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

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF HEARING:

CASE NO. 14323

APPLICATION OF CHESAPEAKE ENERGY CORPORATION
FOR CANCELLATION OF A PERMIT TO DRILL ("APD") ISSUED
TO COG OPERATING L.L.C., EDDY COUNTY, NEW MEXICO

PRE-HEARING STATEMENT

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

APPEARANCES OF THE PARTIES

APPLICANT

Chesapeake Energy Corporation
6100 N. Western Ave
Oklahoma City, OK 73118
Attn: Jared Boren
405-879-7923

ATTORNEY

Thomas Kellahin, Esq.
706 Gonzales Road
Santa Fe, New Mexico 87501
phone: 505-982-4285
email: tkellahin@comcast.net

OPPONENT

COG Operating LLC

ATTORNEY

J. Scott Hall, Esq.

DEVELOPMENT
2008 APR 30 PM 3 28
STATEMENT OF THE CASE

APPLICANT:

1. About April 30, 2008, COG Operating, LLC filed an application for permit to drill ("APD") with the Bureau of Land Management-Roswell that were approved on August 4, 2008 for the Blackhawk "11" Federal Com #1H Well, (API # 30-015-36541) a horizontal wellbore with a surface location in Unit M and a subsurface location in Unit P of Section 11, T16S, R28E, Eddy County and to be dedicated to a non-standard 160-acre spacing unit consisting of the S/2S/2 of this section.

2. In violation of the Division's Rules and Orders, COG has filed an APD for a horizontal wellbore in which COG does not have any interest in either (a) the surface location or (b) the first 1,604 feet of the producing interval of this wellbore.

3. COG's proposed 160-acre non-standard oil spacing unit each contains four 40-acre tracts consisting of S/2S/2:

Unit M and Unit N	Chesapeake = 56.18%; Devon=43.75%; and MacDonald = 0.07%
Unit O and Unit P	COG= 100%

4. In compliance with Commission Order R-12343-E, dated March 16, 2007, the Division revised and modified its Form C-102 to require that the Operator certify that:

"I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division."

5. COG's for C-12 for this wellbore was improperly certified because COG Operating LLC had placed the surface location and approximately 1,604 feet of the production interval within two 40-acre tracts of the spacing unit location in which COG Oil & Gas LP had no interest and had not reached a voluntary agreement with Chesapeake or obtained a Division compulsory pooling order.

6. In doing so, COG violated the "operator certification" contained in Division Form C-102 by falsely certifying that it had an interest in each of the tracts to be penetrated by the wellbore.

7. COG has not proposed this well to Chesapeake.

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EST. EXHIBIT
Title documents	??	??
OCD records	??	??
Jared Boren (Landman)	30 min	@ 15

PROCEDURAL MATTERS

None

KELLAHIN & KELLAHIN



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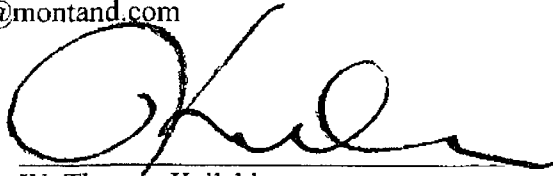
CERTIFICATE OF SERVICE

I certify that on May 26, 2009, I served a copy of the foregoing documents by:

- ☐ US Mail, postage prepaid
- ☐ Hand Delivery
- ☐ Facsimile
- ☒ Email

to the following:

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Attorney for COG OPERATING L.L.C.
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W. Thomas Kellahin