

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:)
APPLICATION OF CHESAPEAKE OPERATING,)
INC., FOR STATUTORY UNITIZATION OF THE)
TRINITY BURRIS UNIT AREA, EDDY COUNTY,)
NEW MEXICO)

CASE NO. 13,582

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Jr., Hearing Examiner

April 13th, 2006

Santa Fe, New Mexico

2006 APR 27 PM 9 28

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Jr., Hearing Examiner, on Thursday, April 13th, 2006, 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.

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I N D E X

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 Examiner Hearing
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E X H I B I T S

Applicant's	Identified	Admitted
Affidavit	5	-
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Exhibit D	5	-

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A P P E A R A N C E S

FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
110 N. Guadalupe, Suite 1
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

ALSO PRESENT:

WILLIAM V. JONES, JR.
Hearing Examiner
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 8:54 a.m.:

3 EXAMINER BROOKS: Next case is Case Number 13,582,
4 the Application of Chesapeake Operating, Inc., for
5 statutory unitization of the Trinity Burris Unit Area, Eddy
6 County, New Mexico. This case is being reopened to permit
7 the operator of the Trinity Burris Unit to appear and show
8 that the plan of unit operations has been approved by the
9 required percentage of owners.

10 You may proceed -- You may enter your appearance.

11 MR. CARR: May it please the Examiner, my name is
12 William F. Carr with the Santa Fe office of Holland and
13 Hart. We represent Chesapeake Operating, Inc., in this
14 matter, and I would like to present this case also by
15 affidavit.

16 This --

17 EXAMINER BROOKS: Are there any other
18 appearances? Very good, you may proceed.

19 MR. CARR: This is very similar to the last case,
20 although it is somewhat simpler. This case came on for
21 hearing last year, and on January 24th, the Division
22 approved the application for statutory unitization.

23 There had been objections to that application,
24 and a day or two before the hearing, agreement was reached
25 between Chesapeake and some interest owners as to an

1 amendment to the operating agreement, and we ask that the
2 order accept that amendment and provide that the working
3 interest owner -- since the operating agreement only
4 affected the working interest owner -- that the working
5 interest owners re-ratify the agreement, and that has been
6 done.

7 Mr. Frohnapfel is the landman for Chesapeake, and
8 he has attached to this exhibit the order. And then behind
9 that are ratifications from three of the working interest
10 owners. These are the three largest working interest
11 owners, and they represent over 80 percent of the working
12 interest.

13 The last exhibit is Mr. Frohnapfel's -- or is the
14 affidavit of publication showing that this case -- hearing
15 today has been -- notice has been provided in a newspaper
16 in Lea County.

17 And with that, we would request that the Division
18 enter a supplemental order finding that the working
19 interest owners have ratified the unit agreement and that
20 the unit may now become effective on May the 1st.

21 EXAMINER BROOKS: Okay. And now what percentage
22 did you have?

23 MR. CARR: We have over 80 percent of the working
24 interest. We have Claude Arnold with 8 percent, Blake --
25 working interest -- Oil and Gas, LLC, with 4.4, and

1 Chesapeake holds actually 65.39 percent. Together we are
2 well above the 75 percent.

3 EXAMINER BROOKS: Very good.

4 Mr. Jones, any questions?

5 MR. JONES: I guess I should ask a couple of
6 questions here.

7 The -- Did you have several meetings to obtain
8 these --

9 MR. CARR: You know, actually --

10 MR. JONES: -- send it out and -- responses?

11 MR. CARR: We sent the order, there was a -- and
12 there were follow-up calls to each one saying that we had
13 agreed to the change in the operating at the request of
14 certain working interest owners, and -- but all of them
15 were notified, and these came immediately back. And so
16 when they came back we asked for the supplemental order and
17 were advised again that they would like to have the
18 original of those ratifications included in the record, so
19 that's what we have come here today to do.

20 MR. JONES: Do you expect to have 100 percent?

21 MR. CARR: I don't think we'll get 100 percent
22 because we were way below 100 percent the first go-around,
23 and the only thing we're trying to do is really address a
24 concern that impacted one interest owner, and they
25 contacted the Division prior to the hearing, and we agreed

1 to that change in the operating agreement.

2 MR. JONES: That was the operating agreement.

3 Now the unit agreement --

4 MR. CARR: -- is unchanged.

5 MR. JONES: -- I think you asked for an extension
6 of the date on that, didn't you?

7 MR. CARR: We didn't on this one. We asked for
8 an extension of the date on the McQuadrangle, which was the
9 prior one, as I recall.

10 MR. JONES: Okay. This one was not asked --

11 MR. CARR: No --

12 MR. JONES: -- for an extension?

13 MR. CARR: -- we had a six-month period to ratify
14 this, starting January the 24th, and so we are within that.

15 MR. JONES: Okay. And it was -- actually the
16 order was issued before the date that it actually would
17 have expired, right, the unit agreement would have expired,
18 so --

19 MR. CARR: That's correct, that's --

20 MR. JONES: -- we really didn't need to extend
21 the unit agreement, but I thought you had also the State
22 Land Office --

23 MR. CARR: Oh, I'm sorry, I'm confusing that with
24 the other one. There was a question about there being a
25 short -- their provision in the unit agreement saying that

1 it -- on the state form, that if it hadn't been ratified by
2 -- and there was a certain date -- that it would be of no
3 effect --

4 MR. JONES: Okay.

5 MR. CARR: -- and we went back and we got that
6 date extended also prior to the time we came in with this
7 and got an extension from the State Land Office to do that
8 and the other working interest owners, and we got 100
9 percent, I believe, of the working interests to agree to
10 that. But I can provide all of that if you'd like to see
11 that.

12 MR. JONES: Does that need to be reflected in
13 this --

14 MR. CARR: I don't think so, because that was
15 just an issue concerning whether or not that agreement was
16 in effect between the parties. This is approval of the
17 unit plan, and the unit agreement was approved, and it was
18 noted that it wasn't changed and had been ratified. But
19 the re-ratification was only because of this amendment to
20 the unit operating agreement that only affected the working
21 interest.

22 MR. JONES: Okay, thank you.

23 EXAMINER BROOKS: The unit agreement never
24 expired then?

25 MR. CARR: No, it did not.

1 EXAMINER BROOKS: Okay.

2 MR. CARR: We were worried, but we got a letter
3 and we -- no, the unit agreement did not expire.

4 EXAMINER BROOKS: Is that in the -- documented in
5 the existing file?

6 MR. CARR: You know, Mr. Brooks, I don't know. I
7 do have those letters, and I'd be glad to just submit
8 them --

9 EXAMINER BROOKS: It might be helpful --

10 MR. CARR: Yeah, yeah.

11 EXAMINER BROOKS: -- make sure it's documented in
12 the file.

13 MR. CARR: Yeah, I certainly can do that.

14 EXAMINER BROOKS: I don't know -- The file is
15 rather thick and it may have all kinds of things in it, but
16 I haven't read the documents.

17 MR. CARR: Well, we'll pull those and send them
18 over to you.

19 EXAMINER BROOKS: Okay, very good. Anything
20 further? In that case then, Case Number 13,582 will be
21 taken under advisement.

22 (Thereupon, these proceedings were concluded at
23 9:00 a.m.)

I do hereby certify that the foregoing is
a complete record of the proceedings in
* * * the Examiner hearing of Case No. 13582
heard by me on Apr 13, 2006

25

David K. Brooks, Examiner

Oil Conservation Division

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

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 13th, 2006.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006