

**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 HEARING:**

**APPLICATION OF SAMSON RESOURCES
COMPANY KAISER-FRANCIS OIL COMPANY,
AND MEWBOURNE OIL COMPANY FOR
CANCELLATION OF TWO DRILLING PERMITS
AND APPROVAL OF A DRILLING PERMIT,
LEA COUNTY, NEW MEXICO**

CASE 13492

2005 AUG 17 PM 1

**APPLICATION OF CHESAPEAKE OPERATING, INC.
FOR COMPULSORY POOLING,
LEA COUNTY NEW MEXICO**

CASE 13493

AMENDED PRE-HEARING STATEMENT

**Chesapeake Operating, Inc. submits this amended pre-hearing
statement as required by the New Mexico Oil Conservation Division.**

APPEARANCES OF THE PARTIES

**Case 13493-Applicant
Case 13492--Opponent**

ATTORNEY

**Chesapeake Operating, Inc.
6100 N. Western Ave
Oklahoma City, OK 73118
Attn: Lynda Townsend
405-879-9414**

**Thomas Kellahin, Esq.
P. O. Box 2265
Santa Fe, NM 87504
505-982-4285**

**John R Cooney
Earl E. DeBrine, Jr.
Paul T. Halajian
Modrall Law Firm
P. O. Box 2168
Albuquerque, NM 87103
505-848-1800**

**Case 13493-Opponent
Case 13492-Applicant**

ATTORNEY

Kaiser-Francis Oil Company

**J. Scott Hall, Esq.
150 Washington Ave,
Suite 300
Santa Fe, NM 87501
505-989-9857 (fx)
505-988-4421 (ph)**

Mewbourne Oil Company

**James Bruce, Esq.
P. O. Box 1056
Santa Fe, NM 87504
505-982-2043 (ph)
505-982-2151 (fx)**

Samson Resources Company

**J.E. Gallegos
Michael G. Condon
460 St. Michaels Dr 300
Santa Fe, NM 87505
505-983-6686**

STATEMENT OF THE CASES

CHESAPEAKE:

CHESAPEAKE PERMIAN, L.P. ("Chesapeake"), 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 the S/2 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 KF 4 State Well No. 1 (**API#30-025-37129**) that is being drilled at a standard well location in Unit X 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 200% charge for the risk involved in drilling and completing the well.

Chesapeake is the current lessee of State of New Mexico Oil & Gas Lease #VO-7063-1, effective May 1, 2004, covering the SW/4 of Irregular Section 4.

The SE/4 of this section is subject to a State of New Mexico Oil & Gas Lease #B1481, effective December 19, 1932 that as of March 9, 2005 the working interest owners are now: Kaiser Francis Oil Company with 36.5625% interest, Mewbourne Oil Company with a 7.1875% interest and Samson Resources Company with 6.25% interest.

On March 9, 2005, Chesapeake, by letter including an AFE, proposed the drilling of its KF State 4 Well No. 1 for an estimated completed well costs of \$2,012,000.00 to be dedicated to a standard 320-acre gas spacing unit consisting of the S/2 of this irregular section to both Kaiser Francis Oil Company and Samson Resources Company. The AFE was initially approved by Samson but Samson subsequently attempted to withdraw its approval. Chesapeake negotiated a surface damages and easement from the surface owner and proceeded to seek approval from the Division to drill the well and form a proration unit for the well in accordance with the prior orders by the Division and Oil Conservation Commission

On March 10, 2005 Chesapeake staked the subject well and on March 11, 2005, obtained Division approval of Chesapeake's application for permit to drill ("APD") this wellbore.

On April 26, 2005, Chesapeake filed its compulsory pooling application for a S/2 spacing unit to be dedicated to its K-S 4 State Well No. 1.

On April 27, 2005, Chesapeake in accordance with the Division approval APD and in compliance with Division rules spudded the KF State 4 Well. No 1 located in Unit X of this section.

On April 27, 2005, Mewbourne filed its application to cancel Chesapeake's approval ADP docketed as Case 13492 and as an attempt to stop the drilling and as a vehicle to dispute Chesapeake's orientation of the spacing unit for the K-F State 4 Well No. 1.

On May 2, 2005, the Director denied Mewbourne's application for an emergency order to stop Chesapeake from drilling the K-F 4 State Well No. 1.

On May 3, 2005, the State District Court denied Samson's application, based upon a claim of trespass, for a restraining order to stop Chesapeake from continuing to drill the K-F 4 State Well No.1.

On May 24, 2004 the Division Order R-12343-A that, among other things, denied Kaiser/Samson's joint motion to limit drilling operations for the K-F 4 State Well No.1.

On August 9, 2005, Chesapeake completed the K-F State 4 Well No.1.

By their actions, Kaiser Francis Oil Company, Samson Resources Company and Mewbourne Oil Company have attempted to avoid Chesapeake's proposal for its well and spacing unit. Because of this action, Chesapeake has concluded that it will be unable to reach a voluntary agreement with Kaiser Francis Oil Company, Samson Resources Company and Mewbourne Oil Company

Pursuant to Commission Order R-11992, effective August 15, 2003, Chesapeake requests that the 200% risk charge be applied.

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.

PROPOSED EVIDENCE

CHESAPEAKE

WITNESSES	EST. TIME	EST. EXHIBITS
Lynda Townsend (land)	@ -30-60 minutes	@ 8
Mike Hazlip (land)	@ 20-30 minutes	@ 1
Clabe Pearson (land)	@ 15 minutes	@ 2
Cecil Gutierrez (land)	@ 15 minutes	@ 2
David Godsey (geologist)	@ 60-90 minutes	@ 7
David DeLaO (PE)	@ 30-45 minutes	@ 4
Jeffrey Finnell (PE)	@ 30-45 minutes	@ 4

PROCEDURAL MATTERS

Examiner's decision on Kaiser's Motion to Enforce and Kaiser-Samson-Mewbourne's Motion in Limine. Chesapeake has filed Responses to the Motions and requests that the Examiner deny the motions and include the costs it incurred in responding to the same in .as part of the recovery of costs incurred in drilling the K-F State 4 Well No.1


KELLAHIN & KELLAHIN

W. Thomas Kellahin

P. O. Box 2265

Santa Fe, New Mexico 87504

Phone 505-982-4285

Fax 505-982-2047

E-mail: kellahin@earthlink.net

CERTIFICATE OF SERVICE

I certify that on August 17, 2005, I served a copy of the foregoing documents by:

☐ US Mail, postage prepaid

☐ Hand Delivery

☒ Facsimile

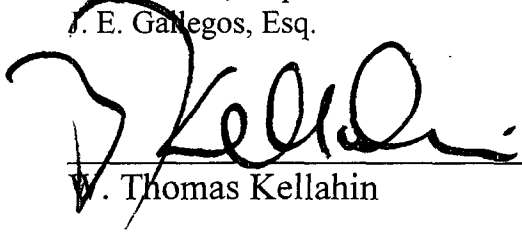
to the following:

David Brooks, Esq.

James Bruce, Esq.

J. Scott Hall, Esq.

J. E. Gallegos, Esq.


W. Thomas Kellahin