

203 West Wall Street  
Suite 1201 (Zip 79701)  
P.O. Box 10187  
Midland, Texas 79702

**CAPSTONE OIL & GAS COMPANY, L.P.**  
*Exploration and Development*

Area Code: 432  
Phone : 682-5565  
Fax: 682-4498  
E-Mail: mark@capstoneoil.com

**SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70022410000013738192**

February 16, 2005

OXY USA WTP Limited Partnership  
6 Desta Drive, Suite 6000  
Midland, Texas 79705

Attention: Doug Hurlbut

Re: AFE to drill Renata "16" State #1 Well  
660' FNL & 660' FEL of Section 16,  
T23S, R24E, NMPM  
Renata Prospect  
Eddy County, New Mexico

Gentlemen:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well.

If OXY is prepared to participate with its 50% working interest in this well, please execute and forward one (1) of the enclosed AFE to the undersigned at your earliest convenience.

If you do not want to participate in the drilling of this well, Capstone would like to negotiate a farmout or the purchase of a term assignment of your leasehold rights under the N/2 and NW/4 SW/4 of said Section 16 as outlined in our December 9, 2004 farmout request letter.

Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL  
Senior Landman

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT NUMBER 2

/cmw: Renata "16" State #1 AFE letter (1m)  
xc: Jim Geitgey / Dale Douglas / Jerry Elger

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**SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70050390000299274230**

January 24, 2006

Chesapeake Permian L.P.  
6100 North Western Avenue  
Oklahoma City, Oklahoma 73118

Attention: Mr. Mike Hazlip

Re: AFE to drill Renata "16" State Com #1 Well  
660' FNL & 660' FEL of Section 16,  
T23S, R24E, NMPM  
Renata Prospect  
Eddy County, New Mexico

Dear Mike:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well.

If Chesapeake is prepared to participate with its 12.234042% working interest in this well, please execute and forward one (1) of the enclosed AFE to the undersigned at your earliest convenience.

If you do not want to participate in the drilling of this well, Capstone would like to negotiate a farmout or the purchase of a term assignment of your leasehold and contractual rights under the N/2 and NW/4 SW/4 of said Section 16.

Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL  
Senior Landman

/cmw: Renata "16" State #1 AFE letter (1m)  
xc: Jim Geitgey / Dale Douglas / Jerry Elger

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E-Mail: mark@capstoneoil.com

May 26, 2006

OXY USA WTP Limited Partnership  
6 Desta Drive, Suite 6000  
Midland, TX 79705  
Attn: Mr. David Evans

Re: Term Assignment Request  
E/2 of Section 16  
T-23-S, R-24-E, NMPM,  
Renata Prospect  
Eddy County, New Mexico

Dear Mr. Evans:

This letter shall set forth the general terms and conditions of our request for OXY USA WTP Limited Partnership ("Oxy") to grant a term assignment to Capstone Oil & Gas Company, L.P. ("Capstone") on its leasehold interest in the captioned lands (80 net acres). The requested terms for said assignment are as follows:

1. Capstone will pay <sup>OXY</sup>~~Basic Energy~~ \$150.00 per acre (or a total of \$12,000.00) for an eighteen (18) month term assignment, covering 100% of Oxy's leasehold rights under the NE/4 of said Section 16.
2. Oxy would retain an overriding royalty interest equal to the difference between existing burdens and 25%, thus delivering to Capstone a 75% net revenue interest under said term assignment.

If these terms are acceptable, Capstone will review Oxy's term assignment form and advise if any changes are needed or prepare a form for Oxy to review. Our payment of the aforesaid consideration is specifically subject to our satisfaction of title under Oxy's leasehold interest in and to the captioned acreage.

OXY USA WTP Limited Partnership

May 26, 2006

Page -2-

Should you have any questions concerning these matters, please contact me at the number shown below my signature. Thank you for your cooperation and we look forward to hearing from you shortly.

Sincerely,

Jim Stone  
on behalf of Capstone  
(281) 413-2125  
jrstone@houston.rr.com

AGREED TO AND ACCEPTED this  
\_\_\_\_\_ day of \_\_\_\_\_, 2006.

OXY USA WTP LIMITED PARTNERSHIP

By: \_\_\_\_\_  
Name/Title: \_\_\_\_\_

JRS/ms  
xc: Dale Douglas

203 West Wall Street  
Suite 1201 (Zip 79701)  
P.O. Box 10187  
Midland, Texas 79702

**CAPSTONE OIL & GAS COMPANY, L.P.**  
*Exploration and Development*

Area Code: 432  
Phone : 682-5565  
Fax: 682-4498  
E-Mail: [mark@capstoneoil.com](mailto:mark@capstoneoil.com)

May 23, 2006

Chesapeake Operating, Inc.  
6100 North Western Avenue,  
Oklahoma City, OK 73118

Attention: Ms. Kathy F. Blick

Re: Joint Operating Agreement  
E/2 Section 16-T23S-R24E, NMPM,  
Proposed Renata "16" State Com #1  
Eddy County, New Mexico  
Renata Prospect

Dear Kathy:

Pursuant to letter dated January 23, 2006 notifying of Chesapeake's election to participate in the captioned well, enclosed please find a copy of our JOA, with two signature pages, for your review. If agreeable, please execute both signature pages and return them to the undersigned in the enclosed envelope. I will return one original to you executed by Preston.

Please advise if I can be of further assistance.

Sincerely,

Jim Stone  
on behalf of Preston Exploration, LLC  
(281) 413-2125  
[jrstone@houston.rr.com](mailto:jrstone@houston.rr.com)

JRS/ms  
Enclosures

xc: Dale Douglas

203 West Wall Street  
Suite 1201 (Zip 79701)  
P.O. Box 10187  
Midland, Texas 79702

**CAPSTONE OIL & GAS COMPANY, L.P.**  
*Exploration and Development*

Area Code: 432  
Phone : 682-5565  
Fax: 682-4498  
E-Mail: mark@capstoneoil.com

May 26, 2006

Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, NM 88210  
Attn: Mr. Chuck Moran

Re: Term Assignment Request  
E/2 of Section 16  
T-23-S, R-24-E, NMPM,  
Renata Prospect  
Eddy County, New Mexico

Dear Mr. Moran:

This letter shall set forth the general terms and conditions of our request for Yates Petroleum Corporation ("Yates") to grant a term assignment to Capstone Oil & Gas Company, L.P. ("Capstone") on its leasehold interest in the captioned lands (40.8510 net acres). The requested terms for said assignment are as follows:

1. Capstone will pay Yates \$150.00 per acre (or a total of \$6,127.66) for an eighteen (18) month term assignment, covering 100% of Yates' leasehold rights under the NE/4 of said Section 16.
2. Yates would retain an overriding royalty interest equal to the difference between existing burdens and 25%, thus delivering to Capstone a 75% net revenue interest under said term assignment.

If these terms are acceptable, Capstone will review Yates' term assignment form and advise if any changes are needed or prepare a form for Yates to review. Our payment of the aforesaid consideration is specifically subject to our satisfaction of title under Yates' leasehold interest in and to the captioned acreage.

Yates Petroleum Corporation

May 26, 2006

Page -2-

Should you have any questions concerning these matters, please contact me at the number shown below my signature. Thank you for your cooperation and we look forward to hearing from you shortly.

Sincerely,

Jim Stone  
on behalf of Capstone  
(281) 413-2125  
jrstone@houston.rr.com

AGREED TO AND ACCEPTED this  
\_\_\_\_\_ day of \_\_\_\_\_, 2006.

YATES PETROLEUM CORPORATION

By: \_\_\_\_\_  
Name/Title: \_\_\_\_\_

JRS/ms

xc: Dale Douglas

Subj: **FW: Renata "16" State Com #1 - E/2 Section 16-T23S-R24E, NMPM - Renata Prospect - Eddy County, NM**  
Date: 6/15/2006 12:40:01 PM Mountain Standard Time  
From: [jrstone@houston.rr.com](mailto:jrstone@houston.rr.com)  
To: [JamesBruc@aol.com](mailto:JamesBruc@aol.com)

fyi

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**From:** James R. Stone [<mailto:jrstone@houston.rr.com>]  
**Sent:** Thursday, June 15, 2006 1:39 PM  
**To:** 'Kathy Blick'  
**Subject:** RE: Renata "16" State Com #1 - E/2 Section 16-T23S-R24E, NMPM - Renata Prospect - Eddy County, NM

Kathy,

I concur – we will dismiss Chesapeake from the force pooling if/when the JOA is signed by both parties prior to the expiration of the election period in the Order.

Thanks and regards,  
Jim

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**From:** Kathy Blick [<mailto:KBlick@chkenegy.com>]  
**Sent:** Thursday, June 15, 2006 1:18 PM  
**To:** James R. Stone  
**Subject:** Renata "16" State Com #1 - E/2 Section 16-T23S-R24E, NMPM - Renata Prospect - Eddy County, NM

Jim --

Pursuant to our telephone conversation of today, we agreed that, at the June 22, 2006, force pooling hearing covering the subject well, you will advise the hearing board that we are in the process of negotiating/finalizing a JOA and that Chesapeake will be dismissed from the force pooling once the JOA is signed by both parties.

Please respond to this e-mail advising if you concur with the above.

Thank you for your assistance.

Kathy F. Blick  
Senior Landman  
Permian North Land Department  
Chesapeake Energy Corporation  
Phone: 405/767-4432  
Fax: 405/879-1450  
E-Mail: [kblick@chkenegy.com](mailto:kblick@chkenegy.com)

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**From:** James R. Stone [<mailto:jrstone@houston.rr.com>]  
**Sent:** Thursday, June 15, 2006 11:25 AM  
**To:** Kathy Blick  
**Subject:** FW: JOA for Renata "16" State Com #1 - E/2 Section 16-T23S-R24E, NMPM - Renata Prospect - Eddy County, NM

Kathy,



I trust you received the copy of the 7/01/05 JOA (sent by Corkran Energy). As you know, the hearing is now set for next Thursday, June 22. Any progress on the subject JOA?

Regards,  
Jim

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**From:** James R. Stone [mailto:jrstone@houston.rr.com]  
**Sent:** Friday, June 02, 2006 11:01 AM  
**To:** 'Kathy Blick'  
**Subject:** RE: JOA for Renata "16" State Com #1 - E/2 Section 16-T23S-R24E, NMPM - Renata Prospect - Eddy County, NM

Kathy,  
Thanks for the note. I'll try and run down a copy of the 7/01/05 JOA and let you know.

Regards,  
Jim

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**From:** Kathy Blick [mailto:KBlick@chkenegy.com]  
**Sent:** Thursday, June 01, 2006 12:46 PM  
**To:** James R. Stone  
**Subject:** RE: JOA for Renata "16" State Com #1 - E/2 Section 16-T23S-R24E, NMPM - Renata Prospect - Eddy County, NM

Jim --

I was out of the office yesterday and will be out tomorrow and next Monday. The earliest I will be able to address the JOA is next week after I return. Chesapeake has entered its appearance in the compulsory pooling hearing. Also, after reviewing my file, reference was made to an Operating Agreement covering this matter dated July 1, 2005, containing 200%/500% non-consent penalties and \$5,050.00/\$505.00 overhead rates. In our election letter dated February 23, 2006, we asked for a copy of said Agreement. The individual who prepared the letter is no longer with Chesapeake, so I am unable to ask her where she got that information. Do you know anything about this JOA?

Thank you.

Kathy F. Blick  
Senior Landman  
Permian North Land Department  
Chesapeake Energy Corporation  
Phone: 405/767-4432  
Fax: 405/879-1450  
E-Mail: [kblink@chkenegy.com](mailto:kblink@chkenegy.com)

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**From:** James R. Stone [mailto:jrstone@houston.rr.com]  
**Sent:** Wednesday, May 31, 2006 2:20 PM  
**To:** Kathy Blick  
**Subject:** JOA for Renata "16" State Com #1 - E/2 Section 16-T23S-R24E, NMPM - Renata Prospect - Eddy County, NM

Kathy,

I look forward to receiving any comments or questions you might have on the subject JOA, and to working with you to get this finalized at the earliest opportunity.

*Thanks and regards,*

*Jim Stone*

281-413-2125 cell

281-343-8213 office

[jrstone@houston.rr.com](mailto:jrstone@houston.rr.com)

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