

STATE 22 #2									
Chesapeake Permian, L.P. - New Drill									
T12S, R38E, SEC. 22									
330' FNL & 2460' FWL									
Lea County, New Mexico									
cc: Hazlip/Townsend/Mike B/Mary/Phyllis/Lois									
AFE & Letter faxed & mailed 4/13/04									
Status as of 4/29/04									
WI Owner	Address	Wt%	Fax No.	Certified #	Due	Participate	Comments		
Matrix Production Company, and Matrix New Mexico Holdings, LLC	5725 Commonwealth Blvd Sugar Land, TX 77479	31.60000%	281-265-1778	7003 1680 0006 6280 6838 GC rec'd 4/15/04					
Claude C. Arnold Working Interest Oil & Gas Properties, LLC	4323 NW 63rd St. Suite 200 Oklahoma City OK 73116	10.80000%	405-842-1670	7003 1680 0006 6280 6869 GC rec'd no date (card torn)		YES	Well requirements to Hazlip, Townsend & Phyllis 4/19/04		
Blake Arnold Working Interest Oil & Gas Properties, L.L.C.	Suite 200 Oklahoma City OK 73116	2.70000%	405-842-1670	7003 1680 0006 6280 6869 GC rec'd no date (card torn)		YES	Well requirements to Hazlip, Townsend & Phyllis 4/19/04		
Tropical Minerals, Inc.	P O Box 20671 Oklahoma City OK 73156-0671	0.90000%	405-236-2710	7003 1680 0006 6280 6883 GC rec'd no date		YES	Well requirements to Hazlip, Townsend & Phyllis 4/14/04		
Monarch Resources, L.L.C.	P O Box 1197 Oklahoma City OK 73156-0671	0.90000%	405-236-2710	7003 1680 0006 6280 6890 GC rec'd nod ate		YES			
David C. Story	1816 Rising Star Edmond OK 73034	0.45000%	NA	7003 1680 0006 6280 7026 GC rec'd 4/17/04		YES			
Cardinal River Farm, Inc.	5100 Westenia Road Oklahoma City OK 73142	2.25000%	405-755-5856	7003 1680 0006 6280 5961 GC rec'd 4/19/04		YES	Well requirements to Hazlip, Townsend & Phyllis 4/26/04		
Larry Fently	2301 Brookside Avenue Edmond OK 73034	0.90000%	405-272-0633	7003 1680 0006 6280 6876 GC rec'd		YES			
H. J. Freede, Inc.	430 NW 13th Street Oklahoma City OK 73103	7.20000%	405-235-9120	7003 1680 0006 6280 6999 GC rec'd		YES			
Rehoboth, Inc.	20 N. Broadway, Ste 1800 Oklahoma City, OK 73102	2.70000%	405-272-5248	7003 1680 0006 6280 7002 GC rec'd		YES			
J. Durywood Pate Trust	3625 Goodger Oklahoma City OK 73112	0.90000%	405-947-5655	7003 1680 0006 6280 7019 GC rec'd		NO			
James D. Pate, Jr. Trust w/ta 8-8-86	3625 Goodger Oklahoma City OK 73112	0.90000%	405-947-5655	7003 1680 0006 6280 7019 GC rec'd		NO			
Joe H. Pate Trust	3625 Goodger Oklahoma City OK 73112	0.90000%	405-947-5655	7003 1680 0006 6280 7019 GC rec'd		NO			
Discovery Exploration	410 North Main Midland, Texas 79701	3.00000%	684-7691	7003 1680 0006 6280 5978 GC rec'd 4/15/04		YES	Well requirements to Hazlip, Townsend & Phyllis 4/19/04		
Jon G. Massey	P. O. Box 57597 New Orleans, LA 70157	6.00000%	504-899-9440	7003 1680 0006 6280 6845 GC rec'd 4/16/04		YES			
Enerstar Resources Oil & Gas LLC	P.O. Box 606 Carlsbad, NM 88221	1.50000%	505-628-0183	7003 1680 0006 6280 6965 GC rec'd 4/15/04		YES	Well requirements to Hazlip, Townsend & Phyllis 4/20/04		
Peak Investments	P.O. Drawer 3130 Midland, Texas 79702	0.50000%	687-5946	7003 1680 0006 6280 6852 GC rec'd 4/16/04		YES			
Chesapeake Permian, LP	Total:	27.00000%		NA		68.5%			
ALL WI OWNERS AGREE TO DRILL THE STATE 22 #2 WELL.									
Land Approval:									

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 13287 Exhibit No. 2
Submitted By: Inc. 24, 2004
Chesapeake
Hearing Date: June 24, 2004

CONCHO EXPLORATION INC.

Fasken Center, Tower II
550 W. Texas Ave., Ste. 1300
Midland, Texas 79701

(432) 683-7443
FAX 683-7441

April 13, 2004

Via Fax and Certified/Return Receipt Mail

TO: Working Interest Owners on Attached Exhibit "A"

RE: State 22 #2 Well Proposal
330' FNL & 2450' FWL of Section 22
Township 12 South, Range 38 East
Lea County, New Mexico

RECEIVED

APR 27 2004

MAILROOM

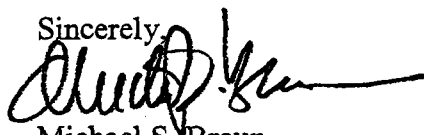
Gentlemen:

Chesapeake Permian, L.P. (successor to Concho Exploration Inc.) proposes the drilling of the State 22 #2 well as a 9800' Wolfcamp test at the captioned location.

Please note that this is a new well proposal and should not be confused with prior well proposals for the State 22 #2 made on November 15, 2002 and March 4, 2003, both of which were formally withdrawn.

An Authority For Expenditure estimating the cost of our proposed well is enclosed herewith. If you desire to participate in the drilling of our well please execute and return one copy of the enclosed Authority For Expenditure. Please also complete and return the enclosed Well Information Requirements Schedule.

Sincerely,



Michael S. Braun
Consulting Landman
Chesapeake Permian, L.P.
(Successor to Concho Exploration Inc.)

CARDINAL RIVER FARM, INC.
2.2500%



Will participate in the drilling of the State 22 #2 well and
have enclosed an executed Authority For Expenditure.

Will not participate in the drilling of the State 22 #2 well.

By:

Printed Name/Title: Art L. Swanson, President

Date: _____

Exhibit "A"

**Working Interest Owners
State 22 #2 Well
Lea County, New Mexico**

Matrix Production Company and
Matrix New Mexico Holdings, LLC
5725 Commonwealth Blvd.
Sugar Land, Texas 77479

Enerstar Resources Oil & Gas LLC
P. O. Box 606
Carlsbad, NM 88221

Tropical Minerals, Inc.
P.O. Box 20671
Oklahoma City, OK 73156-0671

Monarch Resources, LLC
P. O. Box 1197
Oklahoma City OK 73102-9998

H. J. Freede, Inc.
430 NW 13th Street
Oklahoma City, OK 73103

Rehoboth, Inc.
20 N. Broadway, Ste 1800
Oklahoma City, OK 73102

J. Durwood Pate Trust
3625 Goodger
Oklahoma City, OK 73112

James D. Pate, Jr. Trust dated 8-8-86
3625 Goodger
Oklahoma City, OK 73112

Joe H. Pate Trust
3625 Goodger
Oklahoma City, OK 73112

Larry Fenity
2301 Brookside Avenue
Edmond, OK 73034

David C. Story
1816 Rising Star Lane
Edmond, OK 73034

Blake Arnold Working Interest Oil & Gas Properties, LLC
4323 NW 63rd Street, Suite 200
Oklahoma City, OK 73116

Discovery Exploration
410 North Main
Midland, Texas 79701

Jon G. Massey
P. O. Box 57597
New Orleans, LA 70157

Cardinal River Farm, Inc.
5100 Wisteria Road
Oklahoma City, OK 73142

Claude C. Arnold Working Interest Oil
& Gas Properties, LLC
4323 NW 63rd Street, Suite 200
Oklahoma City, OK 73116

Peak Investments
P.O. Drawer 3130
Midland, Texas 79702

AUTHORIZATION FOR EXPENDITURE				County, State:	Lea, New Mexico
Project Area: New Mexico				Date:	03/28/04
Well Name: State 22-2				Total Depth:	9,800'
Operator: Chesapeake Operating, Inc.				Formation:	Burns/Harts
AFE #: 102311				Property #:	819510
Spacing Unit: NE/4 NW/4 Section 22-12S-38E					
CODE	INTANGIBLE COSTS	WORK DESCRIPTION	DRY HOLE	PRODUCER	
233400	Location:	Roads, Location, Pits	\$35,000.00	\$35,000.00	
233401		Damages	\$5,000.00	\$5,000.00	
233402		Governmental Filings	\$2,000.00	\$2,000.00	
233404		Seismic Costs	\$0.00	\$0.00	
233405		Reclamation	\$10,000.00	\$10,000.00	
233406	Drilling:	Top Drive	\$0.00	\$0.00	
233408		Pipeline Construction	\$0.00	\$0.00	
233409		Fuel	\$0.00	\$0.00	
233410		Drilling Contractor: footage @ \$19.5 per ft	\$191,000.00	\$214,000.00	
233411		Directional Services	\$3,000.00	\$3,000.00	
233413		Rig Mobilization/Demobilization	\$0.00	\$0.00	
233414		Contract Labor	\$13,000.00	\$25,000.00	
233415		Bits	\$0.00	\$0.00	
233416		Supplies and Utilities	\$2,000.00	\$3,000.00	
233426		Cement Conductor	\$0.00	\$0.00	
233417		Cement Surface Casing	\$8,000.00	\$8,000.00	
233420		Cement Intermediate Casing	\$15,000.00	\$15,000.00	
233424		Cement Production Casing	\$0.00	\$20,000.00	
233425		Cement Drilling Liner	\$0.00	\$0.00	
233452		Cement Production Liner	\$0.00	\$0.00	
233418		Mud Logging	\$9,000.00	\$9,000.00	
233418		Drilling Fluids, Mud, Chem.	\$18,000.00	\$18,000.00	
233421		Drill String Inspection	\$3,000.00	\$3,000.00	
233423		Open Hole Logging	\$25,000.00	\$25,000.00	
233427		Fishing	\$0.00	\$0.00	
233428		Downhole Rental Equipment	\$3,000.00	\$8,000.00	
233430	Completion:	Completion Unit	\$0.00	\$20,000.00	
233431		Cased Hole Logging/Perforating	\$0.00	\$15,000.00	
233433		Jetting	\$0.00	\$0.00	
233434		Formation Stimulation	\$0.00	\$50,000.00	
233437	General:	Surface Equipment Rental	\$13,000.00	\$18,000.00	
233438		Transportation	\$3,000.00	\$5,000.00	
233441		Frac Fluid Hauloff	\$0.00	\$1,000.00	
233442		Blowout/Emergencies	\$0.00	\$0.00	
233443		Company Supervision/Engineering	\$28,000.00	\$31,000.00	
233444		Consultants	\$17,000.00	\$18,000.00	
233446		Company Overhead	\$9,000.00	\$10,000.00	
233447		Insurance	\$10,000.00	\$10,000.00	
233449		Major Construction Overhead	\$0.00	\$2,000.00	
233450		Plug to Abandon	\$0.00	\$0.00	
		10% Contingency	\$42,000.00	\$58,000.00	
TOTAL	INTANGIBLES	Total Intangible Costs	\$462,000.00	\$638,000.00	
CODE	TANGIBLE COSTS	WORK DESCRIPTION			
230108	Tubulars:	Conductor:	\$0.00	\$0.00	
230100		Surface Casing: 13-3/8" 425'	\$7,000.00	\$7,000.00	
230101		Intermediate Casing: 8-5/8" 4,000'	\$33,000.00	\$33,000.00	
230102		Production Casing: 5-1/2" 9,800'	\$0.00	\$84,000.00	
230103		Drilling Liner:	\$0.00	\$0.00	
230109		Production Liner:	\$0.00	\$0.00	
230104		Float Equipment	\$3,000.00	\$7,000.00	
230105		Tubing: 2-3/8" 9,800'	\$0.00	\$28,000.00	
230108	Lease Equipment:	Wellhead Equipment	\$7,000.00	\$22,000.00	
230107		Downhole Equipment	\$0.00	\$15,000.00	
230111		Artificial Lift-Pumping Unit	\$0.00	\$60,000.00	
230113		Production Equipment	\$0.00	\$35,000.00	
230115		Compressor/Compression	\$0.00	\$0.00	
230118		Pipeline Equipment	\$0.00	\$0.00	
230120		Non-Controllable Equipment	\$0.00	\$0.00	
		10% Contingency	\$5,000.00	\$27,000.00	
TOTAL	TANGIBLES	Total Tangible Costs	\$55,000.00	\$298,000.00	
		Total Costs	\$517,000.00	\$936,000.00	

Prepared by: TD

Approved by: CMO

OPERATOR'S APPROVAL: JR

Operations/Geology

DATE: 4-1-04

OPERATOR'S APPROVAL: [Signature]

Land/Accounting

DATE: 3/30/04

NON-OPERATOR'S APPROVAL: [Signature]

PRESIDENT

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. 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.

CARDINAL RIVER FARM, INC.
2.2500%

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.

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *C. Peabuck*

L

B. Received by (Printed Name)

C. Date

6/1

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:

Tropical Minerals, Inc.
P.O. Box 1197
Oklahoma City, OK 73101-1197

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *W. M. ...*☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ YesIf 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

2. Article Number

(Transfer from service label)

7003 1680 0006 6280 6883

PS Form 3811, August 2001

Domestic Return Receipt

102585-02-M-1540

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:

CARDINAL RIVER FARM, INC.
5100 WISTERIA DRIVE
OKLAHOMA CITY OK 73142

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *Kenneth Harris*☒ Agent☐ Addressee

B. Received by (Printed Name)

Kenneth Harris

C. Date of Delivery

4/19/04

D. Is delivery address different from item 1? ☐ YesIf 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

2. Article Number

(Transfer from service label)

7003 1680 0006 6280 5961

PS Form 3811, August 2001

Domestic Return Receipt

102585-02-M-1540

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:

MONARCH RESOURCES LLC
P O BOX 1197
OKLAHOMA CITY OK 73102

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *W. M. ...*☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ YesIf 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

2. Article Number

(Transfer from service label)

7003 1680 0006 6280 6890

PS Form 3811, August 2001

Domestic Return Receipt

102585-02-M-1540

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:

CLAUDE C ARNOLD WI O&G
 PROPERTIES & BLAKE
 ARNOLD WI O&G PROPERTIES
 4323 NW 63RD ST., SUITE 200
 OKLAHOMA CITY OK 73116

2. Article Number

(Transfer from service label)

7003 1680 0006 6280 6869

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M

COMPLETE THIS SECTION ON DELIVERY

A. Signature

x C. Reebuck

B. Received by (Printed Name)

C. Date

4-1

D. Is delivery address different from item 1? ☐If YES, enter delivery address below: ☐

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merch☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

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:

Jon G. Massey
 P. O. Box 57597
 New Orleans, LA 70157

2. Article Number

(Transfer from service label)

7003 1680 0006 6280 6845

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

x Jon Massey

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

4-16-04

D. Is delivery address different from item 1? ☐ YesIf 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

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:

Peak Investments
 P.O. Drawer 3130
 Midland, Texas 79702

2. Article Number

(Transfer from service label)

7003 1680 0006 6280 6852

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

x S. Boone

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ YesIf 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

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:

DAVID C. STORY
1816 RISING STAR LANE
EDMOND OK 73034

COMPLETE THIS SECTION ON DELIVERY

A. Signature
x David Story

B. Received by (Printed Name)
David Story

C. Date of Delivery
4-17-04

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

3. Service Type
☒ Certified Mail
☐ Registered
☐ Insured Mail
☐ Express Mail
☐ Return Receipt for Merchandise
☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number
(Transfer from service label)

PS Form 3811, August 2001

7003 1680 0006 6280 7026

Domestic Return Receipt

102595-02-M-1540

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:

Discovery Exploration
410 North Main
Midland, Texas 79701

COMPLETE THIS SECTION ON DELIVERY

A. Signature
x Marshall Watson

B. Received by (Printed Name)
Marshall Watson

C. Date of Delivery
4/15/04

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

3. Service Type
☒ Certified Mail
☐ Registered
☐ Insured Mail
☐ Express Mail
☐ Return Receipt for Merchandise
☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number
(Transfer from service label)

PS Form 3811, August 2001

7003 1680 0006 6280 5978

Domestic Return Receipt

102595-02-M-1540

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:

Enerstar Resources
Oil & Gas LLC
P. O. Box 606
Carlsbad, NM 88221

COMPLETE THIS SECTION ON DELIVERY

A. Signature
x Andrew Johnson

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

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number
(Transfer from service label)

PS Form 3811, August 2001

7003 1680 0006 6280 5985

Domestic Return Receipt

102595-02-M-1540

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 to the front if space permits.

1. Article Addressed to:

**MATRIX PRODUCTION CO.
& MATRIX ENERGY HOLDINGS
5725 COMMONWEALTH BLVD.
SUGAR LAND, TEXAS 77479**

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

Alex Zisser

☐ Agent

☐ Addressee

B. Received by (Printed Name)

ALEX ZISSER

C. Date of Delivery

9-22-94

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

2. Article Number

(Transfer from back of mailpiece)

7003 1680 0006 6280 6838

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540