

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

APPLICATION OF CHESAPEAKE ENERGY  
CORPORATION FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO

CASE NO. 14069

JANUARY 24, 2008  
1220 South St. Francis  
Santa Fe, New Mexico

EXAMINER: DAVID BROOKS

ATTORNEY FOR APPLICANT:

W. THOMAS KELLAHIN, Esq.  
706 Gonzales Road  
Santa Fe, New Mexico 87501

WITNESS: SARA CALDWELL

EXHIBITS: 1 - 7

REPORTED BY: Jan Gibson, CCR-RPR-CRR  
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500 Fourth Street, NW - Suite 105  
Albuquerque, New Mexico 87102

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1 EXAMINER BROOKS: At this time we will  
2 call Case No. 14069, the Application of Chesapeake  
3 Energy Corporation for Compulsory Pooling, Eddy  
4 County, New Mexico.

5 MR. KELLAHIN: Mr. Examiner, I am Tom  
6 Kellahin from Santa Fe, New Mexico appearing for the  
7 applicant and I have one witness.

8 EXAMINER BROOKS: Please state your name  
9 for the record.

10 THE WITNESS: Sara Caldwell.

11 SARA CALDWELL

12 (being duly sworn, testified as follows:)

13 DIRECT EXAMINATION

14 BY MR. Kellahin

15 Q. Mrs. Caldwell, could you please state your  
16 name and occupation?

17 A. My name is Sara Caldwell, and I am an  
18 assistant landman.

19 Q. Where do you reside?

20 A. Edmund, Oklahoma.

21 Q. How long have you been employed as a  
22 landman for Chesapeake Operating?

23 A. Ten years.

24 Q. During that period of time what has been  
25 your responsibilities?

1           A.     I assist Senior Landman Lynda Townsend.

2           Q.     As part of your current responsibilities,  
3     were you assigned the task of trying to contact and  
4     consolidate all the working interest owners in the  
5     spacing unit involved in this case?

6           A.     Yes, Lynda delegated that to me.

7           Q.     As part of your responsibilities, have you  
8     reviewed the Chesapeake files on title ownership for  
9     the spacing unit?

10          A.     Yes, we have a title opinion by Alan  
11     Harvey.

12          Q.     In addition, as part of your  
13     responsibilities, have you determined, to the best  
14     of your knowledge, the addresses and the identity of  
15     the parties associated with a standard spacing unit  
16     in the north half of Section 24?

17          A.     Yes.

18                 MR. KELLAHIN: Mr. Examiner, we tender  
19     Mrs. Caldwell as an expert petroleum landman.

20                 EXAMINER BROOKS: So qualified.

21          Q.     Let's turn to what is marked as Exhibit  
22     No. 1. Would you take a moment and direct the  
23     Examiner's attention to the area of the display that  
24     shows the spacing unit associated with this well.

25          A.     The spacing unit is here in the north half

1 of 24 outlined in red. It's 1 federal lease.

2 Q. As part of your search, have you tabulated  
3 on this exhibit the different working interest  
4 percentages associated with the spacing unit?

5 A. Yes. These working interest percentages  
6 are from the title opinion.

7 Q. What type of well is this intended to be?

8 A. It is a horizontal well.

9 Q. Do you know what the target formation is  
10 that you have been advised?

11 A. Wolfcamp.

12 Q. Are the approximate locations and bottom  
13 hole locations also shown on the display?

14 A. Yes if you set that display aside a second  
15 and turn to what is marked as Exhibit No. 2.

16 Q. When you look at Exhibit No. 2, what are  
17 we looking at?

18 A. We are looking at the plat filed along  
19 with the C 102 filed with the permit.

20 Q. As part of that permitting process, is  
21 this contained in the well files of Chesapeake  
22 concerning this wellbore?

23 A. Yes, it is.

24 Q. As a well on federal acreage, has  
25 Chesapeake filed an application to drill with the

1 Bureau of Land Management?

2 A. Yes, the regulatory department filed for  
3 that.

4 Q. Turn to Exhibit No. 3. Is this the first  
5 page of your filing with the Bureau of Land  
6 Management for permit to drill this well?

7 A. Yes.

8 Q. In addition to this document, have you  
9 also filed appropriate documents with the division  
10 to obtain approval of the nonstandard location and  
11 the drilling producing associated with the well?

12 A. Yes.

13 Q. Let me turn to what is marked as Exhibit  
14 No. 4. As of August 7th of last year, '07, was new  
15 burying exploration one of the working interest  
16 owners in the spacing unit?

17 A. Yes.

18 Q. As of today's hearing is Nearburg  
19 Exploration Company the only party which whom you  
20 have not been able to reach a voluntary agreement?

21 A. That's correct.

22 Q. Describe for us what you and Mrs. Townsend  
23 did with this letter of August 8th of '07.

24 A. We have been in communication with the  
25 land manager, Linda Hicks of Nearburg. Since the

1 August letter we have contacted her at least once a  
2 month for approximately six months trying to come to  
3 an agreement.

4 Q. When this letter was submitted to Nearburg  
5 by E-mail and U.S. mail on August 6th or 8th, did  
6 you attach an AFE that represented the well costs  
7 associated with the well?

8 A. Yes, we did.

9 Q. If you turn now to Exhibit No. 5. Is this  
10 a correct and true copy of the AFE that you attached  
11 to the well proposal letter?

12 A. Yes.

13 Q. When you look at the AFE, to the best of  
14 your knowledge, is this represented to you by your  
15 drilling department as being a current and correct  
16 AFE associated with wells like this?

17 A. That's correct.

18 Q. To the best of your knowledge, is this AFE  
19 signed by the appropriate drilling and operational  
20 people at Chesapeake that have authority to sign  
21 AFEs?

22 A. Yes.

23 Q. Turn with me now to Exhibit No. 6, which  
24 is a spreadsheet. Is this spreadsheet one you  
25 prepared?

1           A.     I compiled the spreadsheet, yes.

2           Q.     I want to direct your attention to the  
3     date over on the right, upper right corner. It says  
4     December 19?

5           A.     Yes.

6           Q.     As of that date last year, was the  
7     information contained on this display correct?

8           A.     Yes.

9           Q.     I want you to focus on the entries  
10    associated with Nearburg Exploration Company. When  
11    we read over into the far right and find the column  
12    that says "comments," are all those comments  
13    associated with the Nearburg contacts?

14          A.     Yes, I entered those contacts during the  
15    time when I was talking with Linda Hicks.

16          Q.     Do these contact information represent the  
17    work product of you, Mrs. Townsend and others trying  
18    to get Nearburg to reach a voluntary agreement with  
19    you?

20          A.     Yes.

21          Q.     Since December 19th, have you had other  
22    contacts or acquired other information about  
23    Nearburg's participation in your well?

24          A.     I turned this over to a senior negotiator  
25    in the business department to try to reach an

1 agreement with him.

2 Q. With what results?

3 A. He did not have results.

4 Q. What, to the best of your knowledge, has  
5 been the last contact that either you or anyone on  
6 behalf of Chesapeake has had with Nearburg?

7 A. Dave Johns in our business development  
8 contacted her in January, this month.

9 Q. To the best of your knowledge, was he able  
10 to reach a voluntary agreement?

11 A. He did not.

12 Q. At this point, is it necessary, in your  
13 opinion, to have the division issue a compulsory  
14 pooling order giving you a process by which  
15 Nearburg's interest can be involuntarily committed  
16 to the well?

17 A. Yes, we do.

18 Q. Do you have a recommendation to the  
19 examiner as to what you would propose for an  
20 overhead rate on a monthly drilling well basis and a  
21 producing well basis for a well at that depth using  
22 a horizontal wellbore?

23 A. We would like 7,000 and 750.

24 Q. When you look at the tabulation of  
25 wellbore costs, where does that number lie in



1 relation to costs at a well at this depth?

2 A. It is slightly higher. We feel because  
3 it's horizontal it will be more costly.

4 Q. What is the total cost estimated for this  
5 wellbore?

6 A. 2,645,000.

7 MR. KELLAHIN: Mr. Examiner, Exhibit 7  
8 represents my affidavit indicating that on December  
9 21st prior to the hearing I sent notice to Nearburg  
10 along with a copy of the application detailed in the  
11 notice what was required, and then have provided you  
12 with copies of the green return receipt card  
13 indicating the receipt notice on December 28th.  
14 With that comment, Mr. Examiner, we would ask you  
15 introduce into evidence Chesapeake's Exhibits 1  
16 through 7.

17 EXAMINER BROOKS: 1 through 7 will be  
18 admitted.

19 (Note: Chesapeake's Exhibits 1 through 7  
20 admitted into evidence.)

21 MR. KELLAHIN: That concludes my  
22 examination of the witness.

23 EXAMINER BROOKS: Thank you. According to  
24 the notice you were seeking to pool from the surface  
25 to the base of the Wolfcamp; is that correct?

1 THE WITNESS: Yes.

2 EXAMINER BROOKS: For 320 acre units only?

3 THE WITNESS: The exact acreage is 323.33  
4 due to Lots 1 and 2 on the east side of our unit.

5 EXAMINER BROOKS: 323.33?

6 THE WITNESS: Yes.

7 EXAMINER BROOKS: And you are not seeking  
8 any other unit sizes?

9 THE WITNESS: No.

10 EXAMINER BROOKS: Within this. The ad  
11 indicates the API number is pending, and I did not  
12 see it on any of the documents. Do you know if an  
13 API number has been issued for the well yet?

14 THE WITNESS: I believe my attorney is  
15 aware of that.

16 MR. KELLAHIN: Mr. Brooks, Mr. Bryant in  
17 the district office in Artesia E-mailed me on Monday  
18 that he had assigned an API number. I neglected to  
19 see what the number was but I will provide it to  
20 you.

21 EXAMINER BROOKS: Thank you. Appreciate  
22 it.

23 MR. KELLAHIN: It has been issued.

24 EXAMINER BROOKS: And Chesapeake Energy  
25 Corporation is the applicant. Is Chesapeake Energy

1 Corporation also the entity that will be named as  
2 operator for the well?

3 THE WITNESS: The operator will be  
4 Chesapeake Operating, Inc., which is an agent for  
5 the record title owner.

6 EXAMINER BROOKS: The reason I asked that  
7 question, I wrote Chesapeake before. Chesapeake  
8 Operating, Inc.

9 THE WITNESS: Yes, Chesapeake Operating  
10 Inc., period.

11 EXAMINER BROOKS: Very good. Do you  
12 request that the overhead rates be escalated in  
13 accordance with the copy us for publication?

14 THE WITNESS: Yes, please.

15 EXAMINER BROOKS: I believe that's all my  
16 questions. Thank you. Case 14069 will be taken  
17 under advisement.

18 (Note: The hearing was concluded.)

19  
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21  
22  
23  
24  
25

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. \_\_\_\_\_  
heard by me on \_\_\_\_\_  
\_\_\_\_\_, Examiner  
Oil Conservation Division

## 1 REPORTER'S CERTIFICATE

2 I, JAN GIBSON, Certified Court Reporter for the  
3 State of New Mexico, do hereby certify that I  
4 reported the foregoing proceedings in stenographic  
5 shorthand and that the foregoing pages are a true  
6 and correct transcript of those proceedings and was  
7 reduced to printed form under my direct supervision.

8 I FURTHER CERTIFY that I am neither employed by  
9 nor related to any of the parties or attorneys in  
10 this case and that I have no interest in the final  
11 disposition of this case.

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