

August 23, 2006

**VIA CERTIFIED MAIL (7005 1820 0004 5243 6591)**

Pozo Rico Partners, Ltd.  
900 NE Loop 410, Suite D-202  
San Antonio, TX 78209

Re: Chesapeake's Proposed Lawrence 29 #1  
S/2 SE/4 Section 29-16S-37E  
Lea County, New Mexico

Dear Sir:

Chesapeake Operating, Inc., on behalf of Chesapeake Exploration Limited Partnership ("Chesapeake"), hereby proposes to drill the Lawrence 29 #1 well to an approximate depth of 11,500', or a depth sufficient to test the Strawn Formation and all other potentially productive formations encountered in the captioned well.

Please indicate below the option of your choice, sign, and return this letter by facsimile to our office at (405) 879-1450, followed by a hard copy in the mail. If you elect to participate in the proposed operation, please also execute and return the enclosed AFE, along with a check in the amount of \$55,307.60 (5.514217% WI X \$1,003,000.00), which represents Pozo Rico Partners, Ltd.'s ("Pozo Rico") share of the dry hole costs. Upon receipt of your election an operating agreement will be sent for your execution.

As an alternative to the above, Chesapeake would be interested in purchasing Pozo Rico's interest in this unit including any producing well bores, subject to the negotiation of a mutually agreeable price and terms. If you are interested in pursuing this alternative, please so indicate in the space provided below and/or contact the undersigned. We will immediately forward this information to our Acquisitions and Divestitures Department for follow up.

BEFORE THE  
OIL CONSERVATION DIVISION  
Case No. 13821 Exhibit No. — 4  
Submitted By:  
Chesapeake Operating  
Hearing Date: November 30, 2006

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Your early attention and response to this proposal will be greatly appreciated. Should you have any questions, please contact the undersigned.

Sincerely,

**Chesapeake Operating, Inc.**

Lynda F. Townsend

\_\_\_\_\_ I/We hereby elect to participate in the Lawrence 29 #1.

\_\_\_\_\_ I/We hereby elect **not** to participate in the Lawrence 29 #1.

**POZO RICO PARTNERS, LTD.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_ I am interested in selling my/our interest in this unit including any producing well bores. Please contact me to discuss.