

CHESAPEAKE OPERATING, INC.

P.O. BOX 18496
OKLAHOMA CITY, OKLAHOMA 73154-0496
405/848-8000, EXT. 416
405/879-9560 FAX

LAND DEPARTMENT

MIKE HAZLIP, CPL
LANDMAN

August 15, 1997

VIA FACSIMILE (918) 492-7944 AND
CERTIFIED MAIL

Mr. Ed Watts
Bristol Resources
6655 S. Lewis
Tulsa, Oklahoma 74136

Re: Proposed Kim 1-1 Well
S/2 SE/4 Section 1-T16S-R36E and
Lea County, New Mexico

Dear Ed:

I am in receipt of your letters of August 13, 1997 and August 14, 1997. Subsequent to months of telephone and written correspondence with Bristol, you have still not committed whether Bristol will farmout or participate under mutually agreeable terms in the drilling of the above referenced well. I have discussed numerous options with you in an attempt to obtain an agreement with Bristol. I was told months ago that Bristol would not delay us; yet we have already had to juggle our drilling schedule significantly while waiting on what you have characterized as Bristol's "imminent decision".

Chesapeake is willing to accept a farmout of Bristol's interest in the captioned acreage on the terms in your letter of August 13, 1997 with the exception of Bristol having the option to increase its proportionately reduced 6.25% overriding royalty interest an additional 5% after payout. We can agree to a convertible back-in working interest election, but we cannot bear the greater net revenue interest burden created by an escalating override after payout. If Bristol is willing to drop its proposed option to increase its override and present Chesapeake with a management - approved, mutually acceptable agreement or sign the AFE and send us a check for Bristol's share of the dry hole costs, Chesapeake will withdraw its pooling application. Per your request, enclosed is a copy of the JOA we are using with the co-owners of the proposed well. Please provide us a definitive election by Tuesday, August 19, 1997.

Most sincerely,


Mike Hazlip

BEFORE THE
OIL CONSERVATION COMMISSION
Case No. 11836 Exhibit No. **11**
Submitted By:
Chesapeake Inc.
Hearing Date: August 21, 1997