

PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

September 27, 2007

Holland & Hart LLP
P. O. Box 2208
Santa Fe, NM 87504-2208

Attention: William F. Carr

Re: Proposed Quail Queen Unit
Lea County, New Mexico

RECEIVED

SEP 27 2007

HOLLAND & HART LLP

Dear Mr. Carr:

This office has reviewed the unexecuted copy of unit agreement, which you have submitted on behalf of Chesapeake Exploration, for the proposed Quail Queen Unit, Lea County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands and has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short-term leases, until final approval and an effective date have been given.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
3. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.
4. A copy of the Unit Operating Agreement.
5. A copy of your Initial Plan of Operation.
6. A re-designation of well names and numbers.
7. The filing fee for a unit agreement is \$30.00 dollars for every section of partial section thereof. Please submit a \$90 filing fee.
8. On Exhibit "B", on Tract No. 1A, NE/4NE/4 Sec. 14-19S-34E the correct lessee of record for Lease No. OG-1847-1 is Read & Stevens Inc.
9. On Exhibit "B", on Tract No. 1B, N/2NW/4 Sec. 14-19S-34E the correct lessee of record for Lease No. OG-1847-1 is Read and Stevens Inc.

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rjo Grande Imp School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM State Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico I

BEFORE THE OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 14001 & 14002 De Novo
(Consolidated).....Exhibit No. 7

Submitted by:

CHESAPEAKE EXPLORATION, L.L.C.
Hearing Date: August 14, 2008

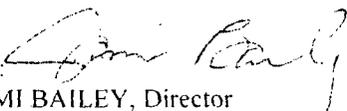
Holland & Hart LLP
September 27, 2007
Page 2

10. On Exhibit "B", on Tract No. 2, NW/4NE/4, S/2NE/4, Section 14-19S-34E the correct Lessee of record is Permian Resources Inc.

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
OCD-Attention: Mr. David Catanach