



LATIGO LAND DEPT.
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Land Department

March 3, 2005

VIA FACSIMILE (432) 684-0829
AND U.S. MAIL

Mr. William F. Chatham
Latigo Petroleum, Inc.
550 W. Texas, Suite 700
Midland, TX 79701

Re: Marine Federal 19 #1
Section 19-T25S-R27E
Eddy County, New Mexico

Dear Mr. Chatham:

Chesapeake Operating, Inc. on behalf of Chesapeake Permian, L. P. hereby elects to participate in the drilling of the captioned well. Enclosed is executed AFE and Chesapeake's Well Requirements Sheet.

Please call me at 405-767-4458 if you have any questions or landman, Kathy Blick at 405-767-4432.

Best regards,

Chesapeake Operating, Inc.

Lynn McGuire
Land Tech

Enclosures

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Chesapeake Energy Corporation

(and subsidiaries)

P. O. Box 18496
Oklahoma City, OK 73154-0496

FAX MEMO

Date: 3-3-05
Number of pages including cover sheet: 4

To:
Company: Bill Chatham
Latigo Petroleum

Phone:
Fax phone: 432-684-0829
CC:

From: Lynn McGuire

Phone: 405-767-4458
Fax phone:

REMARKS: Urgent For your review Reply ASAP Please comment

CONFIDENTIALITY NOTICE

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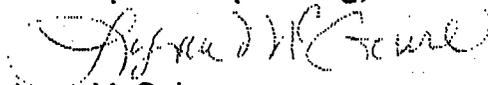
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**GEOLOGY DEPARTMENT
WELL DATA REQUIREMENTS
CHESAPEAKE OPERATING, INC.
P. O. BOX 18496 Oklahoma City, OK 73154**

OPERATOR: Latigo Petroleum, Inc.
WELL NAME: Marine Federal 19 #1

LOCATION: Section 19-T25S-R27E
COUNTY/STATE: Eddy County, NM

SPECIFIC INFORMATION REQUESTED PRIOR TO SPUD:

1. Name, address and phone numbers of landman, geologist and engineer who will service the well, and one (1) copy of each: final AFE, Survey Plat, Regulatory Permit, Geological Prognosis, Drilling Prognosis, and Directional Plan.

DAILY REQUIREMENTS: - DRILLING & COMPLETION REPORTS:

1. **PRIMARY** E-Mail or Fax to **CHK Non-Ops Reports** ASAP each day.
Voice #: 405/879-9115 Fax #: 405/879-9534 E-mail: NonOpsRpts@CHKEnergy.com
2. **SECONDARY** E-Mail or Fax to **Doug Bellis** ASAP each day.
Voice #: 405/879-9398 Fax#: 405/879-9577 E-mail: dbellis@chkenergy.com

Also to include:

Daily Electric and Mud Logs, and E-Mail any field reports pertaining to operations or Daily Directional Survey when applicable.

NOTICES:

1. Notify the following 24 hour notice of Intention to SPUD, LOG, CORE, FORMATION TESTING, COMPLETION, SIDETRACK OR ABANDON:

Primary Geologist: Doug Bellis

Office Phone: 405/879-9398

Office Fax: 405/879-9577

Home Phone: 405/447-4947

E-mail: dbellis@chkenergy.com

Secondary Geologist: Mike Brown

Office Phone: 405/879-9223

Office Fax: 405/879-9577

Home Phone: 405/216-0817

E-mail: Mbrown2@chkenergy.com

LOGS AND DATA:

Mail to 6100 N. Western, Oklahoma City, OK 73118

Attention: Susan M. Keller

E-Mail to: LogData@chkenergy.com as LAS and Tiff (raster) files w/ all open hole log data.

1. All open hole and cased hole logs..... Final Prints 6
-includes Dipmeter, FMS, etc.-
2. Mud Logs Final Prints 6
3. Oil, gas and water analysis Final Print 1
4. Directional Survey Final Print 1
5. Bottom hole pressure surveys and reports Final Print 1
6. Geological & Paleological Reports Copies 1
7. **PRODUCTION DATA:** E-Mail or fax monthly for the first ninety (90) days to productionnonop@chkenergy.com, Fax 405/879-7860 and Doug Bellis E-mail: dbellis@chkenergy.com, Fax 405/879-9577. Production data includes all information, specifically, but not limited to, choke size, FTP, flow rates, gas mcf/d, bopd, bwpd, method of production (free flow, rod pumping, etc.)

For notification, or if we could offer some assistance, please call Doug Bellis, geologist 405/879-9398, Jim Ball, landman 405/879-9189, Andrew McCalmont, engineer 405/879-7852.

Thank you.

LATIGO

Petroleum, Inc.

AUTHORITY FOR EXPENDITURE

PROSPECT: Haystack
 LOCATION: 1480' FNL & 1130' FWL, Sec. 19 - T25S - R27E
 WI: _____ NRI: _____

WELL: Marine Federal "19" #1
 COUNTY: Eddy DATE: 12/14/2004
 STATE: NM
 AFE NO: 4335

PURPOSE: Drill and complete a 12,100' Morrow Test

ACCTG CODE	INTANGIBLE COSTS	ESTIMATED COST		
		DRY HOLE	COMPLETION	TOTAL
201	Acreage Acquisition	0	0	0
202	Licenses/Survey/Stake	5,000	0	5,000
203 / 303	Dirtwork / Fill Pit / Clean Location	30,000	15,000	45,000
204	Surface Damages	5,000		5,000
205	Set and Cement Conductor	16,000		16,000
206	Mobilization	80,000		80,000
207 / 307	Drilling Rig - Daywork	564,000	36,000	600,000
208	Drilling Rig - Footage	0	0	0
209	Turnkey Operations	0	0	0
210 / 310	Drilling Fluids	100,000	5,000	105,000
211 / 311	Mud Haul Off & Disposal	5,000	2,000	7,000
212 / 312	Fuel & Water	120,000	20,000	140,000
213 / 313	Casing Crews & Equipment	6,000	2,000	8,000
214 / 314	Rental Equipment	200,000	20,000	220,000
215 / 315	Bits	57,000	5,000	62,000
216	Directional Drilling & Surveys		0	0
217 / 317	Fishing Tools and Services	0	0	0
218 / 318	Technical Services	0	0	0
219	Mud Logging	30,000	0	30,000
220	Open Hole Logs	75,000		75,000
221 / 321	Supervision	37,500	7,500	45,000
222	Drill Stem Test, Core etc.	10,000		10,000
223 / 323	Trucking	25,000	5,000	30,000
224 / 324	Welding	5,000	2,000	7,000
225 / 325	Labor	10,000	20,000	30,000
226 / 326	Equipment Inspection & Testing			0
227 / 327	Communications			0
332	Frac Oil			0
228	Cement - Surface	10,000		10,000
229	Cement - Intermediate	15,000		15,000
330	Cement - Production	25,000	15,000	40,000
333	Well Testing			0
334	Cased Hole Logs		9,000	9,000
335	Perforating		6,000	6,000
337	Completion Rig	0	20,000	20,000
336	Wireline	0		0
338	Coiled Tubing Unit & Equip	0	0	0
339	Acid Stimulation		12,500	12,500
340	Frac Stimulation		112,500	112,500
242 / 342	Legal Services			0
241 / 341	Overhead	5,000	1,000	6,000
243 / 343	Insurance	25,000		25,000
244 / 344	Miscellaneous	146,000	31,600	177,600
245 / 344	Contingency	73,000	16,000	89,000
	TOTAL INTANGIBLES:	1,679,500	363,100	2,042,600
ACCTG CODE	TANGIBLE COSTS	ESTIMATED COST		
		DRY HOLE	COMPLETION	TOTAL
		DEPTH	SIZE / TYPE	COST
450	Water Casing	40'		@ \$37.00 / ft
451	Surface Casing	400'	13-3/8"	@ \$33.00 / ft
452	Intermediate Casing	2100'	9-5/8"	@ \$23.00 / ft
554	Production Casing	8800'	7" 26# P110	@ \$17.00 / ft
554	Production Casing	3600'	4 1/2" 15.1# P110	@ \$11.00 / ft
453 / 555	Casing Head / Tubing Head & Valves			
556	Packers, Anchors, Hangers			
557	Tubing	12100'	2 3/8" 4.7# N80	@ \$4.00 / ft
463 / 563	Miscellaneous Equipment			
558	Production Equipment			
559	Stock Tanks			
560	Flow Lines & Connections			
463 / 563	Miscellaneous / Contingency		10%	5%
	TOTAL TANGIBLES:	308,000	229,400	537,400
	SUBTOTAL ESTIMATED COSTS:	1,987,500	592,500	2,580,000
231	Cement - Plugging	15,000		
	TOTAL ESTIMATED WELL COST:	2,002,500	592,500	2,580,000

Prepared by: _____
 Approvals: Oper _____ Engr _____ Geol _____ Land _____ Acct _____

This AFE is only an estimate. By returning one signed copy the undersigned hereby agrees to pay its share of all actual dryhole costs and all actual completion costs hereof.

BY: [Signature] DATE: 3-2-05
 Aubrey K. McCendon, Chief Executive Officer of Chesapeake Permian, L.P. an Oklahoma limited partnership by Chesapeake Operating, Inc., General Partner