill the well or to pool the SE/4 of Section 4.

PROPOSED EVIDENCE

KAISER-FRANCIS OIL COMPANY

WITNESSES:**Est. Time****No. of Exhibits**

Jim Wakefield (Petroleum Engineer)

1 hour

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PROCEDURAL MATTERS

1. This matter may be consolidated with Case No. 13492 for hearing.
2. Chesapeake's operations on the KF "4" State Well No. 1 on the subject lands are subject to the restrictions of Order No. 12343-A.
3. Without notice, the Applicant has changed the bottom hole location for the KF "4" State Well No. 1 to Unit W. As a consequence, an amended Application and re-advertisement may be necessary.

MILLER STRATVERT P.A.

By:



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Certificate of Service

I hereby certify that a true and correct copy of the foregoing was faxed to counsel of record on the 10th day of June, 2005, as follows:

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