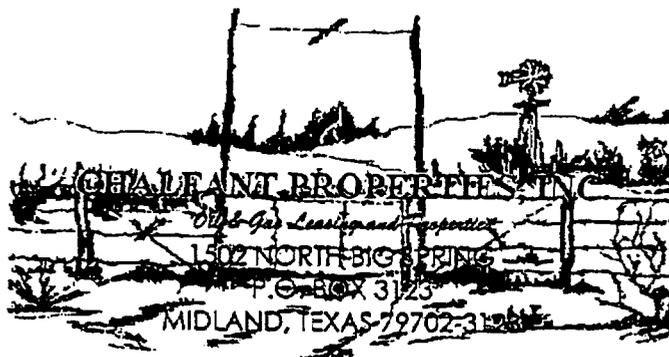


William A. Chalfant, CPL
Donnie Michael, RLP

Ofc: (915) 684-9819
Fax: (915) 682-2601



February 26, 2001

J. Patrick Corrigan
PO Box 2410
Vera Beach, Florida 32961

Via Certified Mail

Re: Chesapeake's proposed Nellie 1-21 well, N2/SE4 of Section 21, T-16-S, R-37-E, Lea County, New Mexico

Dear Mr. Corrigan,

Chesapeake Operating, Inc. hereby proposes to drill the captioned well to a total depth of 12,000 feet to test the Strawn Formation. The well will be drilled at a location in the N2/SE4 of Section 21, T-16S-S, R-37-E, Lea County, New Mexico.

Attached is Chesapeake's AFE reflecting dry-hole costs of \$1,119,000, and completed well costs of \$1,706,000. You are the record title owner of 2.50 mineral acres in the proposed 80-acre unit. Chesapeake offers you the opportunity to participate in the drilling of the Nellie 1-21 well with a working interest of 3.125% and a proportionate dryhole cost of \$34,968.75

Should you elect to participate, please sign the attached AFE and return it to me at your earliest convenience. Upon receipt, a Joint Operating Agreement will be forwarded for signature.

If you have any questions, please call the undersigned at the following telephone number:

Lj

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 		A. Received by (Please Print Clearly)	B. Date of Delivery
1. Article Addressed to:		C. Signature	
J. Patrick Corrigan		X <input type="checkbox"/> Agent	
PO Box 2410		<input type="checkbox"/> Addressee	
Vera Beach, FL 32961		D. Is delivery address different from item 1? <input type="checkbox"/> Yes	
		If YES, enter delivery address below: <input type="checkbox"/> No	
		3. Service Type	
		<input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail	
		<input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise	
		<input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
2. Article Number (Copy from service label)		7006 0520 0024 4313 8430	

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PS Form 3811, July 1999

Domestic Return Receipt

102595-00-11-0952

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12660 Exhibit No. 2
Submitted By:
Chesapeake Inc.
Hearing Date: May 31, 2001

William A. Chalfant, CPL
Donnie Michael, RLP

Ofc: (915) 684-9319
Fax: (915) 682-2601



February 26, 2001

Coates Energy Trust
Coates Energy Interests
Att: Ms. Sherry Green
PO Box 171717
San Antonio, Texas 78217

Via Certified Mail

Re: Chesapeake's proposed Nellie 1-21 well, N2/SE4 of Section 21, T-16-S, R-37-E, Lea County, New Mexico

Dear Ms. Green,

Chesapeake Operating, Inc. hereby proposes to drill the captioned well to a total depth of 12,000 feet to test the Strawn Formation. The well will be drilled at a location in the N2/SE4 of Section 21, T-16S-S, R-37-E, Lea County, New Mexico.

Attached is Chesapeake's AFE reflecting dry-hole costs of \$1,119,000, and completed well costs of \$1,706,000. Coates entities are the record title owners of 1.25 mineral acres, collectively, in the proposed 80-acre unit. Chesapeake offers Coates the opportunity to participate in the drilling of the Nellie 1-21 well with a working interest of 0.78125% and a proportionate dryhole cost of \$8,742.19.

Should Coates elect to participate, please have the appropriate party(ies) sign the attached AFE and return it to me at your earliest convenience. Upon receipt, a Joint Operating Agreement will be fo

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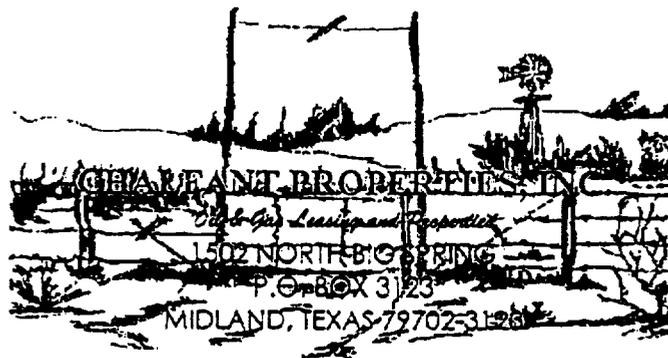
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SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	A. Received by (Please Print Clearly)	B. Date of Delivery
	C. Signature	
	X	<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
	D. Is delivery address different from Item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
1. Article Addressed to:	3. Service Type	
Coates Energy Trust Coates Energy Interests ATTN: Sherry Green PO Box 171717 San Antonio, TX 78217	<input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	

2. Article Number (Copy from service label) 7000 0520 0024 4313 8454

William A. Chalfant, CPL
Donnie Michael, RLP

Ofc: (915) 684-9819
Fax: (915) 682-2601



February 26, 2001

Bandera Minerals, L.L.C.
Bandera Minerals I, L.L.C.
Bandera Minerals II, L.L.C.
Att: Ms. Connie B. Gibson
PO Box 701228
Tulsa, Oklahoma 74170-1228

Via Certified Mail

Re: Chesapeake's proposed Nellie 1-21 well, N2/SE4 of Section 21, T-16-S, R-37-E, Lea County, New Mexico

Dear Sir or Madam:

Chesapeake Operating, Inc. hereby proposes to drill the captioned well to a total depth of 12,000 feet to test the Strawn Formation. The well will be drilled at a location in the N2/SE4 of Section 21, T-16S-S, R-37-E, Lea County, New Mexico.

Attached is Chesapeake's AFE reflecting dry-hole costs of \$1,119,000, and completed well costs of \$1,706,000. The Bandera entities are the record title owners of 1.2375 mineral acres, collectively, in the proposed 80-acre unit. Chesapeake offers Bandera the opportunity to participate in the drilling of the Nellie 1-21 well with a collective working interest of 1.54687% and a proportionate dryhole cost of \$17,309.48

Should Bandera elect to participate, please have the appropriate party(ies) sign the attached AFE and return it to me at your earliest convenience. Upon receipt, a Joint Operating Agreement will be fo

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SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 		A. Received by (Please Print Clearly)	E. Date of Delivery
1. Article Addressed to:		C. Signature	<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
<p>Bandera Minerals LLC ATTN: Connie B. Gibson PO Box 701228 Tulsa, OK 74170-1228</p>		D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
		3. Service Type	<input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.
		4. Restricted Delivery? (Extra Fee)	<input type="checkbox"/> Yes
2. Article Number (Copy from service label)		7000 0520 0024 4313 8461	

William A. Chalfant, CPL
Donnie Michael, RLP

Ofc: (915) 684-9819
Fax: (915) 682-2601



February 26, 2001

Patsy Nae Walker
17 Sutter Street
Folsom, California 95603

Via Certified Mail

Re: Chesapeake's proposed Nellie 1-21 well, N2/SE4 of Section 21, T-16-S, R-37-E, Lea County, New Mexico

Dear Ms. Walker,

Chesapeake Operating, Inc. hereby proposes to drill the captioned well to a total depth of 12,000 feet to test the Strawn Formation. The well will be drilled at a location in the N2/SE4 of Section 21, T-16S-S, R-37-E, Lea County, New Mexico.

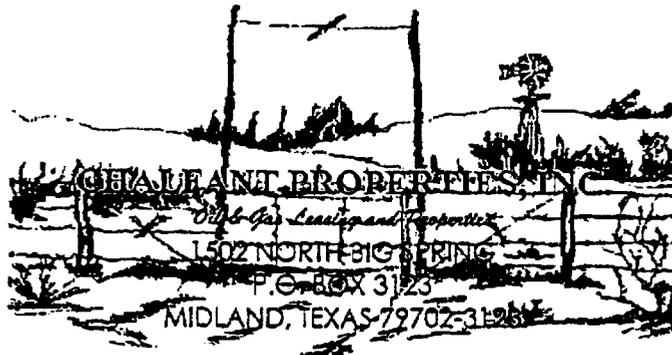
Attached is Chesapeake's AFE reflecting dry-hole costs of \$1,119,000, and completed well costs of \$1,706,000. You are the record title owner of 0.0156 mineral acres in the proposed 80-acre unit. Chesapeake offers you the opportunity to participate in the drilling of the Nellie 1-21 well with a working interest of 0.01953% and a proportionate dryhole cost of \$218.54

Should you elect to participate, please sign the attached AFE and return it to me at your earliest convenience. Upon receipt, a Joint Operating Agreement will be forwarded for signature.

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY										
<ul style="list-style-type: none"> ■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits. 	<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">A. Received by (Please Print Clearly)</td> <td style="width: 50%;">B. Date of Delivery</td> </tr> <tr> <td colspan="2">C. Signature</td> </tr> <tr> <td colspan="2"> <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee </td> </tr> <tr> <td colspan="2">D. Is delivery address different from item 1? <input type="checkbox"/> Yes</td> </tr> <tr> <td colspan="2">If YES, enter delivery address below: <input type="checkbox"/> No</td> </tr> </table>	A. Received by (Please Print Clearly)	B. Date of Delivery	C. Signature		<input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee		D. Is delivery address different from item 1? <input type="checkbox"/> Yes		If YES, enter delivery address below: <input type="checkbox"/> No	
A. Received by (Please Print Clearly)	B. Date of Delivery										
C. Signature											
<input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee											
D. Is delivery address different from item 1? <input type="checkbox"/> Yes											
If YES, enter delivery address below: <input type="checkbox"/> No											
1. Article Addressed to: Patsy Nae Walker 17 Sutter Street Folsome, CA 95603	3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.										
2. Article Number (Copy from service label)	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes										
7000 0520 0024 4313 8492											

William A. Chalfant, CFL
Donnie Michael, RLP

Ofc: (915) 684-9819
Fax: (915) 682-2601



February 26, 2001

Maecenas Minerals, L.L.P.
Att: Ms. Linda Buckner
PO Box 176
Abilene, Texas 79604

Via Certified Mail

Re: Chesapeake's proposed Nellie 1-21
well, N2/SE4 of Section 21, T-16-S,
R-37-E, Lea County, New Mexico

Dear Ms. Buckner,

Chesapeake Operating, Inc. hereby proposes to drill the captioned well to a total depth of 12,000 feet to test the Strawn Formation. The well will be drilled at a location in the N2/SE4 of Section 21, T-16S-S, R-37-E, Lea County, New Mexico.

Attached is Chesapeake's AFE reflecting dry-hole costs of \$1,119,000, and completed well costs of \$1,706,000. Maecenas is the record title owner of 0.189 mineral acres in the proposed 80-acre unit. Chesapeake offers Maecenas the opportunity to participate in the drilling of the Nellie 1-21 well with a working interest of 0.23625% and a proportionate dryhole cost of \$2,643.64

Should Maecenas elect to participate, please have the appropriate party(ies) sign the attached AFE and return it to me at your earliest convenience. Upon receipt, a Joint Operating Agreement will be forwarded for signature.

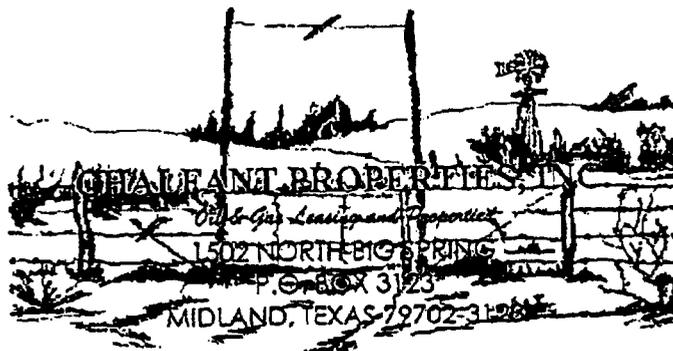
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SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	A. Received by <i>(Please Print Clearly)</i>	B. Date of Delivery
	C. Signature	
1. Article Addressed to:	<input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee	
	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
Maecenas Minerals ATTN: Linda Buckner PO Box 176 Abilene, TX 79604	3. Service Type	
	<input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
2. Article Number <i>(Copy from service label)</i>	4. Restricted Delivery? <i>(Extra Fee)</i> <input type="checkbox"/> Yes	
	7000 0520 0024 4313 8447	

William A. Chalfant, CPL
Donnie Michael, RLP

Ofc: (915) 684-9819
Fax: (915) 682-2601



February 26, 2001

KEC Acquisition Corp.
700 Louisiana
Houston, Texas 77002

Via Certified Mail

Re: Chesapeake's proposed Nellie 1-21
well, N2/SE4 of Section 21, T-16-S,
R-37-E, Lea County, New Mexico

Dear Sir or Madam:

Chesapeake Operating, Inc. hereby proposes to drill the captioned well to a total depth of 12,000 feet to test the Strawn Formation. The well will be drilled at a location in the N2/SE4 of Section 21, T-16S-S, R-37-E, Lea County, New Mexico.

Attached is Chesapeake's AFE reflecting dry-hole costs of \$1,119,000, and completed well costs of \$1,706,000. KEC is the record title owner of 0.2625 mineral acres in the proposed 80-acre unit. Chesapeake offers KEC the opportunity to participate in the drilling of the Nellie 1-21 well with a working interest of 0.23625% and a proportionate dryhole cost of \$3,671.72

Should KEC elect to participate, please have the appropriate party(ies) sign the attached AFE and return it to me at your earliest convenience. Upon receipt, a Joint Operating Agreement will be forwarded for signature.

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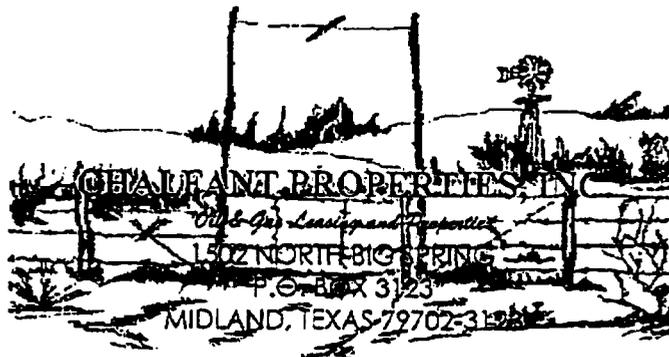
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SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
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	C. Signature	
	<input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee	
	D. Is delivery address different from item 1? <input type="checkbox"/> Yes	
	If YES, enter delivery address below: <input type="checkbox"/> No	
1. Article Addressed to:	3. Service Type	
	<input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	

2. Article Number (Copy from service label) 7000 0520 0024 4313 8478

William A. Chalfant, CPL
Donnie Michael, RLP

Ofc: (915) 684-9819
Fax: (915) 682-2601



February 26, 2001

Republic Royalty Company
Att: Ms. Terri Farmer
3738 Oaklawn Ave., Ste. 300
Dallas, Texas 75219

Via Certified Mail

Re: Chesapeake's proposed Nellie 1-21 well, N2/SE4 of Section 21, T-16-S, R-37-E, Lea County, New Mexico

Dear Ms. Farmer,

Chesapeake Operating, Inc. hereby proposes to drill the captioned well to a total depth of 12,000 feet to test the Strawn Formation. The well will be drilled at a location in the N2/SE4 of Section 21, T-16S-S, R-37-E, Lea County, New Mexico.

Attached is Chesapeake's AFE reflecting dry-hole costs of \$1,119,000, and completed well costs of \$1,706,000. Republic is the record title owner of 0.743 mineral acres in the proposed 80-acre unit. Chesapeake offers Republic the opportunity to participate in the drilling of the Nellie 1-21 well with a working interest of 0.92875% and a proportionate dryhole cost of \$10,392.71

Should Republic elect to participate, please have the appropriate party(ies) sign the attached AFE and return it to me at your earliest convenience. Upon receipt, a Joint Operating Agreement will be forwarded for signature.

I I I E	SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
	<ul style="list-style-type: none"> ■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits. 	A. Received by (Please Print Clearly)	B. Date of Delivery
1. Article Addressed to:	C. Signature X		<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
Republic Royalty Company ATTN: Terri Farmer 3738 Oaklawn Ave, Ste 300 Dallas, TX 75219	D. Is delivery address different from item 1? If YES, enter delivery address below:		<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Article Number (Copy from service label)	7000 0520 0024 4313 8485		
3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	