



LATIGO LAND DEPT.
RECEIVED

MAR 07 2005

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

P:\Non-Operated Wells\Marine Federal 19 #1\Election ltr 3-3-05.doc

AUTHORITY FOR EXPENDITURE

PROSPECT: Haystack WELL: Marine Federal "19" #1
 LOCATION: 1480' FNL & 1130' FWL, Sec. 19 - T25S - R27E COUNTY: Eddy DATE: 12/14/2004
 WI: _____ NRI: _____ STATE: NM
 PURPOSE: Drill and complete a 12,100' Morrow Test AFE NO: 4335

| 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 50 days @ \$12,000 / day | 564,000 | 36,000 | 600,000 |
| 208 | Drilling Rig - Footage 0 feet @ \$0 / foot | 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 \$6,500 / day | | 0 | 0 |
| 217 / 317 | Fishing Tools and Services | 0 | 0 | 0 |
| 218 / 318 | Technical Services | 0 | 0 | 0 |
| 219 | Mud Logging 40 days @ \$750 / day | 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 10 days @ \$2,000 / day | 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 10% | 146,000 | 31,600 | 177,600 |
| 245 / 344 | Contingency 5% | 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 | 1,480 | 0 | 1,480 |
| 451 | Surface Casing 400' 13-3/8" @ \$33.00 / ft | 13,200 | 0 | 13,200 |
| 452 | Intermediate Casing 2100' 9-5/8" @ \$23.00 / ft | 48,300 | 0 | 48,300 |
| 554 | Production Casing 8800' 7" 26# P110 @ \$17.00 / ft | 149,600 | 0 | 149,600 |
| 554 | Production Casing 3600' 4 1/2" 15.1# P110 @ \$11.00 / ft | 0 | 39,600 | 39,600 |
| 453 / 555 | Casing Head / Tubing Head & Valves | 20,000 | 10,000 | 30,000 |
| 556 | Packers, Anchors, Hangers | 15,000 | 25,000 | 40,000 |
| 557 | Tubing 12100' 2 3/8" 4.7# N80 @ \$4.00 / ft | 0 | 48,400 | 48,400 |
| 463 / 563 | Miscellaneous Equipment | 20,000 | 42,000 | 62,000 |
| 558 | Production Equipment | | 9,500 | 9,500 |
| 559 | Stock Tanks | | 20,000 | 20,000 |
| 560 | Flow Lines & Connections | | 5,000 | 5,000 |
| 463 / 563 | Miscellaneous / Contingency 10% 5% | 40,420 | 29,900 | 70,320 |
| | 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. McClendon, Chief Executive Officer of Chesapeake Permian, L.P. an Oklahoma limited partnership by Chesapeake Operating, Inc., General Partner



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

This facsimile transmission (and documents accompanying it) may contain confidential information belonging to the sender. The information is intended for the use of the individual or entity to whom this transmission is addressed. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution, or the taking of any action in reliance on the contents of this information is strictly prohibited. If you have received this transmission in error, please immediately notify us by telephone to arrange the return of the documents. Thank you.



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

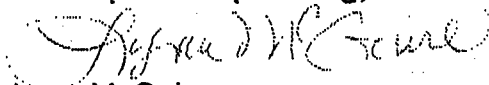
Re: Marine Federal 19 #1
Section 19-T25S-R27E
Eddy County, New Mexico

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

P:\Non-Operated Wells\Marine Federal 19 #1\Election ltr 3-3-05.doc

**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 & Paleontological 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.



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

| ACCTG CODE | INTANGIBLE COSTS | ESTIMATED COST | | |
|---------------|--------------------------------------|------------------|----------------|------------------|
| | | DRY HOLE | COMPLETION | TOTAL |
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| 203 / 303 | Dirtwork / Fill Pit / Clean Location | 30,000 | 15,000 | 45,000 |
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| 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 |
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| 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 |
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| 224 / 324 | Welding | 5,000 | 2,000 | 7,000 |
| 225 / 325 | Labor | 10,000 | 20,000 | 30,000 |
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| 227 / 327 | Communications | | | 0 |
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| 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 |
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| 452 | Intermediate Casing | 2100' | 9-5/8" | @ \$23.00 / ft | 48,300 | 0 | 48,300 |
| 554 | Production Casing | 8800' | 7" 26# P110 | @ \$17.00 / ft | 149,600 | 0 | 149,600 |
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| 453 / 555 | Casing Head / Tubing Head & Valves | | | | 20,000 | 10,000 | 30,000 |
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| 557 | Tubing | 12100' | 2 3/8" 4.7# N80 | @ \$4.00 / ft | 0 | 48,400 | 48,400 |
| 463 / 563 | Miscellaneous Equipment | | | | 20,000 | 42,000 | 62,000 |
| 558 | Production Equipment | | | | | 9,500 | 9,500 |
| 559 | Stock Tanks | | | | | 20,000 | 20,000 |
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| | SUBTOTAL ESTIMATED COSTS: | | | | 1,987,500 | 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. McClellon, Chief Executive Officer of Chesapeake Permian, L.P. an
Oklahoma limited partnership by Chesapeake Operating, Inc. General Partner