

Davidson, Florene, EMNRD

From: Thomas Kellahin [tkellahin@comcast.net]
Sent: Thursday, August 13, 2009 3:23 PM
To: Davidson, Florene, EMNRD
Cc: Brooks, David K., EMNRD; Scott Hall
Subject: OCD Case 14323
Attachments: CHK-Amended PHS-Case 14323.PDF

Dear Florene,

Please find attached for filing, our first amended pre-hearing statement for Case 14323 set for hearing on the August 20th docket

Thanks,

Tom Kellahin

Kellahin & Kellahin
Attorneys at Law
706 Gonzales Road
Santa Fe, NM 87501
ph 505.982.4285
Fax 505.982.2047
Email tkellahin@comcast.net

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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**

FIRST AMENDED PRE-HEARING STATEMENT

**Chesapeake Operating, Inc. submits this first amended 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.

STATEMENT OF THE CASE

APPLICANT:

THE FOLLOWING FACTS ARE UNDISPUTED

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. At the time OCG filed its APD, the Division Form C-102 attached to this APD contained the following certification:

"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."

Note: 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 make this certification.

3. At the time COG filed its APD, with Division Form C-102 for this horizontal wellbore to be drilled within a proposed 160-acre non-standard proration and spacing unit, COG had no working interest or unleased mineral interest in either (a) the tract with the surface location or (b) the tract with the first 1,604 feet of the producing interval of this wellbore.

4. COG's proposed 160-acre non-standard oil spacing unit each contains four 40-acre tracts consisting of S/2S/2 with the S/2SW/4 working interest ownership held as follows: Chesapeake = 56.18%; Devon=43.75%; and MacDonald = 0.07%

5. In addition, at the time of filing its APD, COG had not reached a voluntary agreement with Chesapeake or obtained a Division compulsory pooling order.

RELIEF REQUESTED BY CHESAPEAKE

6. If allowed by the Division, this will encourage COG Operating and others to obtaining an APD affecting acreage its does not control and to use it as a negotiating weapon rather than as a permit to drill AFTER obtaining a voluntary agreement or compulsory pooling order.

7. It is time for the Division to sent notice to the COG, including other operators, that they must not be using the APD procedure including improperly filed certification on Division Form C-102 as a strategy to block other potential operators or to control development.

PROPOSED EVIDENCE

APPLICANT

WITNESSES

EST. TIME

EST. EXHIBIT

Public Record Documents from Eddy County
to demonstrate a lack of mineral interest by
COG in SW/4 of Sec 11

OCD records for COG's permit to drill its
Blackhawk 11 Federal Com Well No. 1-H

Thom Hill (Landman)

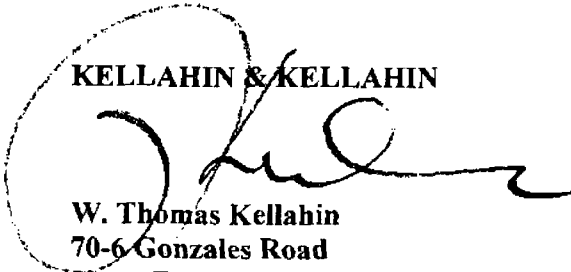
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PROCEDURAL MATTERS

None

KELLAHIN & KELLAHIN


W. Thomas Kellahin
70-6 Gonzales Road
Santa Fe, New Mexico 87501
Phone 505-982-4285
Fax 505-982-2047
E-mail: tkellahin@comcast.net.

CERTIFICATE OF SERVICE

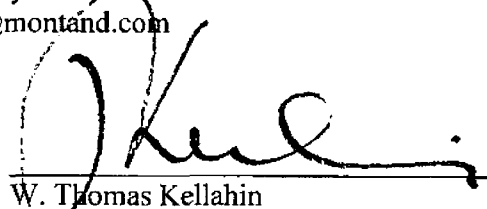
I certify that on August 13, 2009, I served a copy of the foregoing documents by:

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

to the following:

David K. Brooks, Esq.
OCD Examiner
David.brooks@state.nm.us

J. Scott Hall, Esq.
Attorney for COG OPERATING L.L.C.
shall@montand.com



W. Thomas Kellahin