

CHESAPEAKE OPERATING, INC.

AUTHORIZATION FOR EXPENDITURE

Project Area: New Mexico East
Well Name: Lawrence 29 #1
Operator: Chesapeake Operating, Inc.
AFE #: 140614
Spacing Unit: S/2 SE/4 Section 29-16S-37E

County, State: Lea, New Mexico
Date: 5/3/2005
Total Depth: 11,500'
Formation: Strawn
Property #: 819637

| CODE | INTANGIBLE COSTS | WORK DESCRIPTION | DRY HOLE | PRODUCER |
|--------|------------------|---|--------------|----------------|
| 233400 | Location: | Roads, Location, Pits | \$35,000.00 | \$35,000.00 |
| 233401 | | Damages | \$12,000.00 | \$12,000.00 |
| 233402 | | Governmental Filings | \$2,000.00 | \$2,000.00 |
| 233404 | | Seismic Costs | \$0.00 | \$0.00 |
| 233405 | | Reclamation | \$5,000.00 | \$5,000.00 |
| 233406 | Drilling: | Top Drive | \$0.00 | \$0.00 |
| 233408 | | Pipeline Construction | \$0.00 | \$0.00 |
| 233409 | | Fuel | \$39,000.00 | \$44,000.00 |
| 233410 | | Drilling Contractor: 22/25 days @ \$12500 per day | \$275,000.00 | \$311,000.00 |
| 233411 | | Directional Services | \$6,000.00 | \$6,000.00 |
| 233413 | | Rig Mobilization/Demobilization | \$83,000.00 | \$83,000.00 |
| 233414 | | Contract Labor | \$15,000.00 | \$25,000.00 |
| 233415 | | Bits | \$54,000.00 | \$55,000.00 |
| 233416 | | Supplies and Utilities | \$1,000.00 | \$2,000.00 |
| 233426 | | Cement Conductor | \$0.00 | \$0.00 |
| 233417 | | Cement Surface Casing | \$9,000.00 | \$9,000.00 |
| 233420 | | Cement Intermediate Casing | \$21,000.00 | \$21,000.00 |
| 233424 | | Cement Production Casing | \$0.00 | \$30,000.00 |
| 233425 | | Cement Drilling Liner | \$0.00 | \$0.00 |
| 233452 | | Cement Production Liner | \$0.00 | \$0.00 |
| 233418 | | Mud Logging | \$14,000.00 | \$14,000.00 |
| 233419 | | Drilling Fluids, Mud, Chem. | \$66,000.00 | \$74,000.00 |
| 233421 | | Drill String Inspection | \$5,000.00 | \$5,000.00 |
| 233423 | | Open Hole Logging | \$0.00 | \$25,000.00 |
| 233427 | | Fishing | \$0.00 | \$0.00 |
| 233428 | | Downhole Rental Equipment | \$33,000.00 | \$39,000.00 |
| 233430 | | Completion Unit | \$0.00 | \$44,000.00 |
| 233431 | Completion: | Cased Hole Services/Perforating | \$0.00 | \$20,000.00 |
| 233433 | | Jetting | \$0.00 | \$0.00 |
| 233434 | | Formation Stimulation | \$0.00 | \$100,000.00 |
| 233437 | | Surface Equipment Rental | \$33,000.00 | \$56,000.00 |
| 233438 | General: | Transportation | \$6,000.00 | \$8,000.00 |
| 233440 | | Flowback Hauloff | \$0.00 | \$0.00 |
| 233442 | | Blowout/Emergencies | \$0.00 | \$0.00 |
| 233443 | | Supervision | \$7,000.00 | \$8,000.00 |
| 233439 | | Technical Labor | \$7,000.00 | \$8,000.00 |
| 233435 | | Direct Labor | \$13,000.00 | \$14,000.00 |
| 233444 | | Consultants | \$18,000.00 | \$41,000.00 |
| 233446 | | Company Overhead | \$8,000.00 | \$9,000.00 |
| 233447 | | Insurance | \$18,000.00 | \$18,000.00 |
| 233450 | | Plug to Abandon | \$0.00 | \$0.00 |
| | | 10% Contingency | \$80,000.00 | \$114,000.00 |
| TOTAL | INTANGIBLES | Total Intangible Costs | \$876,000.00 | \$1,247,000.00 |

| CODE | TANGIBLE COSTS | WORK DESCRIPTION | | |
|--------|------------------|------------------------------------|----------------|----------------|
| 230108 | Tubulars: | Conductor: | \$0.00 | \$0.00 |
| 230100 | | Surface Casing: 13-3/8" 450' | \$14,000.00 | \$14,000.00 |
| 230101 | | Intermediate Casing: 8-5/8" 4,350' | \$90,000.00 | \$90,000.00 |
| 230102 | | Production Casing: 5-1/2" 11,500' | \$0.00 | \$152,000.00 |
| 230103 | | Drilling Liner: | \$0.00 | \$0.00 |
| 230109 | | Production Liner: | \$0.00 | \$0.00 |
| 230104 | | Float Equipment | \$3,000.00 | \$7,000.00 |
| 230105 | Lease Equipment: | Tubing: 2-7/8" 11,300' | \$0.00 | \$83,000.00 |
| 230106 | | Wellhead Equipment | \$8,000.00 | \$26,000.00 |
| 230107 | | Downhole Equipment | \$0.00 | \$10,000.00 |
| 230111 | | Artificial Lift-Pumping Unit | \$0.00 | \$50,000.00 |
| 230113 | | Production Equipment | \$0.00 | \$25,000.00 |
| 230115 | | Compressor/Compression | \$0.00 | \$0.00 |
| 230116 | | Pipeline Equipment | \$0.00 | \$0.00 |
| 230120 | | Non-Controllable Equipment | \$0.00 | \$0.00 |
| | | 10% Contingency | \$12,000.00 | \$44,000.00 |
| TOTAL | TANGIBLES | Total Tangible Costs | \$127,000.00 | \$481,000.00 |
| | | Total Costs | \$1,003,000.00 | \$1,728,000.00 |

Prepared by: DFD/AS

Approved by: CMB

OPERATOR'S APPROVAL:

Operations/Geology

DATE: 5-6-05

OPERATOR'S APPROVAL:

Land/Accounting

DATE: 5/16/05

NON-OPERATOR'S APPROVAL:

DATE:

The costs on this AFE are estimates only and may not be construed as ceilings on any specific item or the total cost of the project. In executing this AFE, the participant agrees to pay its proportionate share of actual costs incurred, including legal, curative, regulatory, brokerage and well costs under the terms of the applicable joint operating agreement, regulatory order or other agreement covering this well. The Operator may contract with an affiliated entity to drill the well at prevailing rates in the area. Participant shall be covered by and billed proportionately for Operator's well control and general liability insurance unless participant provides Operator a certificate evidencing its own insurance in amounts acceptable to the Operator by the date of spud.

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 13821 Exhibit No. 5
Submitted By:
Chesapeake Operating
Hearing Date: November 30, 2006