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2009 SEP 8 AM 8 46
Hugh T. Brower
Landman

September 2, 2009

Mr. Mark E. Fesmire, Director
New Mexico State Oil Conservation Division
1220 S. Francis Drive
Santa Fe, New Mexico 87505

Re: Case No. 14165 – Order No. R-11993-A
Case No. 14340 – Order No. R11993-B
Duncan 19 – 1 (API 30-025-36235)
Section 19, T-20-S, R-39-E
Lea County, New Mexico

Dear Mr. Fesmire:

Pursuant to the above Orders, enclosed please find Chesapeake Exploration, L.L.C.'s AFE #303504 setting forth an itemized schedule of estimated costs to recomplete and equip the Duncan 19-1 well.

Should we need to provide any further documentation or information, please do not hesitate to contact me at (405) 935-1421.

Sincerely,

Chesapeake Exploration, L.L.C.

A handwritten signature in cursive script, appearing to read "H. Brower".
Hugh T. Brower

Enclosure

CHESAPEAKE OPERATING, INC.

AUTHORIZATION FOR EXPENDITURE

Project Area: JEF
 Well Name: Duncan 12-1
 Operator: Chesapeake Operating, Inc.
 AFE #: 505504
 Spacing Unit: Section 19-20S-39E

County, State: Lea, New Mexico
 Date: 4/25/02
 Total Depth: 7,750'
 Formation: ABC
 Property #: 621142

DRINKARD AND TUBS RECOMPLETION

CODE	CAPITAL COSTS	WORK DESCRIPTION	ESTIMATED COSTS
234400	Location:	Location Expense	\$0.00
234401		Damages	\$0.00
234402		Governmental Filings	\$0.00
234405		Reclamation	\$0.00
234408		Pipeline Construction	\$0.00
234414		Contract Labor and Services	\$4,500.00
234416		Supplies and Utilities	\$14,500.00
234417		Cement Casing	\$0.00
234419		Chemicals and Injectants	\$0.00
234427		Fishing	\$0.00
234428		Downhole Rental Equipment	\$8,500.00
234430		Workover/Completion Unit	\$65,000.00
234431		Cased Hole Services/Perforating	\$19,700.00
234433		Jetting	\$0.00
234434		Formation Treatment	\$133,500.00
234437		Surface Equipment Rental	\$15,000.00
234438		Transportation	\$5,000.00
234440		Flowback Hauloff	\$3,000.00
234443		Supervision	\$13,000.00
234439		Technical Labor	\$0.00
234435		Direct Labor	\$0.00
234444		Consultants	\$9,100.00
234446		Overhead	\$0.00
234447		Insurance	\$0.00
234450		Plug to Abandon	\$0.00
		Contingency	\$43,000.00
TOTAL CAPITAL WORKOVER		Total Capital Workover Costs	\$333,800.00
CODE	TANGIBLE COSTS	WORK DESCRIPTION	
230109		Production Liner	\$0.00
230104		Float Equipment	\$0.00
230105		Tubing	\$2,200.00
230106	Lease Equipment:	Wellhead Equipment	\$3,000.00
230107		Downhole Equipment	\$7,800.00
230111		Artificial Lift - Pumping Unit	\$0.00
230113		Production Equipment	\$0.00
230115		Compressor/Compression	\$0.00
230116		Pipeline Equipment	\$0.00
230120		Non-Controllable Equipment	\$0.00
		Contingency	\$1,300.00
TOTAL TANGIBLES		Total Tangible Costs	\$14,300.00
		Total Costs	\$348,100.00

Prepared by: KH

Approved by: ORB

OPERATOR'S APPROVAL: _____ DATE: _____

Operations/Geology

OPERATOR'S APPROVAL: _____ DATE: _____

Land/Accounting

NON-OPERATOR'S APPROVAL: _____ DATE: _____

The costs on this AFE are estimates only and may not be construed as ceilings on any specific item or the total cost of the project. In executing this AFE, the participant agrees to pay its proportionate share of actual costs incurred, including legal, curative, regulatory, brokerage and well costs under the terms of the applicable joint operating agreement, regulatory order or other agreement covering this well, as modified by any Accounting Procedure Exception attached to this AFE. The operator may contract with an affiliated entity to drill the well at prevailing rates in the area. Participant shall be covered by and billed proportionately for Operator's well control and general liability insurance unless participant provides operator a certificate evidencing its own insurance in amounts acceptable to the operator by the date of spud.