



PATRICK H. LYONS  
COMMISSIONER

2007 JAN 8

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*State of New Mexico*  
*Commissioner of Public Lands*

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COMMISSIONER'S OFFICE

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January 3, 2007

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

Attention: Mr. Jim Ball

Re: Notice of Termination  
South Chavlea State Exploratory Unit  
Lea and Chaves Counties, New Mexico

Dear Mr. Ball:

By the Commissioner's letter of June 7, 2006 Chesapeake Energy Corporation was granted a one-time six month drilling extension to December 8, 2006 to either commence drilling operations on the South Chavlea Unit Well No. 2 or terminate the unit agreement.

Your letter of December 8, 2006 advises that the Well No. 1 is not commercial and will be drilling another well within six months. In your conversation with this office, on December 21, 2006, you were notified by this office that since the Well No. 2 was not timely commenced on or before December 8, 2006 the unit agreement terminated by its own terms.

Pursuant to Article 8 of the South Chavlea State Unit Agreement, please be advised that this office has terminated the South Chavlea State Unit Agreement effective December 8, 2006.

Please notify all interested parties of this action.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS  
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director  
Oil, Gas and Minerals Division  
PL/JB/pm

pc: Reader File, Commissioner's File  
~~NMOCD Attention: Mr. David Catanach~~  
~~TRD-Attention: Mr. Valdean Severson~~  
RMD-Attn: Mr. Kurt McFall

**-State Land Office Beneficiaries -**

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