

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

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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.

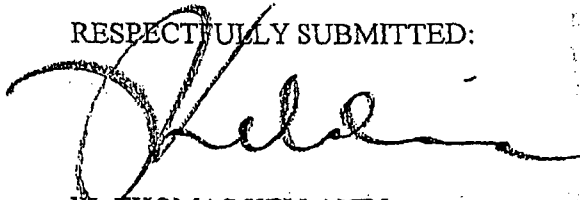
6. In doing so, COG violated the "operator certification" contained in Division Form C-102 by falsely certifying that it had an interest in each of the tracts to be penetrated by the wellbore.

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:



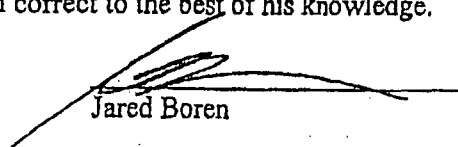
W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
706 Gonzales Road
Santa Fe, New Mexico 87501
(505) 982-4285

VERIFICATION

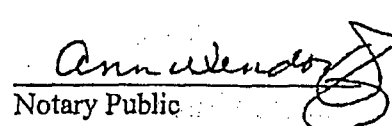
STATE OF OKLAHOMA)
)
COUNTY OF OKLAHOMA)

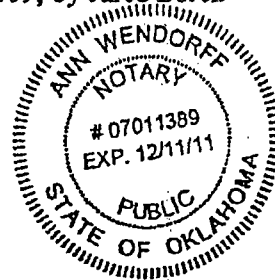
SS

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

ATS-08-118
E1-08-1146Form 3160-3
(February 2005)

AUG - 6 2008

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER			5 Lease Serial No. NM 499844 95630		
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			6 If Indian, Allottee or Tribe Name N/A		
2 Name of Operator: COG OPERATING, LLC 229137			7 If Unit or CA Agreement, Name and No		
3a Address 550 W. Texas Suite 1300 Midland, Texas 79701			8 Lease Name and Well No. 37327 Blackhawk "11" Federal Com #1		
3b Phone No. (include area code) 432-683-7443			9 API Well No. 30-015-36541		
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			10 Field and Pool, or Exploratory Wolfcamp- Crow Flats		
14 Distance in miles and direction from nearest town or post office*			11 Sec, T R M or Blk and Survey or Area Section 11 T16S R28E		
15 Distance from proposed* location to nearest property or lease line, ft (Also to nearest drg 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 6680' 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* 06/01/2008		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) /s/ James Stovall	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

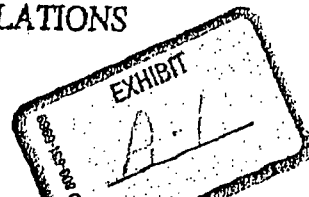
NOTE: NEW PIT RULE

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 APPROVALAPPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

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

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

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

DISTRICT IV
1220 S. 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, 2005

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

AUG 15 2008

OCD-ARTESIA AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-	Pool Code 97102	Pool Name CROW FLATS: WOLFCAH
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

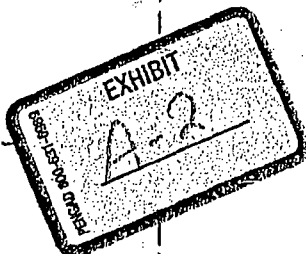
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	11	16 S	28 E		430	SOUTH	430	WEST	EDDY

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

			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 is a voluntary pooling agreement or a compulsory pooling order heretofore entered by the Division. Signature: <i>Phyllis A. Edwards</i> Date: 8-14-08 Printed Name: Phyllis A. Edwards Regulatory Analyst	
	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		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: <i>W. C. Jones</i> Signature: <i>W. C. Jones</i> 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

16S 28E

11

12

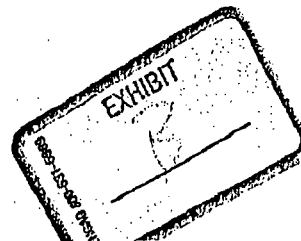
Federal
NMNM-095630

COG Operating's
Blackhawk 11
Federal Com 2H

State
V0-4932-000

COG Operating's
Blackhawk 11
Federal Com 1

COG 100%
State
VB-1111-0002



Legend
• BHL
• STL
Terminals
--- APD Approved
--- APD Not Approved
Writers
CHK
COG
Devon

Section 11 APDs 11-16S-28E Eddy Co., New Mexico
Scale: 1/4" = 3/16"
Date: 4/22/2000
Projection: GCS North American 1983
Author: Erin 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