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**FAX TRANSMITTAL FORM**

To

Name: Florene Davidson  
Agency:  
Oil Conservation Division  
Fax: 476-3462

- Urgent
- For Review
- Please Comment
- Please Reply

From

W. Thomas Kellahin

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Date sent: 7-14-04  
Time sent: 10:20 am  
Number of pages including cover page:

-2-

**Re: NMOCD Case 13287  
Chesapeake Operating**

**Dear Florene:**

**Please deliver the attached walver to Mr. Jones who heard this case on July 8th.**

**Regards, Tom**

**Cfx: William F. Carr, Esq.  
Attorney for Yates  
Chesapeake Operating  
Attn: Lynda Townsend**

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July 7, 2004

**VIA FACSIMILE**

**William F. Carr, Esq.**  
**Holland & Hart LLP**  
**P. O. Box 2208**  
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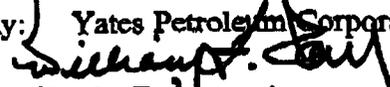
**Re:           OFFSET OPERATOR WAIVER OF OBJECTION**  
*NMOCDCase 13267:Application of Chesapeake Operating Inc.*  
*for an unorthodox gas well location and to amended Order R-11432-A,*  
*Lea County, New Mexico*

Dear Mr. Carr:

On behalf of Chesapeake Operating Inc. ("Chesapeake"), this letter confirms the agreement of Chesapeake and you client, Yates Petroleum Corporation ("Yates") that Chesapeake in exchange for Yates' waiver of objection to Case 13267, Chesapeake waives objection in the event that Yates recompletes its Big Flat ASN Well No. 2 in the Upper or Middle Atoka portion of the North Shoe Bar-Atoka Gas Pool at an unorthodox gas well location not closer than 330 feet FSL and FEL of Section 10, T16S, R35E, NMPM, Lea County, New Mexico. This would entail deepening the Big Flat ASN #2 Well No. 230 feet to be at an equivalent stratigraphic total depth as the Boyce "15" #5 well.

Very truly yours,  
  
W. Thomas Kellahin

ACCEPTED:

Company: Yates Petroleum Corporation:  
By:   
Title: *Attorney*  
Date: *July 9, 2004*