



UNIT PETROLEUM COMPANY

A Subsidiary of Unit Corporation

October 19, 2005

Working Interest Owners

**Carlsbad Toles Fed Com #1
S/2 Section 29, T22S-R28E,
Eddy County, New Mexico
Dublin Ranch Prospect**

Ladies and Gentlemen:

Unit Petroleum Company submits an AFE to you for the drilling of a Morrow well – Carlsbad Toles Fed Com #1 well - to be located 1340' FSL and 990' FEL of Section 29, T22S-R28E, N.M.P.M., Eddy County, New Mexico with a Dry Hole cost of \$1,907,200 and a Completed Well Cost of \$2,757,800 (including \$850,600 for completion).

You recently received a proposal by letter dated June 5, 2005 from Chesapeake Operating Inc. for the Tish 29 Federal Com #1 well. Chesapeake and Unit have entered into an agreement wherein Chesapeake withdraws its proposal to drill the Tish 29 Federal Com #1 well and Unit will instead operate the captioned Carlsbad Toles Fed Com #1 at the location stated above. However, if Unit Petroleum Company is unable to commence the well by January 31, 2006, Chesapeake will have a sixty (60) day option to drill said well without having to re-propose the well to all working interest owners, and all documents, including the AFE, reflecting Unit as the operator shall be changed to reflect Chesapeake as the operator. In the event Chesapeake drills the well, operations of the well will be returned to Unit after the well has been drilled and completed.

Please sign a copy of the attached AFE and return to me at your earliest convenience. Time is of the essence. A joint operating agreement for the S/2 Section 29 will be prepared in the next couple of weeks and will be furnished to you for your review.

Sincerely yours,


Fred Schantz
District Landman

OIL CONSERVATION DIVISION
CASE NUMBER
EXHIBIT NUMBER 3

WORKING INTEREST OWNERS

**Carlsbad Toles Fed Com #1
S/2 Section 29, T22S-R28E
Eddy County, New Mexico
Dublin Ranch Prospect**

**Eastland Resources, Inc.
ATTN: Mr. Robin Donnelly
415 W. Wall Street, Ste. 1415
Midland, TX 79701**

**Eastland Exploration, Inc.
ATTN: Mr. Richard Donnelly
110 N. Marienfeld, Ste. 560
Midland, TX 79701**

**Mr. John H. McIsaac
3452 Lyrac Street
Oakton, VA 22124**

**Mr. Chester J. Stuebben
1275 Rock Ave., #HH5
North Plainfield, NJ 70600**

**Mr. and Mrs. Alan D. Tuck, Jr.
2829 Wilfred Reid Circle
Sarasota, FL 34240**

**Mr. Larry Turner
2902 County Road O
Lamesa, TX 79331**

**Mr. Sande Wische
126 Passaic Street
Neward, NJ 07104**

**Mr. Richard Donnelly
110 N. Marienfeld, Ste. 560
Midland, TX 79701**

**Spinnaker Oil & Gas, L.P.
ATTN: Mr. Robin Donnelly
415 W. Wall Street, Ste. 1415
Midland, TX 79701**

**Chesapeake Energy Corporation
Attn: Kathy F. Blick
6100 N. Western Avenue
Oklahoma City, OK 73118**

December 2, 2005

Working Interest Owners
(See attached list)

Carlsbad Toles Fed Com #1
S/2 Section 29, T22S-R28E,
Eddy County, New Mexico
Dublin Ranch Prospect

Ladies and Gentlemen:

Pursuant to our earlier letter of October 19, 2005 wherein we proposed the captioned well, we did not receive a signed AFE from you for the drilling of the Carlsbad Toles Fed Com #1 well - to be located 1340' FSL and 990' FEL of Section 29, T22S-R28E, N.M.P.M., Eddy County, New Mexico with a Dry Hole cost of \$1,907,200 and a Completed Well Cost of \$2,757,800 (including \$850,600 for completion). We enclose another AFE for this well and a Joint Operating Agreement for your execution.

Time is of the essence. We are diligently searching for a drilling rig to drill this well. Therefore, please sign the AFE and the JOA and return the execution pages for this JOA as quickly as possible.

When you return your execution page of the JOA and your signed AFE, please provide us with your well information requirements such as daily drilling reports, regulatory reports, logs, etc.

If you are unwilling to participate in the drilling of this well, perhaps you would like to enter into a 2 year term assignment of your leasehold interest wherein you would deliver a 75% net revenue interest, reserving an overriding royalty equal to the difference between existing royalty and overriding royalty burdens and 25%. We offer to pay you \$300/net mineral acre for such a term assignment.

Sincerely yours,



Fred Schantz
District Landman

WORKING INTEREST OWNERS

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