

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

RECEIVED
2009 MAY 1 AM 10 14

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

CASE NO. 14323

APPLICATION

Comes now CHESAPEAKE ENERGY CORPORATION ("Chesapeake") by its attorneys, Kellahin & Kellahin, applies to the New Mexico Oil Conservation Division ("Division") for an order cancelling the Division's approval of the following for permit to drill ("APD") issued to COG Operating LLC ("COG"): API 30-015-36541 for the Blackhawk "11" Federal Com #1H Well, 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.

In support of its application, Chesapeake states:

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. See first page of APD and Division form C-102 attached as Exhibit "A"
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. See Exhibit "B" attached

EXHIBIT A

3. COG's proposed 160-acre non-standard oil spacing unit each contains four 40-acre tracts consisting of S/2S/2: (See COG's Form C-102 attached as Exhibit "B")

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.

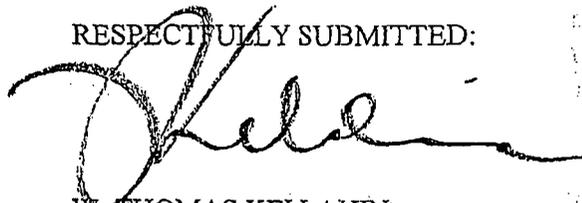
6. In doing so, COG violated the "operator certification" contained in Division Form C-102 by falsely certifying that it had an interest in each of the tracts to be penetrated by the wellbore.

7. COG has not proposed this well to Chesapeake.

8. Notice of this application and hearing has been send to the parties set forth on Exhibit "C"
Attached

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on June 2, 2009 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order cancelling this APD.

RESPECTFULLY SUBMITTED:

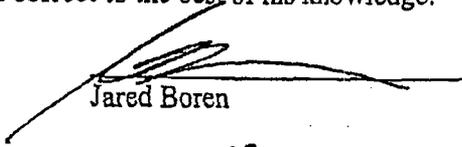


W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
706 Gonzales Road
Santa Fe, New Mexico 87501
(505) 982-4285

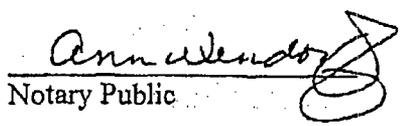
VERIFICATION

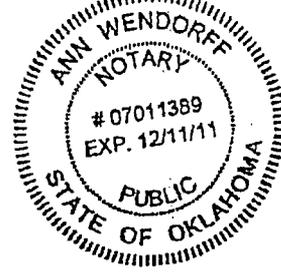
STATE OF OKLAHOMA)
)
COUNTY OF OKLAHOMA) SS

Jared Boren, being duly sworn upon his oath, deposes and states: He is a landman employed by Chesapeake, that he is familiar with the matters set forth in this application and the statements therein are true and correct to the best of his knowledge.


Jared Boren

SUBSCRIBED AND SWORN to before me this 22 day of April 2009, by Jared Boren


Notary Public



My commission expires: 12/11/11

OCD-ARTESIA

ARTS-08-118
EL-08-1146

S

AUG - 6 2008

Form 3160-3
(February 2005)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No	
1b. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		8. Lease Name and Well No. 37327 Blackhawk "11" Federal Com #1	
2. Name of Operator: COG OPERATING, LLC		9. API Well No. 30-015-36541	
3a. Address 550 W. Texas Suite 1300 Midland, Texas 79701		10. Field and Pool, or Exploratory Wolfcamp- Crow Flats	
3b. Phone No. (include area code) 432-683-7443		11. Sec., T R M. or Blk and Survey or Area Section 11 T16S R28E	
4. Location of Well (Report location clearly and in accordance with any State requirements*) At surface 430' FSL & 430' FWL At proposed prod zone 330' FSL & 330' FEL		12. County or Parish Eddy County	
14. Distance in miles and direction from nearest town or post office*		13. State NM	
15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest dog unit line, if any) 330'	16. No. of acres in lease	17. Spacing Unit dedicated to this well 160	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft	19. Proposed Depth 11130' MD 6600' TVD	20. BLM/BIA Bond No. on file NMB 000215	
21. Elevations (Show whether DF, KDB, RT, GL, etc) 3570 GL	22. Approximate date work will start* 06/07/2008	23. Estimated duration 45 days	

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No 1, must be attached to this form

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor | 4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above) |
| 2. A Drilling Plan | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office) | 6. Such other site specific information and/or plans as may be required by the BLM. |

25. Signature <i>Lee Ann Rollins</i>	Name (Printed Type) Lee Ann Rollins	Date 04/30/2008
Title Agent		

Approved by (Signature) <i>/s/ James Stovall</i>	Name (Printed Type) /s/ James Stovall	Date AUG 04 2008
Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

Title 18 USC Section 1001 and Title 43 USC Section 1212, make it a crime for any person knowingly and States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

NOTE: NEW PIT RULE

19-15-17 NMAC PART 17

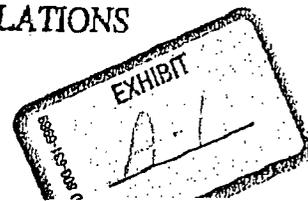
A form C-144 must be approved before starting drilling operations.

*(Instructions on page 2)

ROSWELL CONTROLLED WATER BASIN

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED**



RWD

DISTRICT I
1825 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87503

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 8 Copies

S OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

AUG 15 2008

OCD-ARTESIA AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-	Pool Code 97102	Pool Name CROW FLATS: WOLFCAMP
Property Code	Property Name BLACKHAWK "11" FEDERAL COM	Well Number 1
OGRID No. 229137	Operator Name C.O.G. OPERATING L.L.C.	Elevation 3570'

Surface Location

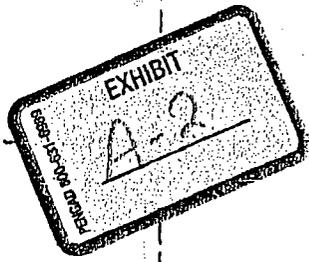
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	11	16 S	28 E		430	SOUTH	430	WEST	EDDY

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
P	11	16 S	28 E		330	SOUTH	330	EAST	EDDY

Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
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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



SURFACE LOCATION
LAT.: N 32°55'55.47"
LONG.: W104°09'13.98"
SPC- N.: 702870.627
E.: 596395.029
(NAD-83)

BOTTOM HOLE LOCATION
LAT.: N 32°55'54.42"
LONG.: W104°08'21.77"
SPC- N.: 702772.089
E.: 600844.111
(NAD-83)

PROJECT AREA

PRODUCING AREA

PENETRATION POINT

OPERATOR 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 undivided mineral interest in the land including the proposed bottom hole 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.

Phyllis A. Edwards 8-14-08
Signature Date

Phyllis A. Edwards
Printed Name Regulatory Analyst

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.

DECEMBER 16, 2007

Date Surveyed

Signature *Gary L. Jones*
Professional Surveyor

W.C. JONES
Professional Surveyor

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

JOA Dated January 26, 1998
Contract Area:

All of Section 11 from surface to base of Morrow
 Leases not subject to JOA:
 #VB-1111-0002, covering SENE & SE

Federal
 NMNM-097128

CHK 56.18% WI
 Devon 43.75% WI
 MacDonald 0.07% WI

EDDY

Federal
 NMNM-095630

State
 V0-4932-000

COG 100%
 State
 VB-1111-0002

COG Operating's
 Blackhawk 11
 Federal Com 2H

COG Operating's
 Blackhawk 11
 Federal Com 1

16S 28E

12



Legend:
 • BHL
 • EHL
 permits
 --- APD Approved
 - - - APD Not Approved
 WFLERS
 [] CHK
 [] COG
 [] Devon

Section 11 APDs
 11-16S-28E
 Eddy Co., New Mexico
 Scale: 1/4" = 368'
 Date: 4/22/2000
 Projection: GCS North American 1983
 Author: Edin Fry

Exhibit "C"

COG Operating LLC
550 West Texas Avenue
Suite 1300
Midland, TX 79701

COG Oil & Gas LP
550 West Texas Avenue
Suite 1300
Midland, TX 79701

Tim MacDonald
23 Graham Lane
Lucas, TX 75002
972-390-8106 ph

Ken Gray
Devon Energy
20 N. Broadway
Oklahoma City, OK 73102
405-552-4633

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

IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE ENERGY CORPORATION FOR
CANCELLATION OF A PERMIT TO DRILL ("APD")
ISSUED TO COG OPERATING LLC ("COG")
[BLACKHAWK "11" FED COM Well No. 2-H]
EDDY COUNTY, NEW MEXICO.

RECEIVED OCD
2009 AUG 11 A 11:10

CASE NO. 14382

APPLICATION

Comes now CHESAPEAKE ENERGY CORPORATION ("Chesapeake") by its attorneys, Kellahin & Kellahin, applies to the New Mexico Oil Conservation Division ("Division") for an order canceling the Division's approval of the following for permit to drill ("APD") issued to COG Operating LLC ("COG"): API 30-015-37106 for the Blackhawk "11" Federal Com #2-H Well, a horizontal wellbore with a surface location in Unit I and a bottom-hole location in Unit K of Section 11, T16S, R28E, Eddy County and to be dedicated to a non-standard 120-acre spacing unit consisting of the NE/4SW/4 of this section.

In support of its application, Chesapeake states:

1. About February 27, 2008, COG Operating, LLC filed an application for permit to drill ("APD") with the Bureau of Land Management-Roswell, with a Division form C-102, that were approved on May 22, 2008 for the Blackhawk "11" Federal Com #1H Well, (API # 30-015-37106) a horizontal wellbore with a surface location in Unit K and a subsurface location in Unit I of Section 11, T16S, R28E, Eddy County and to be dedicated to a non-standard 120-acre spacing unit consisting of the NE/4SW/4 & N/2SE/4 of this section. See first page of APD and Division form C-102 attached as Exhibit "B"

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 1,050 feet of the producing interval of this wellbore. See Exhibit "B" attached

3. COG's proposed 120-acre non-standard oil spacing unit each contains three 40-acre tracts consisting of NE/4SW/4 & N/2SE/4: (See Locator Map attached as Exhibit "C")

Unit K Chesapeake = 56.18%; Devon=43.75%; and MacDonald = 0.07%
Unit I and Unit J 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 form C-102 for this wellbore was improperly certified because COG Operating LLC had placed the surface location and approximately 1,050 feet of the production interval within one of the three 40-acre tracts of the spacing unit in which COG Oil & Gas LP had no mineral interest and had not reached a voluntary agreement with Chesapeake or obtained a Division compulsory pooling order.

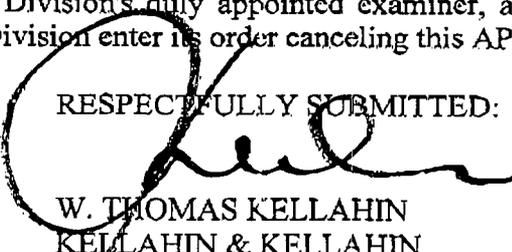
6. In doing so, COG violated the "operator certification" contained in Division Form C-102 by falsely certifying that it had an interest in each of the tracts to be penetrated by the wellbore.

7. COG has not proposed this well to Chesapeake.

8. Notice of this application and hearing has been send to the parties set forth on Exhibit "D"
Attached

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on September 17, 2009 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order canceling this APD.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
706 Gonzales Road
Santa Fe, New Mexico 87501
(505) 982-4285

AT 10 00 704

EA-09-023

RM

OCD-ARTESIA

Form 3160-3 (April 2004)

MAY 27 2009

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED OMB No. 1004-0137 Expires March 31, 2007

5. Lease Serial No. NM-95630
6. If Indian, Allottee or Tribe Name N/A
7. If Unit or CA Agreement, Name and No N/A

1a. Type of work: [X] DRILL [] REENTER
1b. Type of Well [X] Oil Well [] Gas Well [] Other [] Single Zone [] Multiple Zone

2. Name of Operator COG Operating LLC

8. Lease Name and Well No Black Hawk 1J Fed Com #2

9. API Well No. 30-05-37106

3a. Address 550 W. Texas, Suite 1300 Midland TX 79701
3b. Phone No. (include area code) (432) 685-4385

10. Field and Pool, or Expiratory Crown State, Abo W. 13824

4. Location of Well (Report location clearly and in accordance with any State requirements.)
At surface 1800' FSL & 1590' FWL, URSWELL CONTROLLED WATER BASIN
At proposed prod. zone 1650' FSL & 330' FEL, UL 1

11. Sec., T, R, M. or Bk and Survey or Area Sec 11, T16S, R38E

14. Distance in miles and direction from nearest town or post office* 2.5 miles north of Loco Hills, NM

12. County or Parish Eddy
13. State NM

15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drig. unit line, if any) 1590'
16. No. of acres in lease 1760
17. Spacing Unit dedicated to this well .46 / 20

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 450'
19. Proposed Depth Pilot Hole 6850' TVD 6690', MD 9950' 6.686' 9709'
20. BLM/BIA Bond No on file NMB000215

21. Elevations (Show whether DF, KDB, RT, GL, etc) 3576' GL
22. Approximate date work will start* 04/01/2009
23. Estimated duration 10 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- 1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature [Signature] Name (Printed/Typed) Phyllis A. Edwards Date 02/27/2009
Title Regulatory Analyst

Approved by (Signature) [Signature] /s/ Don Peterson Name (Printed/Typed) /s/ Don Peterson Date MAY 22 2008
Title FIELD MANAGER Office CARLSBAD FIELD OFFICE

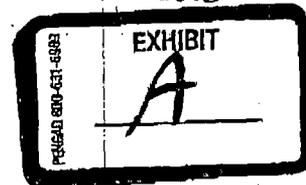
Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached. APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

SEE ATTACHED FOR CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED



DISTRICT I
1030 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Arriba Rd., Aztec, NM 87410

DISTRICT IV
1520 E. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

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

Form C-102
Revised October 12, 2006

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-37106	Pool Code	Pool Name Wildcat CROW FLATS; ABO
Property Code 37327	Property Name BLACKHAWK "11" FEDERAL COM	Well Number 2H
OCRD No. 229137	Operator Name C.O.G. OPERATING L.L.C.	Elevation 3576'

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	11	16 S	28 E		1800	SOUTH	1590	WEST	EDDY

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
I	11	16 S	28 E		1650	SOUTH	330	EAST	EDDY

Dedicated Acres 120	Joint or Infill	Consolidation Code	Order No.
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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

SURFACE LOCATION
LAT.: N 32°58'09.01"
LONG.: W104°08'23.24"
SPC- N.: 704240.873
E.: 697563.755
(NAD-83)

PROJECT AREA
3576.2' - 3582.4' PRODUCING AREA
ABO PENETRATION POINT
3567.5' - 3565.4'

BOTTOM HOLE LOCATION
LAT.: N 32°58'09.48"
LONG.: W104°08'21.64"
SPC- N.: 704092.409
E.: 800853.626
(NAD-83)

OPERATOR 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 retained mineral interest in the land including the proposed bottom hole location pursuant to a contract with the owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Robyn Odom 10/24/2008
Signature Date

Robyn Odom
Printed Name

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.

AUG 26 2007
Date Surveyed

Cory L. Jones
Signature
Professional Surveyor

W. 20219

Certificate No. Cory L. Jones 7977

BASIN SURVEYS

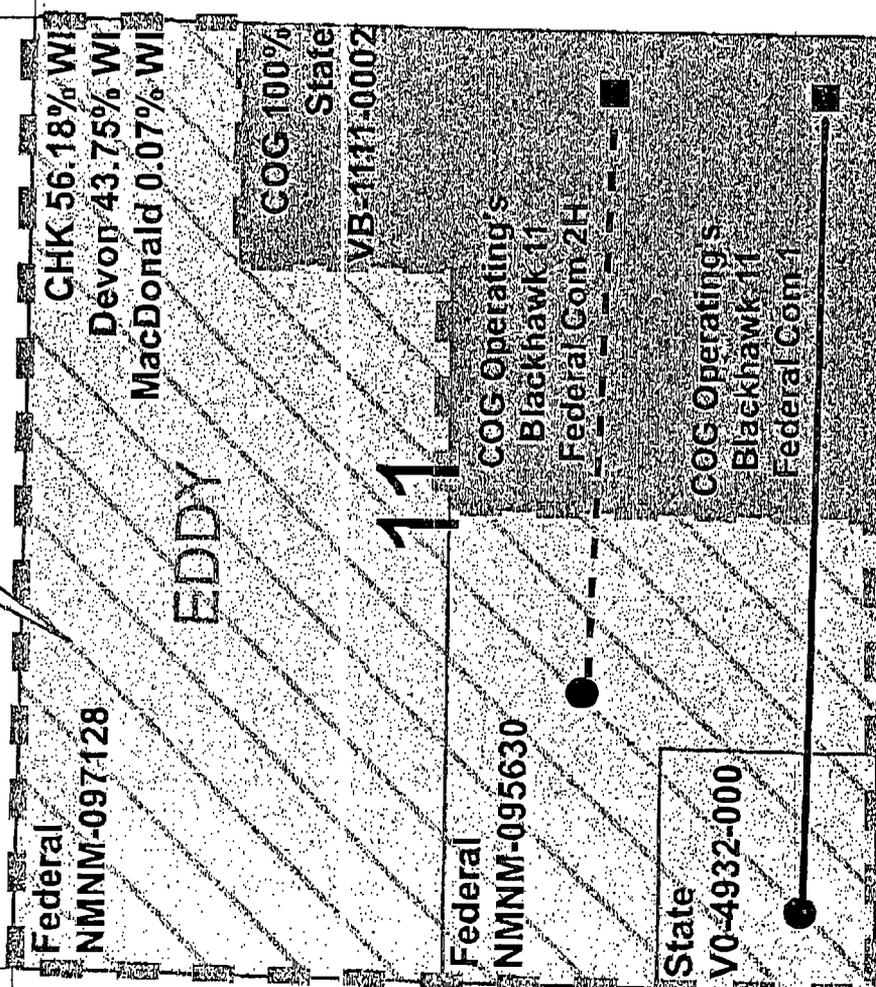
EXHIBIT
B

JOA Dated January 26, 1998

Contract Area:

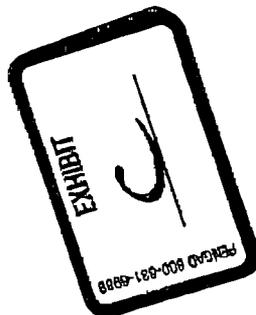
All of Section 11 from surface to base of Morrow
Leases not subject to JOA:

#VB-1111-0002, covering SENE & SE



16S 28E

12



Section 11 APDs 11-16S-28E Edly Co., New Mexico	
Scale: 1/4" = 268'	Project: OCS Item: American 1997
Date: 4/22/2009	Author: Edly Pty

Legend	
•	2H
•	SH
---	Permits
---	APD Approved
---	APD Not Approved
□	Owners
▨	CHK
▩	COG
▧	Devon

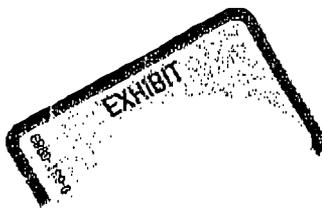


Exhibit "D"

COG Operating LLC
550 West Texas Avenue
Suite 1300
Midland, TX 79701

COG Oil & Gas LP
550 West Texas Avenue
Suite 1300
Midland, TX 79701

Tim MacDonald
23 Graham Lane
Lucas, TX 75002
972-390-8106 ph

Ken Gray
Devon Energy
20 N. Broadway
Oklahoma City, OK 73102
405-552-4633