

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING CALLED BY )  
THE OIL CONSERVATION COMMISSION FOR THE )  
PURPOSE OF CONSIDERING: )  
)  
APPLICATION OF SAMSON RESOURCES COMPANY, ) CASE NOS. 13,492  
KAISER-FRANCIS OIL COMPANY, AND )  
MEWBOURNE OIL COMPANY FOR CANCELLATION )  
OF TWO DRILLING PERMITS AND APPROVAL OF )  
A DRILLING PERMIT, LEA COUNTY, )  
NEW MEXICO )  
)  
APPLICATION OF CHESAPEAKE PERMIAN, L.P., ) and 13,493  
FOR COMPULSORY POOLING, LEA COUNTY, )  
NEW MEXICO )  
) (Consolidated)

OFFICIAL EXHIBIT FILE

(4 OF 6: Exhibits Joint 1 - Samson 28A)

COMMISSION HEARING

BEFORE: MARK E. FESMIRE, CHAIRMAN  
JAMI BAILEY, COMMISSIONER (Present by telephone)  
WILLIAM C. OLSON, COMMISSIONER

August 10th, 2006  
December 14th and 15th, 2006  
January 2nd, 2007

Santa Fe, New Mexico

These matters came on for hearing before the Oil Conservation Commission, MARK E. FESMIRE, Chairman, on August 10th, December 14th and 15th, 2006, and January 2nd, 2007, 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.

\* \* \*

**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:**

**CASE NO. 13492**

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

**CASE NO. 13493**

**APPLICATION OF CHESAPEAKE PERMIAN, L.P.  
FOR COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.**

**SAMSON RESOURCES COMPANY, KAISER-FRANCIS OIL COMPANY,  
AND MEWBOURNE OIL COMPANY  
EXHIBIT LIST - DE NOVO HEARING OCTOBER 3, 2006**

EX NO.	NOTES	DESCRIPTION	OFFER/ADMIT
Joint 1		STIPULATION BY THE PARTIES AS TO UNDISPUTED EVIDENCE TO BE CONSIDERED BY THE COMMISSION	Admitted 8.10.06
1		O&G FIELDS, RGS 1967	
2		STRATIGRAPHIC COLUMN	
3		TYPE LOG	
4		SYMPOSIUM 99 SUPPLEMENT	
5		PERMIAN BASIN: BACK TO BASICS	
6		FUTURE PETROLEUM PROVINCES OF NM	
7		PERMIAN BASIN: PROVIDING ENERGY...	
8		2004 PRODUCING ZONE MAP	
9		PLAY ANALYSIS ...	
10		HABITAT OF OIL	
11		ORDER OF THE DIVISION	
12		GEOLOGY OF THE DELAWARE BASIN	
13		CHESAPEAKE - REGIONAL X-SEC	
13A	New	WEST-EAST CROSS-SECTION ACROSS CBP	
14		CHESAPEAKE EXHIBIT 29	

EX NO.	NOTES	DESCRIPTION	OFFER/ADMIT
15		TOBOSA BASIN DIAGRAMS	
15A	New	PETROLEUM GEOLOGY OF THE PERMIAN BASIN	
16		PERMIAN BASIN: PROVING GROUND...	
17		O&G FIELDS, RGS 1995	
18		ATLAS OF MAJOR ROCKY MNTN...	
19		ARIAL PHOTO RIO GRANDE	
20		GEOMAP DEEP	
21		GEOMAP MEDIUM	
22	Withdrawn	MAP-STRUCTURE TOP MORROW CLASTICS (CREATED 5/2006)	
22A	Replacement	MAP-STRUCTURE TOP MORROW CLASTICS (CREATED 9/2006)	
23		SEISMIC SECTION	
24	Withdrawn	MAP-ISOPACH MORROW B NET SD (CREATED 5/2006)	
24A	Replacement	MAP-ISOPACH MORROW B NET SD (CREATED 9/2006)	
25	Withdrawn	MAP-STRUCTURE/ISOPACH COMBO (CREATED 5/2006)	
25A	Replacement	MAP-STRUCTURE/ISOPACH COMBO (CREATED 9/2006)	
26	Withdrawn	MAP-CUMULATIVE PRODUCTION (CREATED 5/2006)	
26A	Replacement	MAP-CUMULATIVE PRODUCTION (CREATED 8/2006)	
27	Withdrawn	MAP-CUMULATIVE PRODUCTION WITH CUM/EUR DOTS (CREATED 5/2006)	
27A	Replacement	MAP-CUMULATIVE PROD WITH CUM/EUR DOTS (CREATED 8/2006)	
28	Withdrawn	MAP-ISOPACH MORROW B NET SD WITH CUM/EUR DOTS (CREATED 5/2006)	
28A	Replacement	MAP-ISOPACH WITH CUM/EUR DOTS (CREATED 9/2006)	
29	Withdrawn	X-SEC W-E #3 (CREATED 5/2006)	
29A	Replacement	X-SEC W-E #3 (UPDATED 8/2006)	
30	Withdrawn	X-SEC W-E #2 (CREATED 5/2006)	
30A	Replacement	X-SEC W-E #2 (UPDATED 8/2006)	
31	Withdrawn	X-SEC W-E #1 (CREATED 5/2006)	
31A	Replacement	X-SEC W-E #1 (UPDATED 8/2006)	
32	Withdrawn	X-SEC SW-NE (CREATED 5/2006)	
32A	Replacement	X-SEC SW-NE (UPDATED 8/2006)	
33	Withdrawn	X-SEC NW-SE (CREATED 5/2006)	
33A	Replacement	X-SEC NW-SE (UPDATED 8/2006)	
34	Withdrawn	X-SEC N-S (CREATED 5/2006)	
34A	Replacement	X-SEC N-S #1 (CREATED 8/2006)	
34B	New	X-SEC N-S #2 (CREATED 8/2006)	
34C	New	KAISER-FRANCIS HUNGER BUSTER #3 LOG SECTION	
35	Withdrawn	E60 VISION STILL SHOTS	
36	Withdrawn	CHESAPEAKE EXHIBIT 33	
36A	Replacement	CHESAPEAKE EXHIBIT 33	
37		DEPOSITIONAL SUMMERY DIAGRAM	
38		FLUVIAL FACIES DIAGRAM	
39		AD JAMES CORE DESCRIPTION	
40		CORE LAB STUDY-SEQUENCE STRATIGRAPHY...	
41		FLUVIAL FACIES - CORES	
42		WESTERN OIL STATE J LOG SECTION	
43		CHESAPEAKE'S ISOPACH NET M MRW	
43A	New	CHESAPEAKE'S ISOPACH UPPER MORROW RECONTOURED	
43B	New	CHESAPEAKE'S ISOPACH UPPER NEW MORROW	

EX NO.	NOTES	DESCRIPTION	OFFER/ADMIT
		RECONTOURED	
43C	New	CHESAPEAKE'S ISOPACH LOWER MORROW RECONTOURED	
44		CHESAPEAKE'S EXHIBIT 39	
45	Withdrawn	REASONABLE RESERVOIR PRESSURE DATA POINTS	
45A	Replacement	REASONABLE RESERVOIR PRESSURE DATA POINTS TABLE	
46	Withdrawn	GRAPH-RESERVOIR PRESSURE DATA POINTS	
46A	Replacement	GRAPH-RESERVOIR PRESSURE DATA POINTS	
46B	New	GRAPH-WEL P/Z V CUM (POINTS NOT CONNECTED)	
46C	New	GRAPH-WEL P/Z V CUM (POINTS CONNECTED)	
46D	New	GRAPH-WEK P/Z V CUM (POINTS NOT CONNECTED)	
46E	New	GRAPH-WEK P/Z V CUM (POINTS CONNECTED)	
46F	New	GRAPH-RESERVOIR PRESSURE DATA POINTS AFTER PZ	
47		MAP- PRESSURE DATA	
48		CROSS-SECTION A-A'	
49		PRESSURE BUILDUP OSUDO STATE #1	
50		PRESSURE BUILDUP OSUDO #2	
50A	New	VOLUMETRIC CALCULATION	
50B	New	VOLUMETRIC UNCERTAINTY	
50C	New	APPLIED PETROLEUM RESERVOIR ENGINEERING	
51		DUPLICATION OF EXHIBIT 38	
52		DUPLICATION OF EXHIBIT 40	
53		CONCLUSIONS	
54		MAP-NET POROSITY ISOPACH-CHENEY, CHARUK MAY 2004	
55		CHENEY - OSUDO SOUTH FIELD STUDY 4/2004	
56		CHENEY - NORTH-SOUTH CROSS-SECTION 4/2004	
57		STRUCTURE MAP TOP M MRRW-CHENEY, CHARUK MAY 2004	

**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:**

CASE NO. 13492

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

2006 AUG 9 PM 9 28

CASE NO. 13493

**APPLICATION OF CHESAPEAKE PERMIAN, L.P.  
FOR COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.**

ORDER NO. R-12343-B

**STIPULATION BY THE PARTIES AS TO UNDISPUTED  
EVIDENCE TO BE CONSIDERED BY THE COMMISSION**

The parties hereto, Samson Resources Company, Kaiser-Francis Oil Company and Chesapeake Operating, Inc., join in stipulating that the following facts and exhibits represent evidence that is not in dispute, that they ask to be made part of the record in this *de novo* proceeding before the Oil Conservation Commission and be considered by the Commission as with other evidence.

A. Section 4 of Township 21 South, Ranch 35 East, NMPM, in Lea County, is an irregular section consisting of approximately 950.8 acres, more or less, and is approximately one mile wide from east to west, and one and one-half miles long from north to south. The subdivisions of Section 4 are as follows:

- (1) the southeast quarter (geographically, the east half of the south one-third), consisting of lots 17, 18, 23 and 24;
- (2) the southwest quarter (geographically, the west half of the south one-third), consisting of lots 19 through 22;
- (3) lots 9, 10, 15 and 16, being the quarter section immediately north of the southeast quarter, hereinafter called "the east half of the middle one-third;" and

(4) lots 11 through 14, being the quarter section immediately north of the southwest quarter, hereinafter called "the west half of the middle one-third."

(5) lots 1 through 5, consisting of 310.8 acres, more or less, being the two northern most quarter sections.

B. Oil and gas minerals within the entire Section 4 (as well as the surface) are owned by the State of New Mexico, and all acres have been leased. Lease status and ownership are as follows:

(1) The southeast quarter is leased under State of New Mexico Lease No. B-1481. Kaiser-Francis, Samson, and Mewbourne own all the working interest.

(2) The southwest quarter is leased under State of New Mexico Lease No. VO-7063. Chesapeake Permian LP owns all the working interest.

(3) The middle one-third of Section 4 is leased under State of New Mexico Lease No. VO-7054. Samson owns all the working interest.

(4) The northern one-third of Section 4 is leased under State of New Mexico Lease No. VO-7062. Chesapeake Permian LP owns all the working interest.

(5) Chesapeake does not own any interest in the southeast quarter of Section 4, and has not owned any such interest at any time relevant to this case. Chesapeake has no contractual right with respect to the mineral estate in the southeast quarter of Section 4 unless such right arises by virtue of approval by Samson of an AFE (authorization for expenditures) issued by Chesapeake for the KF 4 well, under circumstances detailed below.

C. On February 27, 2005, Mewbourne ran electric logs showing over 40 feet of Morrow porosity on its Osudo 9 State Com. Well No. 1 (API No. 30-025-36828) (the "Osudo 9 well") located in the southeast quarter of the northeast quarter of Section 9, Township 21 South, Range 35 East, NMPM, being the quarter section immediately south of the southeast quarter of Section 4. On March 8, 2005, Mewbourne placed that well on line and began selling natural gas. The Osudo 9 well is a prolific producer of natural gas from the Morrow formation and is owned by Mewbourne, Chesapeake, and Finley Resources.

D. On March 10, 2005 Chesapeake Operating, Inc. filed an APD for the KF 4 well, designating a lay-down spacing unit consisting of the southeast and southwest quarters of Section 4. The Division approved Chesapeake's APD on March 11, 2005.

E. On March 9, 2005, Chesapeake sent a letter to Samson (received on March 11, 2005) proposing the drilling of the KF 4 well "in the south half of Section 4" and requesting the recipient to elect whether or not to participate. The letter also invited Samson to enter into negotiations for sale of their interest to Chesapeake, but stated, "be advised that entering into negotiations to sell Samson's interest does not excuse or allow Samson to delay the required

election under this well proposal.” Chesapeake also sent a similar proposal letter to Kaiser-Francis. Chesapeake did not send a proposal letter to Mewbourne because Mewbourne had not yet obtained an interest in the proposed spacing unit.

F. There was no operating agreement between Chesapeake and Samson or Kaiser-Francis that would require an election, and Chesapeake knew that there was no such agreement.

G. On March 22, 2005 Samson signed and returned Chesapeake’s election letter and AFE, indicating that it elected to participate in the proposed KF 4 well, but did not send its portion in of the dry hole costs as requested in the letter.

H. On March 28, 2005 Mewbourne, as operator on behalf of Samson et al., filed an APD for its proposed Osudo 4 State Com. No. 1. The Mewbourne APD proposed a location in the southeast quarter and the east half of the middle third of Section 4. The Division rejected Mewbourne’s APD on March 30, 2005, by reason of the earlier approval of Chesapeake’s APD.

I. On March 30, 2005 Samson sent a letter and fax to Chesapeake stating that, “Samson hereby rescinds and revokes its invalid election to participate in [the KF 4 well].”

J. On April 15, 2005 Chesapeake began site construction for the KF 4 well.

K. On April 20, 2005 Mewbourne, as the last of the designated parties (Kaiser-Francis, Samson, and Mewbourne), signed a communitization agreement providing for a communitized unit in the Morrow consisting of the southeast quarter and the east half of the middle third of Section 4.

L. On April 26, 2005 the applications in these cases were filed with the Division.

M. On April 27, 2005, the New Mexico State Land Office approved the Communitization Agreement described above, noting that, “[t]he effective date of this approval is April 1, 2005.”

N. On April 27, 2005 Chesapeake spudded the KF 4 well.

O. The well was completed and placed on production on January 2006.

P. As of April 2006, the well had produced 270,279 Mcf of gas and 2,286 barrels of oil.

The following stipulated Exhibits are attached and incorporated herein:

Stip. Ex. 1: Plat of Section 4-21S-35E showing well locations

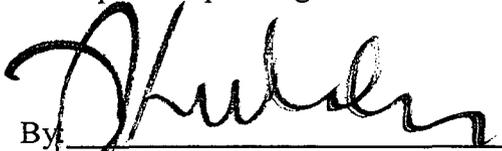
Stip. Ex. 2: Plat of Section 4-21S-35E showing lease ownership as of 3-10-05.

Stip. Ex. 3; Plat of Section 4-21S-35E showing Communitization Agreement acreage

Stip Ex. 4: Chesapeake APD, March 10, 2005, Form C-101 KF 4 State

- Stip. Ex. 5: Chesapeake Well Location Plat, March 10, 2005, Form C-102 KF 4 State
- Stip. Ex. 6: Chesapeake Sundry Notice, March 10, 2005, Form C-103 KF 4 State
- Stip. Ex. 7: Oil Conservation Division Rule – Rules 19.15.13.1102 (Form C-102) and 19.15.13.1103 (Form C-103)
- Stip. Ex. 8: Oil Conservation Division C-102 Instructions
- Stip. Ex. 9: Commissioner of Public Lands, Communitization Approval, April 27, 2005
- Stip. Ex. 10: Chesapeake Pooling Application
- Stip. Ex. 11: March 9, 2005 letter from Chesapeake to Samson re Well Proposal for KF 4 State No.1 with election by Samson
- Stip. Ex. 12: March 30, 2005 letter from Samson re Withdrawal of Election
- Stip. Ex. 13: April 4, 2005 letters from Chesapeake to Kaiser Francis and Samson enclosing Joint Operating Agreement
- Stip. Ex. 14: April 5, 2005 letter from Samson to Chesapeake re JOA

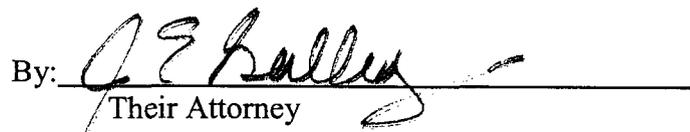
Chesapeake Operating Inc.

By:   
Its Attorney

Earl E. DeBrine, Jr.  
Modrall, Sperling, Roehl, Harris  
& Sisk, P.A.  
P.O. Box 2168  
Albuquerque, NM 87103-2168  
Telephone: (505) 848-1800  
Facsimile: (505) 848-1891

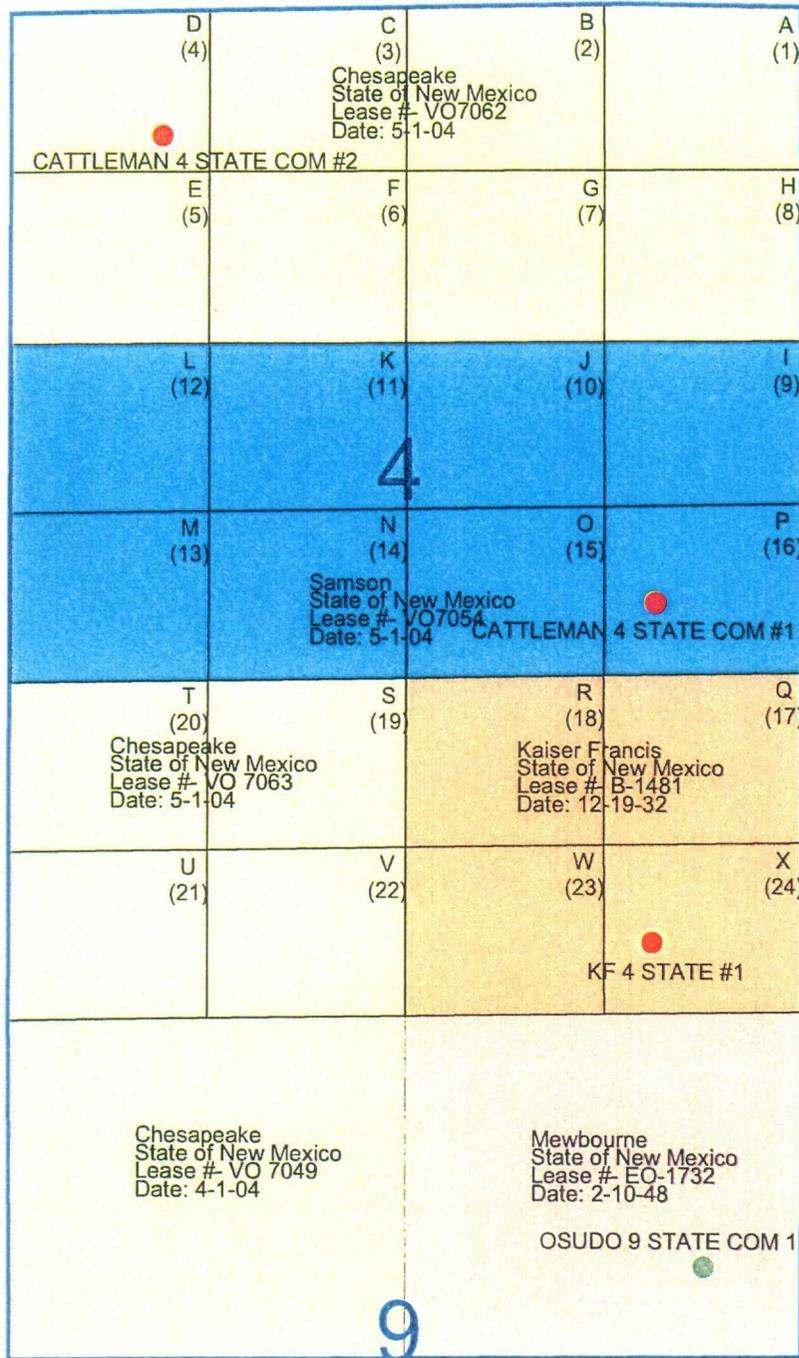
W. Thomas Kellahin  
Kellahin & Kellahin  
P.O. Box 2265  
Santa Fe, NM 87504-2265

Samson Resources Company and  
Kaiser-Francis Oil Company

By:   
Their Attorney

J.E. Gallegos  
Gallegos Law Firm, P.C.  
460 St. Michael's Drive, Bldg. 300  
Santa Fe, NM 87505  
Telephone: (505) 983-6686  
Facsimile: (505) 986-1367

Scott Hall  
Miller Stratvert P.A.  
P.O. Box 1986  
Santa Fe, NM 87504-1986



- Leases**
- Chesapeake
  - Kaiser Francis
  - Mewbourne
  - Samson

750 0 750 1500 Feet

  
**Chesapeake Energy Corporation**  
Osudo Prospect

**N**  


Scale: 1:18000	Projection: No Projection
Date: 05/12/2005	Author: Brian Weaver

Lease No. 4  
V-7062

Chesapeake Exploration Limited Partnership - 75%

Rubicon Oil & Gas I, LP - 25%

Lease No. 3  
V-7054

Samson Resources Co. - 100%

Lease No. 2  
V-7063

Chesapeake Exploration  
Limited Partnership - 75%

Rubicon Oil & Gas I, LP - 25%

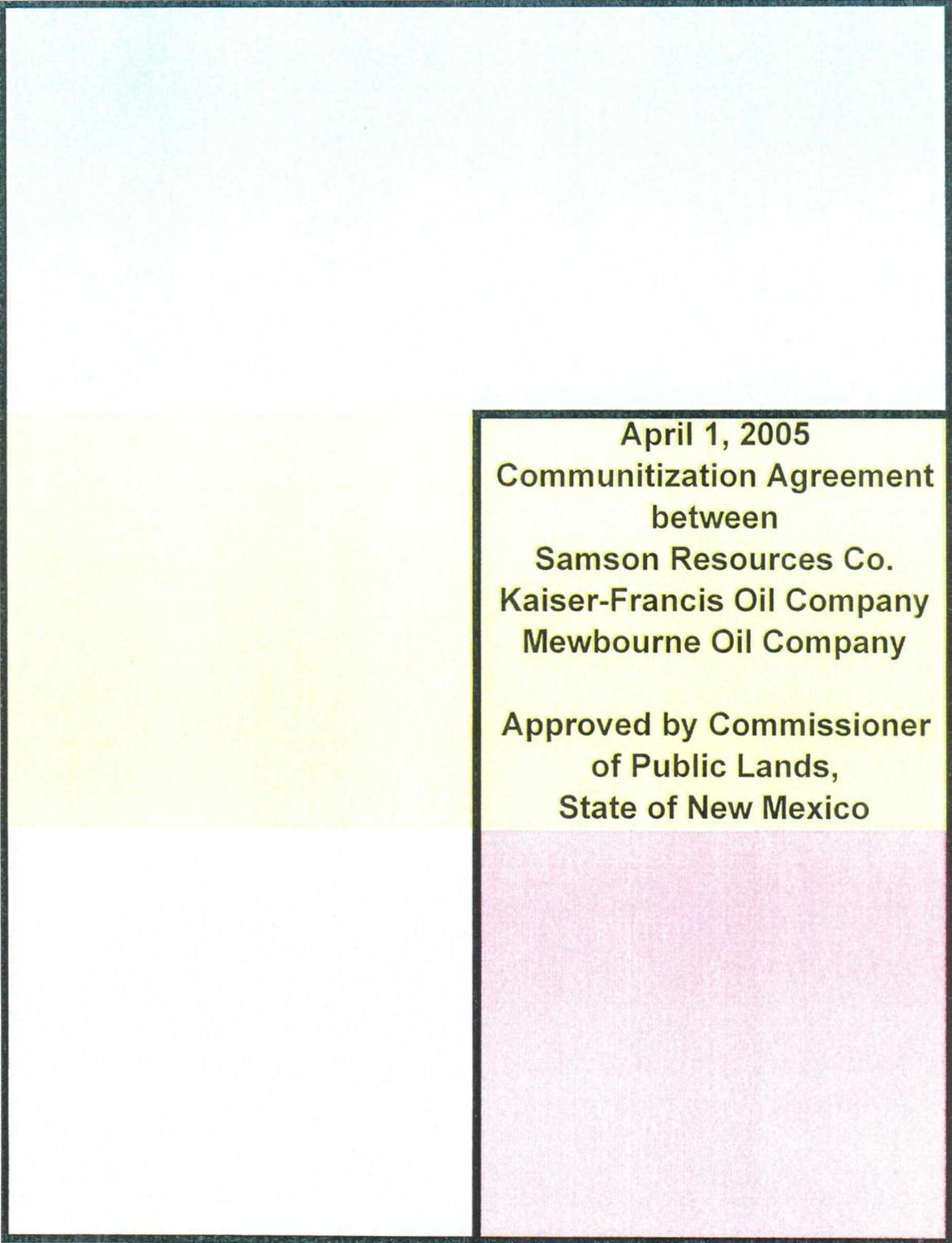
Lease No. 1  
B-1481

Samson Resources Co. - 12.5%

Kaiser-Francis  
Oil Company - 87.5%

**SECTION 4-21S-35E**

**OWNERSHIP AS OF 3/10/05**



**SECTION 4-21S-35E**

**COMMUNITIZATION AGREEMENT**

District I  
1625 N. French Dr., Hobbs, NM 88240

District II  
1301 W. Grand Ave., Arterio, NM 88210

District III  
Rio Brazos Rd., Aztec, NM 87410

District IV  
1220 S. St Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources  
Oil Conservation Division  
1220 S. St Francis Dr.  
Santa Fe, NM 87505

Form C-101  
Permit 8104

**APPLICATION FOR PERMIT TO DRILL**

Operator Name and Address CHESAPEAKE OPERATING, INC. PO Box 11050 Midland, TX 79702-8050		UGRID Number 147179
		API Number 30-025-37129
Property Code 34679	Property Name KF 4 STATE	Well No. 001

**Surface Location**

UL or Lot	Section	Township	Range	Lot Ida	Feet From	N/S Line	Feet From	E/W Line	County
X	4	21S	35E		660	S	990	E	Lea

**Proposed Pools**

OSUDO;MORROW, SOUTH (GAS) 82200

Work Type New Well	Well Type GAS	Cable/Rotary	Lease Type State	Ground Level Elevation 3621
Multiple N	Proposed Depth 12100	Formation Morrow	Contractor	Spud Date 03/18/2005

**Proposed Casing and Cement Program**

Type	Hole Size	Casing Size	Casing Weight/lb	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.5	13.375	48	450	500	0
Intl	12.25	9.625	40	5350	1300	0
Prod	8.75	5.5	17	12100	1350	4000

**Casing/Cement Program: Additional Comments**

13 3/8 csg: Lead 295 sx 35.65 Poz C + additives, Tail 205 sx Cl C + additives, circ to surface; 9 5/8 cmt: 1,150 sx 50:50 Poz Cl C + additives, Tail 150 sx Cl C + additives circ. to surface; 5 1/2 Prod Csg. 1st Stage Lead 275 sx 50:50 Poz Cl H + additives, 1st Stage Tail 470 sx 50:50 Poz Cl H + additives; 2nd stage 555 sx 50:50 Poz Cl H + additives, 2nd stage Tail 50 sx 50:50 Poz Cl H + additives.

**Proposed Blowout Prevention Program**

Type	Working Pressure	Test Pressure	Manufacturer
Annular	5000	5000	
Double Ram	5000	5000	

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Electronically Signed By: Brenda Coffman

Title: Regulatory Analyst

Date: 03/10/2005 Phone: 432-685-4310

<b>OIL CONSERVATION DIVISION</b>	
Electronically Approved By: Paul Kautz	
Title: Geologist	
Approval Date: 03/11/2005	Expiration Date: 03/11/2006
Conditions of Approval: There are conditions. See Attached.	

**Stipulated Exhibit 4**  
**NMOCD Case Nos. 13492 / 13493**

District I  
1625 N. French Dr., Hobbs, NM 88240

District II  
1301 W. Grand Ave., Artesia, NM 88210

District III  
Rio Brazos Rd., Aztec, NM 87410

District IV  
1220 S. St Francis Dr., Santa Fe, NM  
87505

State of New Mexico  
Energy, Minerals and Natural Resources  
Oil Conservation Division  
1220 S. St Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Permit 8104

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number 30-025-37129	Pool Name OSUDO;MORROW, SOUTH (GAS)	Pool Code 82200
Property Code 34679	Property Name KF 4 STATE	Well No. 001
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 3621

**Surface And Bottom Hole Location**

UL or Lot X	Section 4	Township 21S	Range 35E	Lot Mn	Feet From 660	N/S Line S	Feet From 990	E/W Line E	County Lea
Dedicated Acres 320		Joint or Infill		Consolidation Code		Order No.			

**OPERATOR CERTIFICATION**

*I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.*

Electronically Signed By: Brenda Coffman  
Title: Regulatory Analyst  
Date: 03/10/2005

**SURVEYOR CERTIFICATION**

*I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.*

Electronically Signed By: Gary L Jones  
Date of Survey: 03/10/2005  
Certificate Number: 7977

# Permit Conditions Of Approval

C-101, Permit 8104

Operator: CHESAPEAKE OPERATING, INC. , 147179

Site: KF 4 STATE #001

OCD Reviewer	Condition
PKAUTZ	Re-seeding mixture will must be approved or authorized by surface owner
PKAUTZ	Notice is to be given to the OCD prior to construction of the pit(s)
PKAUTZ	Pit construction and closure must satisfy all requirements of O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines

DISTRICT I  
1616 N. French St., Hobbs, NM 88240

DISTRICT II  
611 South First, Artesia, NM 88210

DISTRICT III  
1200 N. Main St., Aztec, NM 87410

DISTRICT IV  
604 South Parkers, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION  
2040 South Parkers  
Santa Fe, New Mexico 87504-2088

Form C-102  
Revised March 17, 1988

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-37129	Pool Code 82200	Pool Name Osuda, S. Marren (GAS)
Property Code 34679	Property Name KF "4" STATE	Well Number 1
DEED No. 147179	Operator Name CHESAPEAKE OPERATING INC.	Elevation 3621'

Surface Location

UL or lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
X	4	21 S	35 E		660	SOUTH	990	EAST	LEA

Bottom Hole Location if Different From Surface

UL or lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 320	Joint or In-BH	Consolidation Code	Order No.
------------------------	----------------	--------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

LOT 12 - 40 AC.	LOT 11 - 40 AC.	LOT 10 - 40 AC.	LOT 9 - 40 AC.
LOT 13 - 40 AC.	LOT 14 - 40 AC.	LOT 15 - 40 AC.	LOT 16 - 40 AC.
1/4 COR.			1/4 COR.

**OPERATOR CERTIFICATION**

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *Brenda Coffman*  
 Printed Name: Brenda Coffman  
 Title: Reg. Analyst  
 Date: 3-10-05

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**SURVEYOR CERTIFICATION**

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.

DATE SURVEYED: MARCH 10, 2005  
 Signature: *[Signature]*  
 Professional Surveyor  
 State of New Mexico  
 No. 52068  
 Certificate No. 0011-06000 7977

EAST SURVEYS

Lat.: N32.5025°  
Long.: W103.3657 (NAD 27)

Stipulated Exhibit 5  
NMOCD Case Nos. 13492 / 13493

Submit 3 Copies To Appropriate District Office  
 District I  
 1625 N. French Dr., Hobbs, NM 88240  
 District II  
 1301 W. Grand Ave., Artesia, NM 88210  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
 Energy, Minerals and Natural Resources

Form C-103  
 May 27, 2004

OIL CONSERVATION DIVISION  
 1220 South St. Francis Dr.  
 Santa Fe, NM 87505

WELL API NO.  
30-025-37129

5. Indicate Type of Lease  
 STATE  FEE

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name  
 KF 4 State

8. Well Number 001

9. OGRID Number 147179 82200

10. Pool name or Wildcat  
 Osudo, & Morrow, South (gas)

SUNDRY NOTICES AND REPORTS ON WELLS  
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well  Gas Well  Other

2. Name of Operator  
 Chesapeake Operating, Inc.

3. Address of Operator P. O. Box 11050  
 Midland, TX 79702-8050

4. Well Location  
 Unit Letter X / P : 660 feet from the South line and 990 feet from the East line  
 Section 4 Township 21S Range 35E NMPM County Lea

11. Elevation (Show whether DR, RKB, RT, GR, etc.)  
3621

Pit or Below-grade Tank Application  or Closure

Pit type Drilling Depth to Groundwater 150 Distance from nearest fresh water well 1000 Distance from nearest surface water 1000

Pit Liner Thickness: 12 mill Below-Grade Tank: Volume 12139 bbls; Construction Material

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: Close Pit <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Chesapeake plans to close the drilling pit for this well according to current NMOCD guidelines Section B3b.

(320 AC. 5/2)

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines  a general permit  or an (attached) alternative OCD-approved plan .

SIGNATURE Brenda Coffin TITLE Regulatory Analyst DATE 03/10/2005

Type or print name Brenda Coffin E-mail address: bcoffman@chmenergy.com Telephone No. (432)687-2992

APPROVED BY: [Signature] TITLE PETROLEUM ENGINEER DATE MAR 11 2005

Conditions of Approval (if any):

Submit 3 Copies To Appropriate District Office

State of New Mexico Energy, Minerals and Natural Resources

Form C-103 May 27, 2004

District I 1625 N. French Dr., Hobbs, NM 88240
District II 1301 W. Grand Ave., Artesia, NM 88210
District III 1000 Rio Brazos Rd., Aztec, NM 87410
District IV 1220 S. St. Francis Dr., Santa Fe, NM 87505

OIL CONSERVATION DIVISION 1220 South St. Francis Dr. Santa Fe, NM 87505

WELL API NO. 30-025-37129
5. Indicate Type of Lease STATE [X] FEE [ ]
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name KF 4 State
8. Well Number 001
9. OGRID Number 147179 82200
10. Pool name or Wildcat Osudo, & Morrow, South (gas)

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)
1. Type of Well: Oil Well [ ] Gas Well [ ] Other [X]
2. Name of Operator Chesapeake Operating, Inc.
3. Address of Operator P. O. Box 11050 Midland, TX 79702-8050
4. Well Location Unit Letter X/P : 660 feet from the South line and 990 feet from the East line
Section 4 Township 21S Range 35E NMPM County Lea
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3621
Pit or Below-grade Tank Application [X] or Closure [ ]
Pit type Drilling Depth to Groundwater 150 Distance from nearest fresh water well 1000 Distance from nearest surface water 1000
Pit Liner Thickness: 12 mil Below-Grade Tank: Volume 12139 bbls; Construction Material

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK [ ] PLUG AND ABANDON [ ] TEMPORARILY ABANDON [ ] CHANGE PLANS [ ] PULL OR ALTER CASING [ ] MULTIPLE COMPL [ ] OTHER: Close Pit [X]
SUBSEQUENT REPORT OF: REMEDIAL WORK [ ] ALTERING CASING [ ] COMMENCE DRILLING OPNS. [ ] P AND A [ ] CASING/CEMENT JOB [ ] OTHER: [ ]

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Chesapeake plans to close the drilling pit for this well according to current NMOCD guidelines Section B3b.

(320 AC. 5/2)

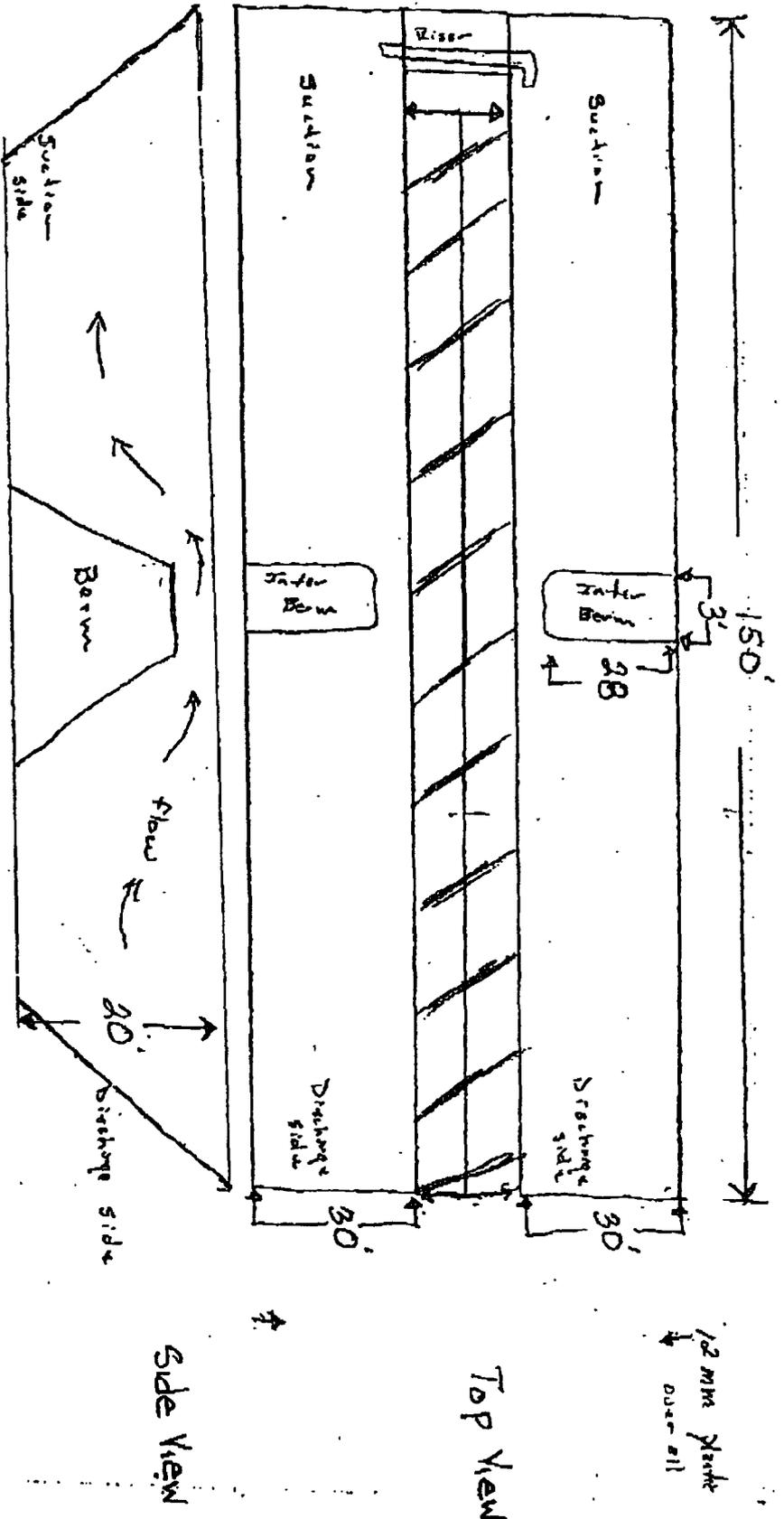
I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines [X], a general permit [ ] or an (attached) alternative OCD-approved plan [ ].

SIGNATURE Brenda Coffman TITLE Regulatory Analyst DATE 03/10/2005

Type or print name Brenda Coffman For State Use Only E-mail address: bcoffman@chmenergy.com Telephone No. (432)687-2992

APPROVED BY: [Signature] TITLE DATE 11 2005

Conditions of Approval (if any):



$30' \times 140' = 75,000 \text{ ft}^2 \div 5.6144 = 13,464.8 \text{ bbls} \times 2 = 26,929.7 \text{ bbls}$   
 $30' \times 140' = 90,000 \text{ ft}^3 \div 5.6144 = 16,029.6 \text{ bbls} \times 2 = 32,059.2 \text{ bbls}$  with 20'

**DISTRICT I**  
1400 N. French Dr., Hobbs, NM 88240

**DISTRICT II**  
811 South West, Lordsburg, NM 88020

**DISTRICT III**  
1600 E. Riverside Rd., Lordsburg, NM 87410

**DISTRICT IV**  
2540 South Packhorse, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised March 17, 1999

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 2 Copies

**OIL CONSERVATION DIVISION**  
2940 South Packhorse  
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number <b>30-025-37129</b>	Pool Code <b>82200</b>	Pool Name <b>Osuda, S. Marren (GAS)</b>
Property Code <b>34679</b>	Property Name <b>KF "4" STATE</b>	Well Number <b>1</b>
OWNER No. <b>147179</b>	Operator Name <b>CHESAPEAKE OPERATING INC.</b>	Elevation <b>3621'</b>

**Surface Location**

UL or lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
X	4	21 S	35 E		660	SOUTH	990	EAST	LEA

**Bottom Hole Location If Different From Surface**

UL or lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres **320**    Joint or Infill    Consolidation Code    Order No.

**NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**

LOT 12 - 40 AC.	LOT 11 - 40 AC.	LOT 10 - 40 AC.	LOT 9 - 40 AC.
LOT 13 - 40 AC.	LOT 14 - 40 AC.	LOT 15 - 40 AC.	LOT 16 - 40 AC.

**OPERATOR CERTIFICATION**

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

*Brenda Coffman*  
Signature  
**Brenda Coffman**  
Printed Name  
**Reg. Analyst**  
Title  
**3-10-05**  
Date

---

**SURVEYOR CERTIFICATION**

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.

MARCH 10, 2005  
Data Surveyed  
Signed & Sealed  
Professional Surveyor  
7977  
Certificate No. 7977

Lat.: N32.5025°  
Long.: W103.3667°  
(NAD 27)

890'  
660'

**BASIS SURVEYS**

Submit 3 Copies To Appropriate District Office  
 District I  
 1625 N. French Dr., Hobbs, NM 88240  
 District II  
 1301 W. Grand Ave., Artesia, NM 88210  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
 Energy, Minerals and Natural Resources

Form C-103  
 May 27, 2004

OIL CONSERVATION DIVISION  
 1220 South St. Francis Dr.  
 Santa Fe, NM 87505

WELL API NO. 30-025-37129
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name KF 4 State
8. Well Number 001
9. OGRID Number 147179
10. Pool name or Wildcat Osudo;Morrow,South (Gas)

**SUNDRY NOTICES AND REPORTS ON WELLS**  
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well  Gas Well  Other

2. Name of Operator  
Chesapeake Operating, Inc.

3. Address of Operator P. O. Box 11050  
Midland, TX 79702-8050

4. Well Location  
 Unit Letter X : 660 feet from the South line and 990 feet from the East line  
 Section 4 Township 21S Range 35E NMPM County Lea

11. Elevation (Show whether DR, RKB, RT, GR, etc.)  
3621 GR

Pit or Below-grade Tank Application  or Closure

Pit type \_\_\_\_\_ Depth to Groundwater \_\_\_\_\_ Distance from nearest fresh water well \_\_\_\_\_ Distance from nearest surface water \_\_\_\_\_

Pit Liner Thickness: \_\_\_\_\_ mil Below-Grade Tank: Volume \_\_\_\_\_ bbls; Construction Material \_\_\_\_\_

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

<b>NOTICE OF INTENTION TO:</b>		<b>SUBSEQUENT REPORT OF:</b>	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input checked="" type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input checked="" type="checkbox"/>	
OTHER: <input type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

4-27-05 Spud 17 1/2" surface hole @ 10:30 p.m.  
 4-29-05 Ran 10 jts. 13 3/8" 48# H-40 STC csg. set @ 448'. Cmt'd w/240 sx Premium Plus + additives; tail in w/225 sx Premium Plus + additives. Cmt. Circulated to ground surface. WOC 24 hrs.  
 4-30-05 Tested to 1000# - OK.



I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit  or an (attached) alternative OCD-approved plan .

SIGNATURE Brenda Coffman TITLE Regulatory Analyst DATE 05/02/2005

Type or print name Brenda Coffman E-mail address: bcoffman@chkenergy.com Telephone No. (432)687-2992  
 For State Use Only

APPROVED BY: [Signature] TITLE PETROLEUM ENGINEER DATE MAY 16 2005  
 Conditions of Approval (if any): \_\_\_\_\_

of Approval

(47) Form C-140 Application For Qualification of Well Workover Project and Certification of Approval

[1-1-50...2-1-96; 19.15.13.1100 NMAC - Rn, 19 NMAC 15.M.1100, 06/30/04]

**19.15.13.1101 APPLICATION FOR PERMIT TO DRILL, DEEPEN OR PLUG BACK (Form C-101):**

A. Before commencing drilling or deepening operations, or before plugging a well back to another zone, the operator of the well must obtain a permit to do so. To obtain such permit, the operator shall submit to the division five copies of form C-101, application for permit to drill, deepen or plug back, completely filled out. If the operator has an approved bond in accordance with 19.15.3.101 NMAC, one copy of the drilling permit will be returned to him on which will be noted the division's approval, with any modification deemed advisable. If the proposal cannot be approved for any reason, the forms C-101 will be returned with the cause for rejection stated thereon.

B. Form C-101 must be accompanied by three copies of form C-102, well location and acreage dedication plat. (See 19.15.13.1102 NMAC.)

C. If the well is to be drilled on state land, submit six copies of form C-101 and four copies of form C-102, the extra copy of each form being for the state land office.

[1-1-64...2-1-96; 19.15.13.1101 NMAC - Rn, 19 NMAC 15.M.1101, 06/30/04]

**19.15.13.1102 WELL LOCATION AND ACREAGE DEDICATION PLAT (Form C-102):**

A. Form C-102 is a dual purpose form used to show the exact location of the well and the acreage dedicated thereto. The form is also used to show the ownership and status of each lease contained within the dedicated acreage. When there is more than one working interest or royalty owner on a given lease, designation of the majority owner et al. will be sufficient.

B. All information required on form C-102 shall be filled out and certified by the operator of the well except the well location on the plat. This is to be plotted from the outer boundaries of the section and certified by a professional surveyor, registered in the state of New Mexico, or surveyor approved by the division.

C. Form C-102 shall be submitted in triplicate or quadruplicate as provided in 19.15.13.1101 NMAC.

D. Amended form C-102 (in triplicate or quadruplicate) shall be filed in the event there is a change in any of the information previously submitted. The well location need not be certified when filing amended form C-102.

[1-1-65...2-1-96; 19.15.13.1102 NMAC - Rn, 19 NMAC 15.M.1102, 06/30/04]

**19.15.13.1103 SUNDRY NOTICES AND REPORTS ON WELLS (Form C-103):**

Form C-103 is a dual purpose form to be filed with the appropriate district office of the division to obtain division approval prior to commencing certain operations and also to report various completed operations.

A. Form C-103 as a notice of intention

(1) Form C-103 shall be filed in triplicate by the operator and approval obtain from the division prior to:

(a) Effecting a change of plans from those previously approved on form C-101 or form C-103.

(b) Altering a drilling well's casing program or pulling casing or otherwise altering an existing well's casing installation.

(c) Temporarily abandoning a well.

(d) Plugging and abandoning a well.

(e) Performing remedial work on a well which, when completed, will affect the original status of the well. (This shall include making new perforations in existing wells or squeezing old perforations in existing wells, but is not applicable to new wells in the process of being completed nor to old wells being deepened or plugged back to another zone when such recompletion has been authorized by an approved form C-101, application for permit to drill, deepen or plug back, nor to acidizing, fracturing or cleaning out previously completed wells, nor installing artificial lift equipment.)

New Mexico Oil Conservation Division  
C-102 Instructions

IF THIS IS AN AMENDED REPORT, CHECK THE BOX LABELED "AMENDED REPORT" AT THE TOP OF THIS DOCUMENT.

Surveyors shall use the latest United States government survey or dependent resurvey. Well locations will be in reference to the New Mexico Principal Meridian. If the land is not surveyed contact the appropriate OCD district office. Independent subdivision surveys will not be acceptable.

1. The OCD assigned API number for this well.
  2. The pool code for this (proposed) completion.
  3. The pool name for this (proposed) completion.
  4. The property code for this (proposed) completion.
  5. The property name (well name) for this (proposed) completion.
  6. The well number for this (proposed) completion.
  7. Operator's OGRID number.
  8. The operator's name.
  9. The ground level elevation of this well.
  10. The surveyed surface location of this well measured from the section lines. NOTE: If the United States government survey designates a Lot Number for this location use that number in the 'UL or lot no.' box. Otherwise use the OCD unit letter.
  11. Proposed bottom hole location. If this is a horizontal hole indicate the location of the end of the hole.
  12. The calculated acreage dedicated to this completion to the nearest hundredth of an acre.
  13. Put a Y if more than one completion will be sharing this same acreage or N if this is the only completion on this acreage.
  14. If more than one lease of different ownership has been dedicated to the well show the consolidation code from the following table:

C	Communitization
U	Unitization
F	Forced pooling
O	Other
P	Consolidation pending
- NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION!
15. Write in the OCD order(s) approving a non-standard location, non-standard spacing, or directional or horizontal drilling.
  16. This grid represents a standard section. You may superimpose a non-standard section over this grid. Outline the dedicated acreage and the separate leases within that dedicated acreage. Show the well surface location and bottom hole location, if it is directionally drilled, with the dimensions from the section lines in the cardinal directions. (Note: A legal location is determined from the perpendicular distance to the edge of the tract.) If this is a high angle or horizontal hole, show that portion of the well bore that is open within this pool.  
  
Show all lots, lot numbers, and their respective acreage.  
  
If more than one lease has been dedicated to this completion, outline each one and identify the ownership as to both working interest and royalty.
  17. The signature, printed name, e-mail address, and title of the person authorized to make this report, and the date this document was signed.
  18. The registered surveyors certification. This section does not have to be completed if this form has been previously accepted by the OCD and is being filed for a change of pool or dedicated acreage.



## NEW MEXICO STATE LAND OFFICE

## CERTIFICATE OF APPROVAL

## COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

Mewbourne Oil Company

Osada State Coal Mine

Lea County, New Mexico

Lots 9, 10, 15, 16, and SE 4, Section 4, Township 21 South, Range 15 East,  
Pennywarran

It has been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination a Communitization Agreement for the development and operation of acreage which is described within the referenced agreement, dated April 1, 2005, which has been executed, or is to be executed, by parties owning and holding oil and gas leases and royalty interests in and under the property described and upon examination of said agreement, the Commissioner finds:

- (A) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area;
- (B) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area;
- (C) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area;
- (D) That such agreement is in other respects for the best interests of the State with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-1-1, 19-1-2, 19-1-3, 19-1-4, 19-1-5, 19-1-6, 19-1-7, 19-1-8, 19-1-9, 19-1-10, 19-1-11, 19-1-12, 19-1-13, 19-1-14, 19-1-15, 19-1-16, 19-1-17, 19-1-18, 19-1-19, 19-1-20, 19-1-21, 19-1-22, 19-1-23, 19-1-24, 19-1-25, 19-1-26, 19-1-27, 19-1-28, 19-1-29, 19-1-30, 19-1-31, 19-1-32, 19-1-33, 19-1-34, 19-1-35, 19-1-36, 19-1-37, 19-1-38, 19-1-39, 19-1-40, 19-1-41, 19-1-42, 19-1-43, 19-1-44, 19-1-45, 19-1-46, 19-1-47, 19-1-48, 19-1-49, 19-1-50, 19-1-51, 19-1-52, 19-1-53, 19-1-54, 19-1-55, 19-1-56, 19-1-57, 19-1-58, 19-1-59, 19-1-60, 19-1-61, 19-1-62, 19-1-63, 19-1-64, 19-1-65, 19-1-66, 19-1-67, 19-1-68, 19-1-69, 19-1-70, 19-1-71, 19-1-72, 19-1-73, 19-1-74, 19-1-75, 19-1-76, 19-1-77, 19-1-78, 19-1-79, 19-1-80, 19-1-81, 19-1-82, 19-1-83, 19-1-84, 19-1-85, 19-1-86, 19-1-87, 19-1-88, 19-1-89, 19-1-90, 19-1-91, 19-1-92, 19-1-93, 19-1-94, 19-1-95, 19-1-96, 19-1-97, 19-1-98, 19-1-99, 19-1-100, 19-1-101, 19-1-102, 19-1-103, 19-1-104, 19-1-105, 19-1-106, 19-1-107, 19-1-108, 19-1-109, 19-1-110, 19-1-111, 19-1-112, 19-1-113, 19-1-114, 19-1-115, 19-1-116, 19-1-117, 19-1-118, 19-1-119, 19-1-120, 19-1-121, 19-1-122, 19-1-123, 19-1-124, 19-1-125, 19-1-126, 19-1-127, 19-1-128, 19-1-129, 19-1-130, 19-1-131, 19-1-132, 19-1-133, 19-1-134, 19-1-135, 19-1-136, 19-1-137, 19-1-138, 19-1-139, 19-1-140, 19-1-141, 19-1-142, 19-1-143, 19-1-144, 19-1-145, 19-1-146, 19-1-147, 19-1-148, 19-1-149, 19-1-150, 19-1-151, 19-1-152, 19-1-153, 19-1-154, 19-1-155, 19-1-156, 19-1-157, 19-1-158, 19-1-159, 19-1-160, 19-1-161, 19-1-162, 19-1-163, 19-1-164, 19-1-165, 19-1-166, 19-1-167, 19-1-168, 19-1-169, 19-1-170, 19-1-171, 19-1-172, 19-1-173, 19-1-174, 19-1-175, 19-1-176, 19-1-177, 19-1-178, 19-1-179, 19-1-180, 19-1-181, 19-1-182, 19-1-183, 19-1-184, 19-1-185, 19-1-186, 19-1-187, 19-1-188, 19-1-189, 19-1-190, 19-1-191, 19-1-192, 19-1-193, 19-1-194, 19-1-195, 19-1-196, 19-1-197, 19-1-198, 19-1-199, 19-1-200, 19-1-201, 19-1-202, 19-1-203, 19-1-204, 19-1-205, 19-1-206, 19-1-207, 19-1-208, 19-1-209, 19-1-210, 19-1-211, 19-1-212, 19-1-213, 19-1-214, 19-1-215, 19-1-216, 19-1-217, 19-1-218, 19-1-219, 19-1-220, 19-1-221, 19-1-222, 19-1-223, 19-1-224, 19-1-225, 19-1-226, 19-1-227, 19-1-228, 19-1-229, 19-1-230, 19-1-231, 19-1-232, 19-1-233, 19-1-234, 19-1-235, 19-1-236, 19-1-237, 19-1-238, 19-1-239, 19-1-240, 19-1-241, 19-1-242, 19-1-243, 19-1-244, 19-1-245, 19-1-246, 19-1-247, 19-1-248, 19-1-249, 19-1-250, 19-1-251, 19-1-252, 19-1-253, 19-1-254, 19-1-255, 19-1-256, 19-1-257, 19-1-258, 19-1-259, 19-1-260, 19-1-261, 19-1-262, 19-1-263, 19-1-264, 19-1-265, 19-1-266, 19-1-267, 19-1-268, 19-1-269, 19-1-270, 19-1-271, 19-1-272, 19-1-273, 19-1-274, 19-1-275, 19-1-276, 19-1-277, 19-1-278, 19-1-279, 19-1-280, 19-1-281, 19-1-282, 19-1-283, 19-1-284, 19-1-285, 19-1-286, 19-1-287, 19-1-288, 19-1-289, 19-1-290, 19-1-291, 19-1-292, 19-1-293, 19-1-294, 19-1-295, 19-1-296, 19-1-297, 19-1-298, 19-1-299, 19-1-300, 19-1-301, 19-1-302, 19-1-303, 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19-1-1094, 19-1-1095, 19-1-1096, 19-1-1097, 19-1-1098, 19-1-1099, 19-1-1100, 19-1-1101, 19-1-1102, 19-1-1103, 19-1-1104, 19-1-1105, 19-1-1106, 19-1-1107, 19-1-1108, 19-1-1109, 19-1-1110, 19-1-1111, 19-1-1112, 19-1-1113, 19-1-1114, 19-1-1115, 19-1-1116, 19-1-1117, 19-1-1118, 19-1-1119, 19-1-1120, 19-1-1121, 19-1-1122, 19-1-1123, 19-1-1124, 19-1-1125, 19-1-1126, 19-1-1127, 19-1-1128, 19-1-1129, 19-1-1130, 19-1-1131, 19-1-1132, 19-1-1133, 19-1-1134, 19-1-1135, 19-1-1136, 19-1-1137, 19-1-1138, 19-1-1139, 19-1-1140, 19-1-1141, 19-1-1142, 19-1-1143, 19-1-1144, 19-1-1145, 19-1-1146, 19-1-1147, 19-1-1148, 19-1-1149, 19-1-1150, 19-1-1151, 19-1-1152, 19-1-1153, 19-1-1154,

**COMMUNITIZATION AGREEMENT**

STATE OF NEW MEXICO) KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF LEA )

THAT THIS AGREEMENT\* is entered into as of the April 1, 2005, by and between the parties subscribing, ratifying or consenting hereto, such parties hereinafter being referred to as "Parties hereto";

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by the Legislature, as set forth in Sec. 19-10-53, New Mexico Statutes, Annotated, 1978, in the interest of conservation of oil & gas and the prevention of waste to consent to and approve the development or operation of State lands under agreements made by lessees of oil & gas leases thereon, jointly or severally with other oil & gas lessees of State Lands, or oil and gas lessees or mineral owners of privately owned or fee lands, for the purpose of pooling or communitizing such lands to form a proration unit or portion thereof, or well-spacing unit, pursuant to any order, rule or regulation of the New Mexico Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department where such agreement provides for the allocation of the production of oil or gas from such pools or communitized area on an acreage or other basis found by the Commissioner to be fair and equitable.

WHEREAS, the parties hereto, own working, royalty, or other leasehold interests or operating rights under the oil and gas leases and lands subject to this agreement, which leases are more particularly described in the schedule attached hereto, marked Exhibit "A" and made a part hereof, for all purposes; and

WHEREAS, said leases, insofar as they cover the Pennsylvanian formation (hereinafter referred to as "said formation") in and under the land hereinafter described cannot be independently developed and operated in conformity with the well spacing program established for such formation in and under said lands; and

WHEREAS, the parties hereto desire to communitize and pool their respective interests in said leases subject to this agreement for the purpose of developing, operating and producing hydrocarbons in the said formation in and under the land hereinafter described subject to the terms hereof.

NOW THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the undersigned as follows:

1. The lands covered by this agreement (hereinafter referred to as the "communitized area") are described as follows:

\*This agreement not to be used for helium or carbon dioxide

Township 21 South, Range 35 East, N. M. P. M.

Section 4: Lots 9, 10, 15, 16 and SE/4

Lea County, New Mexico,

*Containing 320.00 acres, more or less. It is the judgment of the parties hereto that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of hydrocarbons from the said formation in and under said land is necessary and advisable in order to properly develop and produce the hydrocarbons in the said formation beneath the said land in accordance with the well spacing rules of the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and in order to promote the conservation of the hydrocarbons in and that may be produced from said formation in and under said lands, and would be in the public interest;*

*AND, for the purposes aforesaid, the parties hereto do hereby communitize for proration or spacing purposes only the leases described in Exhibit "A" hereto insofar as they cover hydrocarbons within and that may be produced from the said formation (hereinafter referred to as "Communitized Substances") beneath the above-described land, into a single communitization, for the development, production, operation and conservation of the hydrocarbons in said formation beneath said lands.*

*Attached hereto and made a part of this agreement for all purposes, is Exhibit "A" showing the acreage, and ownership (Lessees of Record) of all leases within the communitized area.*

- 2. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leases described in Exhibit "A" hereto in the proportion that the number of surface acres covered by each of such leases and included within the communitized area bears to the total number of acres contained in the communitized area.*
- 3. Subject to Paragraph 4, the royalties payable on communitized substances allocated to the individual leases and the rentals provided for in said leases shall be determined and paid in the manner and on the basis prescribed in each of said leases. Except as provided for under the terms and provisions of the leases described in Exhibit "A" hereto or as herein provided to the contrary, the payment of rentals under the terms of said leases shall not be affected by this agreement; and except as herein modified and changed or heretofore amended, the oil and gas leases subject to this agreement shall remain in full force and effect as originally issued and amended.*
- 4. The State of New Mexico hereafter is entitled to the right to take in kind its share for the communitized substances allocated to such tract, and Operator shall make deliveries of such royalty share taken in kind in conformity with applicable contracts, laws, and regulations.*

*\*This agreement not to be used for helium or carbon dioxide*

5. *There shall be no obligation upon the parties hereto to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the Operator be required to measure separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area; provided, however, that the parties hereto shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area.*
6. *The commencement, completion, and continued operation or production of a well or wells for communitized substances on the communitized area shall be considered as the commencement, completion, continued operation or production as to each of the leases described in Exhibit "A" hereto.*
7. *The production of communitized substances and disposal thereof shall be in conformity with the allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State laws. This agreement shall be subject to all applicable Federal and State laws, executive orders, rules and regulations affecting the performance of the provisions hereof, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if compliance is prevented by or if such failure results from compliance with any such laws, orders, rules and regulations.*
8. *Mewbourne Oil Company shall be the Operator of said communitized area and all matters of operation shall be determined and performed by Mewbourne Oil Company.*
9. *This agreement shall be effective as of the date hereinabove written upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public Lands, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced from the communitized area in paying quantities; provided, that this agreement shall not expire if there is a well capable of producing gas in paying quantities located upon some part of the communitized area, if such a well is shut-in due to the inability of the operator to obtain a pipeline connection or to market the gas therefrom, and if either: (a) a shut-in royalty has been timely and properly paid pursuant to the provisions of one of the State of New Mexico oil and gas leases covering lands subject to this agreement so as to prevent the expiration of such lease; or (b) each of the State of New Mexico oil and gas leases covering lands subject to this agreement is in its primary term (if a five-year lease), or in its primary or secondary term (if a ten-year lease), or is held by production from another well. Provided further, however, that prior to production in paying quantities from the communitized area, and upon fulfillment of all requirements of the Commissioner of Public Lands with respect to any dry hole or abandoned well drilled upon the communitized area, this Agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production of communitized substances if,*

\*This agreement not to be used for helium or carbon dioxide

*within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence. As to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.*

10. *Operator will furnish the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and the Commissioner of Public Lands of the State of New Mexico, with any and all reports, statements, notices and well logs and records which may be required under the laws and regulations of the State of New Mexico.*
11. *It is agreed between the parties hereto that the Commissioner of Public Lands, or his duly authorized representatives, shall have the right of supervision over all operations under the communitized area to the same extent and degree as provided in the oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State of New Mexico.*
12. *If any order of the Oil Conservation Division of the New Mexico Energy Minerals and Natural Resources Department, upon which this agreement is predicated or based is in anyway changed or modified, then in such event said agreement is likewise modified to conform thereto.*
13. *This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instruments, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.*
14. *This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.*

\*This agreement not to be used for helium or carbon dioxide

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

OPERATOR: Mewbourne Oil Company

By: James Allen Brinson  
James Allen Brinson  
Attorney In Fact

LESSEES OF RECORD: Samson Resources Company

By: Marlin R. Garrett  
Marlin R. Garrett  
Vice President

Kaiser-Francis Oil Company

By: \_\_\_\_\_

By: \_\_\_\_\_

\*This agreement not to be used for helium or carbon dioxide  
5

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

OPERATOR: Mewbourne Oil Company

By: \_\_\_\_\_  
James Allen Brinson  
Attorney In Fact

LESSEES OF RECORD: Samson Resources Company

By: \_\_\_\_\_

Kaiser-Francis Oil Company

By: Wayne A. Fields  
WAYNE A. FIELDS  
ATTORNEY-IN-FACT

By: \_\_\_\_\_

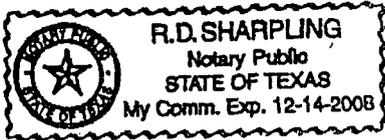
\*This agreement not to be used for helium or carbon dioxide  
5

STATE OF TEXAS )  
COUNTY OF SMITH ) ss

The foregoing instrument was acknowledged before me this 20<sup>th</sup> day of April 2005 by James Allen Brinson, as Attorney in Fact for Mewbourne Oil Company, a Delaware Corporation, on behalf of said corporation.

R. A. Sharpling  
Notary Public

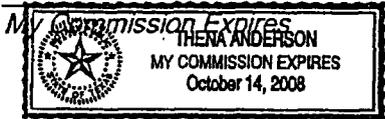
My Commission Expires



STATE OF Texas )  
COUNTY OF Midland ) ss

The foregoing instrument was acknowledged before me this 17<sup>th</sup> day of April 2005 by Marlin R. Barrett, as Vice President of/for Jensen Resources Company, on behalf of said corporation.

Thena Anderson  
Notary Public



STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2005 by \_\_\_\_\_, as \_\_\_\_\_ of/for \_\_\_\_\_, on behalf of said \_\_\_\_\_.

My Commission Expires

Notary Public

\*This agreement not to be used for helium or carbon dioxide

STATE OF \_\_\_\_\_ )  
 )ss  
COUNTY OF \_\_\_\_\_ )

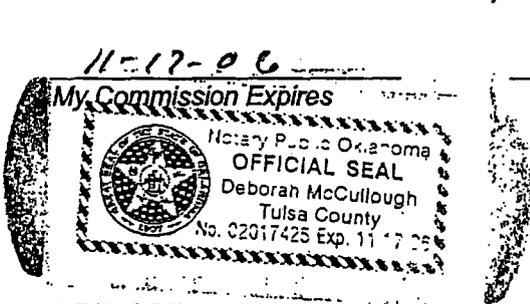
The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2005 by James Allen Brinson, as Attorney in Fact for Mewbourne Oil Company, a Delaware Corporation, on behalf of said corporation.

\_\_\_\_\_  
My Commission Expires

\_\_\_\_\_  
Notary Public

STATE OF Oklahoma )  
 )ss  
COUNTY OF Tulsa )

The foregoing instrument was acknowledged before me this 4<sup>th</sup> day of April, 2005 by Wayne A. Fields, as Attorney-in-Fact off/for Karsee-Francis Oil Company, on behalf of said Corporation.



Deborah McCullough  
Notary Public

STATE OF \_\_\_\_\_ )  
 )ss  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2005 by \_\_\_\_\_, as \_\_\_\_\_ off/for \_\_\_\_\_, on behalf of said \_\_\_\_\_.

\_\_\_\_\_  
My Commission Expires

\_\_\_\_\_  
Notary Public

\*This agreement not to be used for helium or carbon dioxide

RECAPITULATION

TRACT NO.	NO. OF ACRES COMMITTED	PERCENTAGE OF INTEREST IN COMMUNITIZED AREA
Lease No. 1	160.00	50%
Lease No. 2	160.00	50%
	<u>320.0</u>	<u>100%</u>

05969

STATE OF NEW MEXICO  
COUNTY OF LEA  
FILED

MAY 13 2005

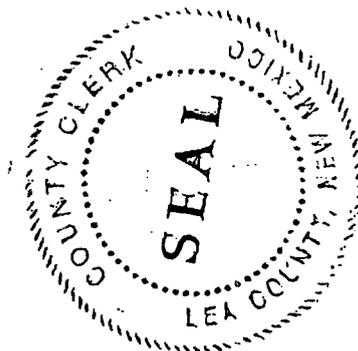
at 10:39 o'clock A.M

and recorded in Book \_\_\_\_\_

Page \_\_\_\_\_

Melinda Hughes, Lea County Clerk

By [Signature] Deputy



\*This agreement not to be used for helium or carbon dioxide  
8

**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

April 26, 2005

2005 APR 26 PM 1 43

**HAND DELIVERED**

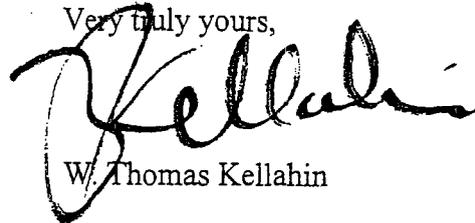
Mr. Mark E. Fesmire, Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Re: KF "4" State Well No. 1 (API #30-025-37129)  
Location: Unit X  
Dedication: S/2 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 May 19, 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

**Stipulated Exhibit 10**  
**NMOCD Case Nos. 13492 / 13493**

BEFORE THE  
OIL CONSERVATION DIVISION  
Case # 13492&13493 Exhibit No. \_\_\_  
Submitted By:  
Chesapeake Inc.  
Hearing Date: August 22, 2005  
BEFORE THE

**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.**

**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 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 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-7063-1, effective May 1, 2004, covering the SW/4 of Irregular Section 4.
- (2) 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 were: Kaiser Francis Oil Company with 43.75% interest and Samson Resources Company with 6.25% interest.
- (3) 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.

- (4) 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")
- (5) By letter dated March 16, 2005, Samson Resources Company, on its behalf and for all its related affiliates including Geodyne Nominee Corporation, **elected to participate** in Chesapeake's proposed well and spacing unit.
- (6) By letter dated March 30, 2005, Samson Resources Company **attempted to rescind** its March 16, 2005 election to participate contending that there was no JOA between the parties despite the fact that Chesapeake well proposal was not made pursuant to any JOA.
- (7) The validity of Samson Resources Company attempt to rescind its election is disputed by Chesapeake.
- (8) By letter dated April 4, 2005, Chesapeake sent its Joint Operating Agreement ("JOA") to Samson Resources Company and to Kaiser Francis Oil Company.
- (9) By letter dated April 5, 2005, Samson Resources Company, still assuming that it could rescind its prior election to participate, acknowledge receipt of Chesapeake's JOA and advised that its would not sign it.
- (10) On April 5, 2005, Jim Wakefield, on behalf of Kaiser Francis Oil Company, informed Chesapeake that he owed Mewbourne Oil Company and "big favor" and was assigning it what amounted to 7.1875% interest the SE/4 and therefore decline to participate in Chesapeake's proposal.
- (11) By its actions, Kaiser Francis Oil Company has apparently conspired with Mewbourne Oil Company in an attempt to avoid Chesapeake proposal for its well and spacing unit.
- (12) Because of Kaiser Francis Oil Company action, Chesapeake has concluded that it will be unable to reach a voluntary agreement with Kaiser Francis Oil Company.

- (13) As an alternative to litigation whether Samson Resources Company has validly rescinded its prior election to participate, Chesapeake seeks to have Samson Resources Company interest pooled by the Division.
- (14) Neither Kaiser Francis Oil Company nor Mewbourne Oil Company has provided Chesapeake with any document concerning any transfer of interest or if there are any such documents of record as of the date this application was filed.
- (15) But in the event that Mewbourne Oil Company may have an interest in the SE4 of this section, then Chesapeake seeks any order that pooled all interests in the SE/4 of this section including any held by Mewbourne Oil Company.
- (16) Pursuant to Commission Order R-11992, effective August 15, 2003, Chesapeake requests that the 200% risk charge be applied.
- (17) 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.
- (18) 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 May 19, 2005.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on May 19, 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:

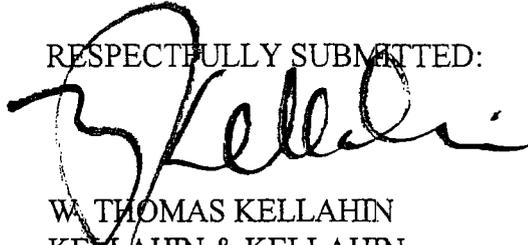
- (1) Chesapeake Operating, Inc. be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of re-entering, completing, equipping and operating the well;

(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

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

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN

P. O. Box 2265

Santa Fe, New Mexico 87504

Telephone: (505) 982-4285

Fax: (505) 982-2047

**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

CASE\_\_\_: 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 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 risk charge of 200% for the risk involved in this well. This unit is located approximately 6 miles west from Oil Center, New Mexico.



Lynda F. Townsend, CPL/ESA  
Senior Landman

March 9, 2005

**VIA FACSIMILE (918) 591-1796**  
**& EXPRESS MAIL**

Ms. Mona Ables  
Samson Resources Company  
2 W. 2<sup>nd</sup> St.  
Tulsa, OK 74103

Re: Chesapeake's Proposed KF State 4 #1  
S/2 Section 4-21S-35E  
Lea County, New Mexico

Dear Sir or Madam:

Chesapeake Operating, Inc., on behalf of Chesapeake Permian, LP ("Chesapeake"), hereby proposes to drill the KF State 4 #1 well to an approximate depth of 12,100', or a depth sufficient to test the Morrow Formation and all other potentially productive formations encountered in the captioned well.

Please indicate the option of Samson Resources Company's ("Samson") choice below, sign and return this letter by facsimile, if available, to our office at (405) 767-4251, followed by a hard copy in the mail. If Samson elects to participate in the proposed operation, please also execute and return the enclosed AFE along with a check in the amount of \$76,812.50 (6.250000% WI X \$1,229,000.00), which represents Samson's share of the AFE dry hole costs. Please also include a Well Requirement Sheet containing a contact name, facsimile number and e-mail address, if available, to insure receipt of well information.

As an alternative to the above, Chesapeake would be interested in purchasing Samson's interest, including any producing well bores, subject to the negotiation of a mutually agreeable price and terms. If Samson is interested in pursuing this alternative, please so indicate in the space provided below and/or contact the undersigned. We will immediately forward this information to our Acquisitions and Divestitures Department for follow up. However, please be advised that entering into negotiations to sell Samson's interest does not excuse or allow Samson to delay the required election under this well proposal.

Chesapeake Energy Corporation  
6100 N. Western Ave • Oklahoma City, OK 73111 • P.O. Box 12496 • Oklahoma City, OK 73154-0496  
405.879.9414 • fax 405.767.4251 • [lyndat@chekenergy.com](mailto:lyndat@chekenergy.com)

24 RCVD AT 3/11/2005 2:08:59 PM [Central Standard Time] BY FAXSRV01 DNR:7156 CSID:Samson DURATION (mm-ss):00-00,118

Stipulated Exhibit 11  
NMOCD Case Nos. 13492 / 13493

EXHIBIT  
P8

Ms. Mona Ables  
March 9, 2005  
Page 2 of 2

Your early attention and response to this proposal will be greatly appreciated. Should you have any questions, please contact the undersigned.

Sincerely,

Chesapeake Operating, Inc.

*Lynda F. Townsend*  
Lynda F. Townsend

- Samson Resources Company hereby elects to participate in the KF State 4 #1.
- Samson Resources Company hereby elects not to participate in the KF State 4 #1.

**SAMSON RESOURCES COMPANY**

By: *Marlin R. Garrett*  
 Name: *Marlin R. Garrett*  
 Title: *Vice President*  
 Date: *3/22/05*

         Samson Resources Company is interested in selling its interest in this unit including any producing well bores. Please contact me to discuss.

CHESAPEAKE OPERATING, INC.

AUTORIZATION FOR EXPENDITURE			County, Block	Lea, East Number
Project Name: Fosters New Market Well Name: NP 4444 (P) Operator: Chesapeake Operating, Inc APC #: 14832 Spending Unit: 52 Section 4318-30K			County: Block: Total Depth: Formation: Property #:	2972005 12,907 Member 615829
COOP	INTANGIBLE COSTS	WORK DESCRIPTION	EST. COST \$	PRODUCER
223400	Location	Trucks, Location, P&S	\$45,000.00	\$45,000.00
223401		Geology	\$12,000.00	\$12,000.00
223402		Chemical/Drilling	\$2,000.00	\$2,000.00
223403		Isolate Core	\$0.00	\$0.00
223404		Production	\$0.00	\$0.00
223405		Top Drive	\$0.00	\$0.00
223406	Logging	Logging Construction	\$10,000.00	\$10,000.00
223407		Fluid	\$0.00	\$0.00
223408		Logging Contractor: 3100 days @ \$1000 per day	\$3,100,000.00	\$3,100,000.00
223409		Directional Services	\$0.00	\$0.00
223410		Well Completion/Recompletion	\$100,000.00	\$100,000.00
223411		Contract Labor	\$10,000.00	\$10,000.00
223412		Ray	\$0.00	\$0.00
223413		Supplies and Material	\$1,000.00	\$1,000.00
223414		Contractor	\$0.00	\$0.00
223415		Contract Services Company	\$0.00	\$0.00
223416		Contract Production Control	\$0.00	\$0.00
223417		Contract Drilling Lines	\$0.00	\$0.00
223418		Contract Production Lines	\$0.00	\$0.00
223419		Well Logging	\$14,000.00	\$14,000.00
223420		Well Logging	\$70,000.00	\$70,000.00
223421		Drilling Fluids, Mud, Chem.	\$0.00	\$0.00
223422		Well Logging Inspector	\$0.00	\$0.00
223423		Open Hole Logging	\$0.00	\$0.00
223424		Logging	\$44,000.00	\$44,000.00
223425		Geologic Record Equipment	\$0.00	\$0.00
223426	Completion	Completion Unit	\$0.00	\$0.00
223427		Coiled Tubing Services/Perforating	\$0.00	\$0.00
223428		Logging	\$0.00	\$0.00
223429		Production Services	\$0.00	\$0.00
223430	Contract	Surface Equipment Rental	\$0.00	\$0.00
223431		Transportation	\$0.00	\$0.00
223432		Production Services	\$0.00	\$0.00
223433		Production Services	\$0.00	\$0.00
223434		Production Services	\$0.00	\$0.00
223435		Production Services	\$0.00	\$0.00
223436		Production Services	\$0.00	\$0.00
223437		Production Services	\$0.00	\$0.00
223438		Production Services	\$0.00	\$0.00
223439		Production Services	\$0.00	\$0.00
223440		Production Services	\$0.00	\$0.00
223441		Production Services	\$0.00	\$0.00
223442		Production Services	\$0.00	\$0.00
223443		Production Services	\$0.00	\$0.00
223444		Production Services	\$0.00	\$0.00
223445		Production Services	\$0.00	\$0.00
223446		Production Services	\$0.00	\$0.00
223447		Production Services	\$0.00	\$0.00
223448		Production Services	\$0.00	\$0.00
TOTAL INTANGIBLES		Total Intangible Costs	\$1,000,000.00	\$1,000,000.00
COOP	TANGIBLE COSTS	WORK DESCRIPTION	EST. COST \$	PRODUCER
223400	Trucks	Trucks	\$0.00	\$0.00
223401		Surface Drilling	\$14,000.00	\$14,000.00
223402		Intermediate Drilling	\$140,000.00	\$140,000.00
223403		Production Drilling	\$0.00	\$0.00
223404		Drilling Lines	\$0.00	\$0.00
223405		Production Lines	\$0.00	\$0.00
223406		Fluid Equipment	\$0.00	\$0.00
223407	Lease Equipment	Well Logging Equipment	\$14,000.00	\$14,000.00
223408		Geologic Record Equipment	\$0.00	\$0.00
223409		Well Logging Equipment	\$0.00	\$0.00
223410		Production Services	\$0.00	\$0.00
223411		Production Services	\$0.00	\$0.00
223412		Production Services	\$0.00	\$0.00
223413		Production Services	\$0.00	\$0.00
223414		Production Services	\$0.00	\$0.00
223415		Production Services	\$0.00	\$0.00
223416		Production Services	\$0.00	\$0.00
223417		Production Services	\$0.00	\$0.00
223418		Production Services	\$0.00	\$0.00
223419		Production Services	\$0.00	\$0.00
TOTAL TANGIBLES		Total Tangible Costs	\$150,000.00	\$150,000.00
Year Costs			\$1,150,000.00	\$1,150,000.00

Prepared by: JED Approval by: COT 2,012,000

OPERATOR'S APPROVAL: *[Signature]* DATE: \_\_\_\_\_  
 OPERATOR'S APPROVAL: *[Signature]* DATE: 3/18/05  
 NON-OPERATOR'S APPROVAL: *[Signature]* DATE: 3/22/05

The costs on this APC are estimates only and may not be construed as a ceiling on any specific item or the total cost of the project. In accepting this APC, the participant agrees to pay its proportionate share of actual costs incurred, including legal, contract, regulatory, brokerage and well costs under the terms of the applicable joint operating agreement, regulatory order or other agreement covering this well. The Operator may contract with an affiliate entity to drill the well at prevailing rates in the area. Participant shall be covered by and hold proportionately for Operator's well control and general liability insurance unless participant provides Operator a certificate evidencing its own insurance to amounts acceptable to the Operator by the date of spend.



Centennial Tower  
200 N. Lorraine, Suite 1010  
Midland, TX 79701  
USA  
432/683-7063  
Fax 432/683-6647

March 30, 2005

Chesapeake Permian, L. P.  
Attn. Lynda F. Townsend  
P. O. Box 18496  
Oklahoma City, OK 73154-0496

VIA Facsimile 405-767-4251

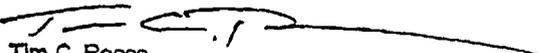
Re: Chesapeake's Proposed KF State 4 #1  
S/2 Section 4-21S-35E  
Lea County, New Mexico

Gentlemen:

Reference is made to Samson Resources Company's letter of March 16, 2005 in response to your letter dated March 9, 2005. Upon reviewing Samson's records we have determined that there is actually no JOA between the parties which would support an election for this well. In addition, the timeframe for the purported election has not yet expired. Accordingly, please be advised the Samson hereby rescinds and revokes its invalid election to participate in Chesapeake's proposed KF State 4#1 well.

If you have any questions please call me at 432-686-6312.

Sincerely,

  
Tim C. Reece  
Senior Landman

TCR:

Stipulated Exhibit 12  
NMOCD Case Nos. 13492 / 13493



Centennial Tower  
200 N. Lorraine, Suite 1010  
Midland, TX 79701  
USA  
432/683-7063  
Fax 432/683-6847

March 30, 2005

Chesapeake Permian, L. P.  
Attn. Lynda F. Townsend  
P. O. Box 18496  
Oklahoma City, OK 73154-0496

VIA Facsimile 405-767-4251

Re: Chesapeake's Proposed KF State 4 #1  
S/2 Section 4-21S-35E  
Lea County, New Mexico

Gentlemen:

Reference is made to Samson Resources Company's letter of March 16, 2005 in response to your letter dated March 9, 2005. Upon reviewing Samson's records we have determined that there is actually no JOA between the parties which would support an election for this well. In addition, the timeframe for the purported election has not yet expired. **Accordingly, please be advised the Samson hereby rescinds and revokes its invalid election to participate in Chesapeake's proposed KF State 4#1 well.**

If you have any questions please call me at 432-686-6312.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tim C. Reece', written over a horizontal line.

Tim C. Reece  
Senior Landman

TCR:

CHK 000145



**Samson**

Centennial Tower  
200 N. Lorraine, Suite 1010  
Midland, TX 79701  
USA

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Oklahoma City, OK 73154-0496

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