

Cimarex Energy Co.
600 N. Marienfeld St.
Suite 600
Midland, Texas 79701
PHONE 432.571.7800



October 28, 2008

Via facsimile and Certified U.S. Mail-Return Receipt Requested No. 7007 0710 0003 0317 3533

Chesapeake Energy Corporation
6100 N. Western Avenue
Oklahoma City, Oklahoma 73118

Attn: Jared I. Boren

Re: **Cimarex Energy Co's.**
Antietam 10 Federal Com No. 2-H
S/2S/2 Section 10-T15S-R31E
Chaves County, New Mexico

Dear Jared:

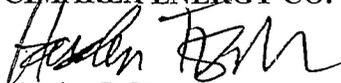
Cimarex Energy Co. ("Cimarex") hereby proposes to drill the above-captioned well, a horizontal-lower Abo test, to a vertical depth of approximately 9,250' from a legal surface location in the SE/4SE/4 of the captioned section, township and range. We will then kick-off up the wellbore and continue to drill an estimated 4,500' lateral leg to a legal bottom hole located in the SW/4SW/4 of said section, township and range. Cimarex' projected true vertical depth is approximately 8,800' and our final measured depth is approximately 13,000'.

Enclosed are two (2) copies of our AFE in the total amount of \$ 4,668,648.00 that sets forth our estimated cost to drill and complete the well. If you would like to participate in the well, please sign and return a copy of the AFE to the undersigned at the above-letterhead address. Our proposed form of operating agreement will be delivered upon receipt of your election to participate in the well. If you choose not to participate in the well, Cimarex would be interested in a term assignment or farmout of your leasehold interest in this proposed unit.

If there is anything further that you should require in regard to this matter, please do not hesitate to call upon us. Thank you very much.

Regards,

CIMAREX ENERGY CO.


Hayden P. Tresner
Landman



AUTHORIZATION FOR EXPENDITURE

COMPANY ENTITY Cimarex Energy Co.				DATE PREPARED October 27, 2008	
REGION Permian	WELL NAME Antietam 10	WELL NO 2H	PROSPECT OR FIELD NAME Lower Abo Horizontal	PROPERTY NUMBER	DRILLING AFE NO.
LOCATION SHL: SE/4 of SE/4 Sec 10, 15S-31E BHL: SW/4 of SW/4 Sec 10, 15S-31E			COUNTY Chaves	STATE New Mexico	TYPE WELL OIL <input checked="" type="checkbox"/> EXPL <input checked="" type="checkbox"/> GAS <input type="checkbox"/> PROD <input type="checkbox"/>
ORIGINAL ESTIMATE x _____	EST. START DATE	EST. COMP. DATE	FORMATION Lower Abo	EST. TD 13,000'	
REVISED ESTIMATE _____					
SUPPLEMENTAL ESTIMATE					

PROJECT DESCRIPTION:

Drill and complete a Lower Abo horizontal well. Pilot 9250 horiz TVD 8800'/MD 13000 (4500 VS)

<u>INTANGIBLES</u>	<u>DRY HOLE COST</u>	<u>AFTER CASING POINT</u>	<u>COMPLETED WELL COST</u>
Intangible Drilling Costs	\$2,429,790		\$2,429,790
Intangible Completion Costs		1,090,110	1,090,110
TOTAL INTANGIBLE COSTS	2,429,790	1,090,110	3,519,900
<u>TANGIBLES</u>			
Well Equipment	249,182	824,566	1,073,748
Lease Equipment		75,000	75,000
TOTAL TANGIBLE WELL COST	249,182	899,566	1,148,748
PLUG AND ABANDON COST	150,000	(150,000)	
TOTAL WELL COST:	\$2,828,972	\$1,839,676	\$4,668,648

Comments on Well Costs:

- All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

WELL CONTROL INSURANCE:

Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

_____ I elect to purchase my own well control insurance policy.

Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related re-drilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

Comments on AFE

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

217.01

CIMAREX ENERGY CO. APPROVAL

PREPARED BY Mark Audas Drilling/Completions Engineer - PB	DRILLING AND COMPLETION MANAGER Doug Park, Mgr Drilling/Completion Operations Permian Region	REGIONAL MANAGER Roger Alexander, Regional Manager Permian Basin
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JOINT INTEREST APPROVAL

COMPANY Chesapeake Exploration, L.L.C.	BY	DATE
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PROJECT COST ESTIMATE

LEASE NAME: Antietam 10

WELL NO.:

2H

INTANGIBLES	Codes	DRY HOLE COST	Codes	AFTER CASING POINT	COMPLETED WELL COST
ROADS & LOCATION PREPARATION / RESTORATION	DIDC.100	\$110,000	DICC.100	\$3,000	\$113,000
DAMAGES	DIDC.105	6,000	DICC.105		\$6,000
MUD/FLUIDS DISPOSAL CHARGES	DIDC.255	28,000	DICC.235	40,000	\$68,000
DAY RATE 41 DH DAYS 8 ACP DAYS @ PER DAY	DIDC.115	628,000	DICC.120	117,400	\$745,400
MISC PREPARATION COST (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	16,000			\$16,000
BITS	DIDC.125	65,000	DICC.125	1,000	\$66,000
FUEL \$2.80 PER GALLON Gals/Day	DIDC.135	110,740	DICC.130	7,000	\$117,740
WATER / COMPLETION FLUIDS	DIDC.140	45,100	DICC.135	75,000	\$120,100
MUD & ADDITIVES	DIDC.145	78,400			\$78,400
SURFACE RENTALS	DIDC.150	53,700	DICC.140	83,200	\$136,900
DOWNHOLE RENTALS	DIDC.155	138,000	DICC.145	28,200	\$166,200
FORMATION EVALUATION (DST, Coring including evaluation, G&G SERVICES)	DIDC.160				
MUD LOGGING 26 DAYS @ \$1,200 PER DAY	DIDC.170	38,200			\$38,200
OPEN HOLE LOGGING	DIDC.180	40,000			\$40,000
CEMENTING & FLOAT EQUIPMENT	DIDC.185	50,000	DICC.185	37,000	\$87,000
TUBULAR INSPECTIONS	DIDC.190	5,000	DICC.160	6,000	\$11,000
CASING CREWS	DIDC.195	16,000	DICC.165	30,000	\$46,000
EXTRA LABOR, WELDING, ETC.	DIDC.200	24,600	DICC.170	5,000	\$29,600
LAND TRANSPORTATION (Trucking)	DIDC.205	24,600	DICC.175	2,800	\$27,400
SUPERVISION	DIDC.210	83,200	DICC.180	22,400	\$105,600
TRAILER HOUSE/CAMP/CATERING	DIDC.280	29,400	DICC.255	4,000	\$33,400
OTHER MISC EXPENSES	DIDC.220	12,300	DICC.190	1,000	\$13,300
OVERHEAD	DIDC.225	12,300	DICC.195	4,500	\$16,800
REMEDIAL CEMENTING	DIDC.231		DICC.215		
MOB/DEMOB	DIDC.240	120,000			\$120,000
DIRECTIONAL DRILLING SERVICES 17 DAYS @ 12000 PER DAY	DIDC.245	222,000			\$222,000
DOCK, DISPATCHER, CRANE	DIDC.250		DICC.230		
MARINE & AIR TRANSPORTATION	DIDC.275		DICC.250		
SOLIDS CONTROL	DIDC.260	189,600			\$189,600
WELL CONTROL EQUIP (Snubbing services)	DIDC.265	87,000	DICC.240	10,500	\$97,500
FISHING & SIDETRACK OPERATIONS	DIDC.270	75,000	DICC.245		\$75,000
COMPLETION RIG 7 DAYS @ 4600 PER DAY			DICC.115	32,200	\$32,200
COIL TUBING 1 DAYS @ 38000 PER DAY			DICC.260	38,000	\$38,000
COMPLETION LOGGING, PERFORATING, WL UNITS, WL SURVEYS			DICC.200	10,000	\$10,000
STIMULATION			DICC.210	444,000	\$444,000
LEGAL/REGULATORY/CURATIVE	DIDC.300	5,000	DICC.280		\$5,000
WELL CONTROL INSURANCE \$0.35 PER FOOT	DIDC.285	4,518			\$4,518
CONTINGENCY 5% OF DRILLING INTANGIBLES	DIDC.435	112,133	DICC.220	51,910	\$164,043
CONSTRUCTION FOR WELL EQUIPMENT			DWEA.110	1,000	\$1,000
CONSTRUCTION FOR LEASE EQUIPMENT			DLEQ.110	35,000	\$35,000
CONSTRUCTION FOR SALES P/L			DICC.265		
TOTAL INTANGIBLE COST		\$2,429,790		\$1,090,110	\$3,519,900
TANGIBLE - WELL EQUIPMENT					
CASING	SIZE	FEET	\$/FOOT		
DRIVE PIPE				DWEB.150	
CONDUCTOR PIPE	20 "	70	95.00	DWEB.130	4,000
WATER STRING				DWEB.135	
SURFACE CASING	13 3/8"	340	81.60	DWEB.140	27,744
INTERMEDIATE CASING	8 5/8"	3,950	51.25	DWEB.145	202,438
DRILLING LINER				DWEB.145	
DRILLING LINER				DWEB.145	
PRODUCTION CASING OR LINER	5 1/2"	9,250	37.36	DWEA.100	345,580
PRODUCTION TIE-BACK	3 1/2 x 2-7/8"	4,800		DWEA.100	74,074
TUBING	2 7/8"	8,400	12.93	DWEA.105	108,612
N/C WELL EQUIPMENT				DWEA.115	6,000
WELLHEAD, TREE, CHOKES				DWEB.115	15,000
LINER HANGER, ISOLATION PACKER				DWEA.120	28,000
PACKER, NIPPLES				DWEA.125	125,000
PUMPING UNIT, ENGINE				DWEA.130	
LIFT EQUIPMENT (BHP, Rods, Anchors)				DLEQ.100	110,000
TANGIBLE - LEASE EQUIPMENT				DLEQ.105	27,300
N/C LEASE EQUIPMENT				DLEQ.115	44,000
TANKS, TANKS STEPS, STAIRS				DLEQ.120	17,000
BATTERY (Heater Treater, Separator, Gas Treating Equipment)				DLEQ.125	13,000
FLOW LINES (Line Pipe from wellhead to central facility)				DLEQ.130	1,000
OFFSHORE PRODUCTION STRUCTURE FOR FACILITIES				DWEA.135	
PIPELINES TO SALES				DWEA.140	
TOTAL TANGIBLES		\$249,162		\$899,566	\$1,148,748
P&A COSTS	DIDC.295	150,000	DICC.275	(150,000)	
TOTAL COST		\$2,828,972		\$1,839,676	\$4,668,648

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Chesapeake Energy Corporation
 6100 N. Western Avenue
 Oklahoma City, Oklahoma 73118
 Attention: Jared I. Boren

2. Article Number
(Transfer from service label)

7007 0710 0003 0317 3533

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X Csc

-
- Agent
-
-
- Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

-
- Certified Mail
-
- Express Mail
-
-
- Registered
-
- Return Receipt for Merchandise
-
-
- Insured Mail
-
- C.O.D.

4. Restricted Delivery? (Extra Fee)

 Yes