



KF ENERGY, LLC
RECEIVED BY JTW/ADD
DATE 4-5-05

Lynda F. Townsend, CPL/ESA
Senior Landman

April 4, 2005

VIA UNITED PARCEL SERVICE

Mr. Jim Wakefield
Kaiser Francis Oil Company
6733 South Yale Avenue
Tulsa, OK 74136

Re: Chesapeake's Proposed KF State 4 #1
S/2 Section 4-21S-35E
Lea County, New Mexico

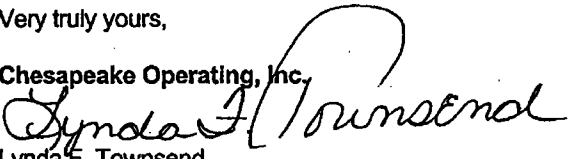
Dear Mr. Wakefield:

Pursuant to Chesapeake Operating, Inc.'s proposal on behalf of Chesapeake Exploration Limited Partnership ("Chesapeake") dated March 9, 2005, enclosed is Chesapeake's standard operating agreement. Please sign and return the signature pages to my attention and the address below.

Should you have any questions please give me a call.

Very truly yours,

Chesapeake Operating, Inc.



Lynda F. Townsend

Enclosures

W:\Permian\Operated Wells\KF State 4 #1\UOA\Transmittal Letters.doc

Chesapeake Energy Corporation
6100 N. Western Ave. • Oklahoma City, OK 73118 • P.O. Box 18496 • Oklahoma City, OK 73154-0496
405.879.9414 • fax 405.767.4251 • ltownsend@chkenergy.com

**COPY
FOR YOUR FILES**

A.A.P.L. FORM 610-1982

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

March 9 , 2005 ,

OPERATOR Chesapeake Exploration Limited Partnership

CONTRACT AREA SW/4 & SE/4 (AKA Units Q, R, S, T, U, V, W AND X), Section 4,

Township 21 South, Range 35 East, Containing 320 acres, more or less, NMPM

COUNTY OR PARISH OF Lea County **STATE OF** New Mexico

Well Name: KF 4 State #1

COPYRIGHT 1982 - ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD., FORT
WORTH, TEXAS, 76137-2791, APPROVED
FORM A.A.P.L. NO. 610 - 1982 REVISED

ARTICLE V.
OPERATOR

A. Designation and Responsibilities of Operator:

Chesapeake Exploration Limited Partnership, by and through its agent Chesapeake Operating, Inc. shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any ^{affiliate} single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 1st day of May, 2005, Operator shall commence the drilling of a well for oil and gas at the following location:

660' FSL & 990' FEL Section 4, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico

and shall thereafter continue the drilling of the well with due diligence to a depth of 12,100 feet or a depth sufficient, in Operator's sole opinion, to adequately test the Morrow formation

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

EXHIBIT "A"

EXHIBIT A TO THAT CERTAIN MEMORANDUM OF JOINT OPERATING AGREEMENT DATED MARCH 9, 2005 BY AND BETWEEN CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP, AS OPERATOR AND KAISER FRANCIS OIL COMPANY AND SAMSON RESOURCES COMPANY AS NON-OPERATORS

1. Contract Area: SW/4 & SE/4 (AKA Units Q, R, S, T, U, V, W AND X), Section 4, Township 21 South, Range 35 East, Containing 320 acres, more or less, NMPM, Lea County, New Mexico

2. Restrictions as to depths and formations: None.

3. Interests of Parties:

<u>Owner</u>	<u>Working Interest</u>
Chesapeake Exploration Limited Partnership P. O. Box 18496 Oklahoma City, Oklahoma 73154-0496 Attention: Henry J. Hood	50.000000%
Kaiser Francis Oil Company P.O. Box 21468 Tulsa, Oklahoma 74121-1468	43.750000%
Samson Resources Company Centennial Tower 200 N Loralne, Suite 1010 Midland, TX 79701	<u>6.250000%</u>
TOTAL	100.000000%

W:\Permian\Operated Wells\KF State 4 #1\JOA\Memorandum Exhibit A.doc

EXHIBIT "A-1"

ATTACHED TO AND MADE A PART OF THAT CERTAIN MEMORANDUM OF JOINT OPERATING AGREEMENT MARCH 9, 2005 BY AND BETWEEN CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP, AS OPERATOR AND KAISER FRANCIS OIL COMPANY AND SAMSON RESOURCES COMPANY, AS NON-OPERATORS

INSOFAR AND ONLY INSOFAR as the following described Oil and Gas Leases cover the SW/4 & SE/4 (AKA Units Q, R, S, T, U, V, W AND X), Section 4, Township 21 South, Range 35 East, Containing 320 acres, more or less, NMPM, Lea County, New Mexico.

Lease No.: NM7930001-002
Lessor: State of New Mexico V0-7063
Lessee: Rubicon Oil & Gas I, LP
Lease Date: May 1, 2004
Legal Desc: SW/4 Section 4, Township 21 South, Range 35 East, Containing 160 acres, more or less, NMPM, Lea County, New Mexico

Lessor: State of New Mexico B1481
Lessee: Empire Gas and Fuel Company
Lease Date: December 19, 1932
Legal Desc: SE/4 Section 4, Township 21 South, Range 35 East, Containing 160 acres, more or less, NMPM, Lea County, New Mexico

END OF EXHIBIT "A-1"

W:\Permian\Operated Wells\KF State 4 #1\JOA\Memorandum Exhibit A-1 Leases.doc

CHK 000217