

-----Original Message-----

From: Buddy Kleemeier

Sent: Monday, April 18, 2005 3:04 PM

To: 'tward@chkenergy.com'

Subject: FW: Kaiser Francis and our KF 4 State #1 well, Section 4-21S-35E, Lea County, New Mexico

Tom, it appears KFOC is under an agreement with Mewborne to support their stand up spacing. KFOC's interests are neutral regardless of spacing configuration.

The detail of history is delineated below.

Appears everyone is anxious to drill the well once the spacing configuration is resolved.

Regards, Buddy

-----Original Message-----

From: Jim Wakefield

Sent: Monday, April 18, 2005 2:28 PM

To: Buddy Kleemeier

Cc: Brent Meadows; Wayne Fields

Subject: RE: Kaiser Francis and our KF 4 State #1 well, Section 4-21S-35E, Lea County, New Mexico

Buddy, net net is that KFOC made a deal with Mewbourne 3/8/05 to trade a small portion of our acreage position in SE/2 of Section 4 to obtain logs and drilling/completion info in regard to their Osudo State 1-9 test which was completed 3/8/05 and was FARO 13 MM/D by 3/14/05. We also agreed to jointly drill a Morrow test in the SE/4 of Section 4. Note further that this agreement was the culmination of discussions between Mewbourne and Samson that had been ongoing for more than a year.

Our 3/8/05 agreement with Mewbourne supercedes Chesapeake's well proposal to drill a Morrow test, their KF State 4 No. 1, at an unspecified location in the "S/2 of Section 4 that was received on 3/14/05. Ms. Townsend, Chesapeake landperson, indicated verbally at that time that the Chesapeake location would be in the SE SW quarter...which KFOC didn't want to drill...vs the SE/4 that we deemed to be a better location. Chesapeake later made a formal well proposal (received 4/5/05) at a location 660' FSL and 990' FEL (SE/4) of Section 4...again for a "S/2 unit" as preparation for filing pooling application at the NMOCD that will be held in mid to late May. Ms. Townsend called to get KFOC's approval of the 4/5/05 proposal last week at which time she was informed that KFOC had previously made an agreement with Mewbourne for a standup unit for our SE/4 acreage in Section 4.

As a result, the laydown vs standup unit controversy referred to by Chesapeake is primarily a battle between Samson and Chesapeake with 50% WI in the test for these two companies dependent upon the outcome of the spacing configuration. Note that KFOC's WI remains the same in either configuration.

In regard to timely drilling of a SE/4 Section 4 location, both Mewbourne and Samson have rigs available once the spacing issue is decided.

-----Original Message-----

From: Brent Meadows

Sent: Friday, April 15, 2005 5:15 PM

To: Buddy Kleemeier; Jim Wakefield

Subject: RE: Kaiser Francis and our KF 4 State #1 well, Section 4-21S-35E, Lea County, New Mexico

Buddy,

Jim is already gone for the day, but we can get together Monday and discuss. KFOC had entered into a prior deal (involving an acreage swap) with Mewbourne and had planned to participate in their proposed well in the SE/4 of section 4. Everyone was surprised by CHK's well proposal as they have no interest in the SE/4, which is no doubt why they wanted to quickly establish a lay-down unit vs Mewbourne's proposed standup. We are not interested in delaying a well but just felt the geology supported Mewbourne's position. We would have an indential interest in the CHK well and the Mewbourne well as our acreage is in the SE/4.

-----Original Message-----

From: Buddy Kleemeier

Sent: Friday, April 15, 2005 4:52 PM

To: Brent Meadows; Jim Wakefield

Subject: FW: Kaiser Francis and our KF 4 State #1 well, Section 4-21S-35E, Lea County, New Mexico

How to respond? Tom is COO of CHK.

-----Original Message-----

From: Tom Ward [mailto:tward@chkenergy.com]

Sent: Friday, April 15, 2005 11:19 AM

To: Buddy Kleemeier

Subject: FW: Kaiser Francis and our KF 4 State #1 well, Section 4-21S-35E, Lea County, New Mexico

Buddy;

Would you mind checking into this situation in New Mexico. Mewbourne has drilled a good well that we are going to offset. We already have the permit and would like your support to move ahead. I think that it only benefits Mewbourne and hurts KFOC to wait. Let me know what you think or if I am missing something. Thanks.

Tom

-----Original Message-----

From: Mike Hazlip

Sent: Thursday, April 14, 2005 8:35 AM

To: Tom Ward

Subject: Kaiser Francis and our KF 4 State #1 well, Section 4-21S-35E, Lea County, New Mexico

Tom, just thought you should be made aware of a situation in Lea County where Kaiser Francis, Samson and Mewbourne are involved. The captioned section is an elongated correction section and Chesapeake has an interest in what would be plat units A through H and T, S, U and V. We have wells staked and permitted in a laydown 320 on plat units Q, R, S, T, U, V, W and X. We also have wells staked and permitted on standup 320s in plat units A, B, G, H, J, I, O and P and on plat units C, D, E, F, L, K, M and N.

Chesapeake proposed the KF 4 State #1 well 660' FSL & 990' FEL on the unit platted Q through X (the laydown 320) to Kaiser-Francis who would have a 43.75% working interest in the proposed unit and to Samson who would have a 6.25% interest. When Lynda called Kaiser-Francis to discuss their election, Kaiser told her that Mewbourne had proposed a well in a standup 320 consisting of I, J, O, P, R, Q, W and X. Their well was not permitted but they obviously intend to hook up with Mewbourne and do battle with us here.

A well desperately needs to be drilled here quickly as Mewbourne's Osudo 9 State Com #1 well (in which we own 50%), located directly south of our proposed KF 4 State #1 well, is producing 252 BO and 16.95 MMCFG @ 2100# FTP. It seems odd to me that Kaiser would take the position that they have here because all this will do is delay an offsetting well from getting drilled and that is primarily at the expense of Kaiser-Francis since we and Mewbourne are already in that well 50/50. I guess Mewbourne gains from having Kaiser hook up with them so that we have to go to pooling at the NMOCD in order to get this well drilled, which delays us considerably. I understand why Mewbourne is pulling this delay tactic, but I don't understand why Kaiser-Francis would slit their own throat here in order to do a favor for Mewbourne. Their landman said that they owed Mewbourne a favor, but seems odd they would sacrifice their own offset interest to do Mewbourne a favor.

We should prevail in a fight for the unit and for operations because we first filed the permit in the unit and we have standing to do so. I'll be surprised if we lose this one, but we are being delayed by K-F and Mewbourne and with the delay, we and Kaiser Francis both lose production.
