

GALLEGOS LAW FIRM

A Professional Corporation

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2006 AUG 9 AM 9 27

August 9, 2006
(Our File No. 05-376.00)

J.E. GALLEGOS*

VIA HAND-DELIVERY

Florene Davidson, Administrator
New Mexico Oil Conservation Commission
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87504

Re: Application of Samson Resources Company, Kaiser-Francis Oil Company and Mewbourne Oil Company for Cancellation of Two Permits and Approval of a Drilling Permit, Lea County, New Mexico, Case No. 13492
Application of Chesapeake Permian, L.P. for Compulsory Pooling, Lea County, New Mexico, Case No. 13493

Dear Ms. Davidson:

Please find enclosed for filing in these consolidated Commission cases a Stipulation by the Parties of Undisputed Evidence. We are also providing five copies of that document for the Commission.

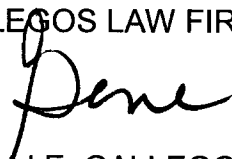
Also enclosed for the Commission are five copies of additional Samson et. al. exhibits 58, 59 and 60.

Thanks you for your usual cooperation in handling these matters.

Sincerely,

GALLEGOS LAW FIRM, P.C.

By


J.E. GALLEGOS

JEG:sg
Enclosures

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**APPLICATION OF SAMSON RESOURCES
COMPANY, KAISER-FRANCIS OIL COMPANY,
AND MEWBOURNE OIL COMPANY FOR
CANCELLATION OF TWO PERMITS AND
APPROVAL OF A DRILLING PERMIT, LEA
COUNTY, NEW MEXICO.**

CASE NO. 13492

2009 AUG 9 AM 9

**APPLICATION OF CHESAPEAKE PERMIAN, L.P.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.**

CASE NO. 13493

ORDER NO. R-12343-B

**STIPULATION BY THE PARTIES AS TO UNDISPUTED
EVIDENCE TO BE CONSIDERED BY THE COMMISSION**

The parties hereto, Samson Resources Company, Kaiser-Francis Oil Company and Chesapeake Operating, Inc., join in stipulating that the following facts and exhibits represent evidence that is not in dispute, that they ask to be made part of the record in this *de novo* proceeding before the Oil Conservation Commission and be considered by the Commission as with other evidence.

A. Section 4 of Township 21 South, Ranch 35 East, NMPM, in Lea County, is an irregular section consisting of approximately 950.8 acres, more or less, and is approximately one mile wide from east to west, and one and one-half miles long from north to south. The subdivisions of Section 4 are as follows:

- (1) the southeast quarter (geographically, the east half of the south one-third), consisting of lots 17, 18, 23 and 24;
- (2) the southwest quarter (geographically, the west half of the south one-third), consisting of lots 19 through 22;
- (3) lots 9, 10, 15 and 16, being the quarter section immediately north of the southeast quarter, hereinafter called "the east half of the middle one-third;" and

(4) lots 11 through 14, being the quarter section immediately north of the southwest quarter, hereinafter called "the west half of the middle one-third."

(5) lots 1 through 5, consisting of 310.8 acres, more or less, being the two northern most quarter sections.

B. Oil and gas minerals within the entire Section 4 (as well as the surface) are owned by the State of New Mexico, and all acres have been leased. Lease status and ownership are as follows:

(1) The southeast quarter is leased under State of New Mexico Lease No. B-1481. Kaiser-Francis, Samson, and Mewbourne own all the working interest.

(2) The southwest quarter is leased under State of New Mexico Lease No. VO-7063. Chesapeake Permian LP owns all the working interest.

(3) The middle one-third of Section 4 is leased under State of New Mexico Lease No. VO-7054. Samson owns all the working interest.

(4) The northern one-third of Section 4 is leased under State of New Mexico Lease No. VO-7062. Chesapeake Permian LP owns all the working interest.

(5) Chesapeake does not own any interest in the southeast quarter of Section 4, and has not owned any such interest at any time relevant to this case. Chesapeake has no contractual right with respect to the mineral estate in the southeast quarter of Section 4 unless such right arises by virtue of approval by Samson of an AFE (authorization for expenditures) issued by Chesapeake for the KF 4 well, under circumstances detailed below.

C. On February 27, 2005, Mewbourne ran electric logs showing over 40 feet of Morrow porosity on its Osudo 9 State Com. Well No. 1 (API No. 30-025-36828) (the "Osudo 9 well") located in the southeast quarter of the northeast quarter of Section 9, Township 21 South, Range 35 East, NMPM, being the quarter section immediately south of the southeast quarter of Section 4. On March 8, 2005, Mewbourne placed that well on line and began selling natural gas. The Osudo 9 well is a prolific producer of natural gas from the Morrow formation and is owned by Mewbourne, Chesapeake, and Finley Resources.

D. On March 10, 2005 Chesapeake Operating, Inc. filed an APD for the KF 4 well, designating a lay-down spacing unit consisting of the southeast and southwest quarters of Section 4. The Division approved Chesapeake's APD on March 11, 2005.

E. On March 9, 2005, Chesapeake sent a letter to Samson (received on March 11, 2005) proposing the drilling of the KF 4 well "in the south half of Section 4" and requesting the recipient to elect whether or not to participate. The letter also invited Samson to enter into negotiations for sale of their interest to Chesapeake, but stated, "be advised that entering into negotiations to sell Samson's interest does not excuse or allow Samson to delay the required

election under this well proposal.” Chesapeake also sent a similar proposal letter to Kaiser-Francis. Chesapeake did not send a proposal letter to Mewbourne because Mewbourne had not yet obtained an interest in the proposed spacing unit.

F. There was no operating agreement between Chesapeake and Samson or Kaiser-Francis that would require an election, and Chesapeake knew that there was no such agreement.

G. On March 22, 2005 Samson signed and returned Chesapeake’s election letter and AFE, indicating that it elected to participate in the proposed KF 4 well, but did not send its portion in of the dry hole costs as requested in the letter.

H. On March 28, 2005 Mewbourne, as operator on behalf of Samson et al., filed an APD for its proposed Osudo 4 State Com. No. 1. The Mewbourne APD proposed a location in the southeast quarter and the east half of the middle third of Section 4. The Division rejected Mewbourne’s APD on March 30, 2005, by reason of the earlier approval of Chesapeake’s APD.

I. On March 30, 2005 Samson sent a letter and fax to Chesapeake stating that, “Samson hereby rescinds and revokes its invalid election to participate in [the KF 4 well].”

J. On April 15, 2005 Chesapeake began site construction for the KF 4 well.

K. On April 20, 2005 Mewbourne, as the last of the designated parties (Kaiser-Francis, Samson, and Mewbourne), signed a communitization agreement providing for a communitized unit in the Morrow consisting of the southeast quarter and the east half of the middle third of Section 4.

L. On April 26, 2005 the applications in these cases were filed with the Division.

M. On April 27, 2005, the New Mexico State Land Office approved the Communitization Agreement described above, noting that, “[t]he effective date of this approval is April 1, 2005.”

N. On April 27, 2005 Chesapeake spudded the KF 4 well.

O. The well was completed and placed on production on January 2006.

P. As of April 2006, the well had produced 270,279 Mcf of gas and 2,286 barrels of oil.

The following stipulated Exhibits are attached and incorporated herein:

Stip. Ex. 1: Plat of Section 4-21S-35E showing well locations

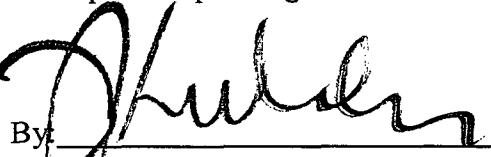
Stip. Ex. 2: Plat of Section 4-21S-35E showing lease ownership as of 3-10-05.

Stip. Ex. 3: Plat of Section 4-21S-35E showing Communitization Agreement acreage

Stip Ex. 4: Chesapeake APD, March 10, 2005, Form C-101 KF 4 State

- Stip. Ex. 5: Chesapeake Well Location Plat, March 10, 2005, Form C-102 KF 4 State
- Stip. Ex. 6: Chesapeake Sundry Notice, March 10, 2005, Form C-103 KF 4 State
- Stip. Ex. 7: Oil Conservation Division Rule – Rules 19.15.13.1102 (Form C-102) and 19.15.13.1103 (Form C-103)
- Stip. Ex. 8: Oil Conservation Division C-102 Instructions
- Stip. Ex. 9: Commissioner of Public Lands, Communitization Approval, April 27, 2005
- Stip. Ex. 10: Chesapeake Pooling Application
- Stip. Ex. 11: March 9, 2005 letter from Chesapeake to Samson re Well Proposal for KF 4 State No.1 with election by Samson
- Stip. Ex. 12: March 30, 2005 letter from Samson re Withdrawal of Election
- Stip. Ex. 13: April 4, 2005 letters from Chesapeake to Kaiser Francis and Samson enclosing Joint Operating Agreement
- Stip. Ex. 14: April 5, 2005 letter from Samson to Chesapeake re JOA

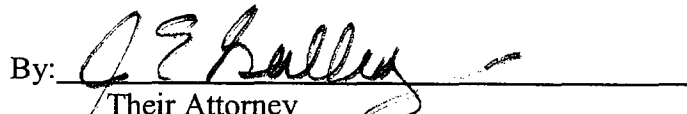
Chesapeake Operating Inc.

By: 
Its Attorney

Earl E. DeBrine, Jr.
Modrall, Sperling, Roehl, Harris
& Sisk, P.A.
P.O. Box 2168
Albuquerque, NM 87103-2168
Telephone: (505) 848-1800
Facsimile: (505) 848-1891

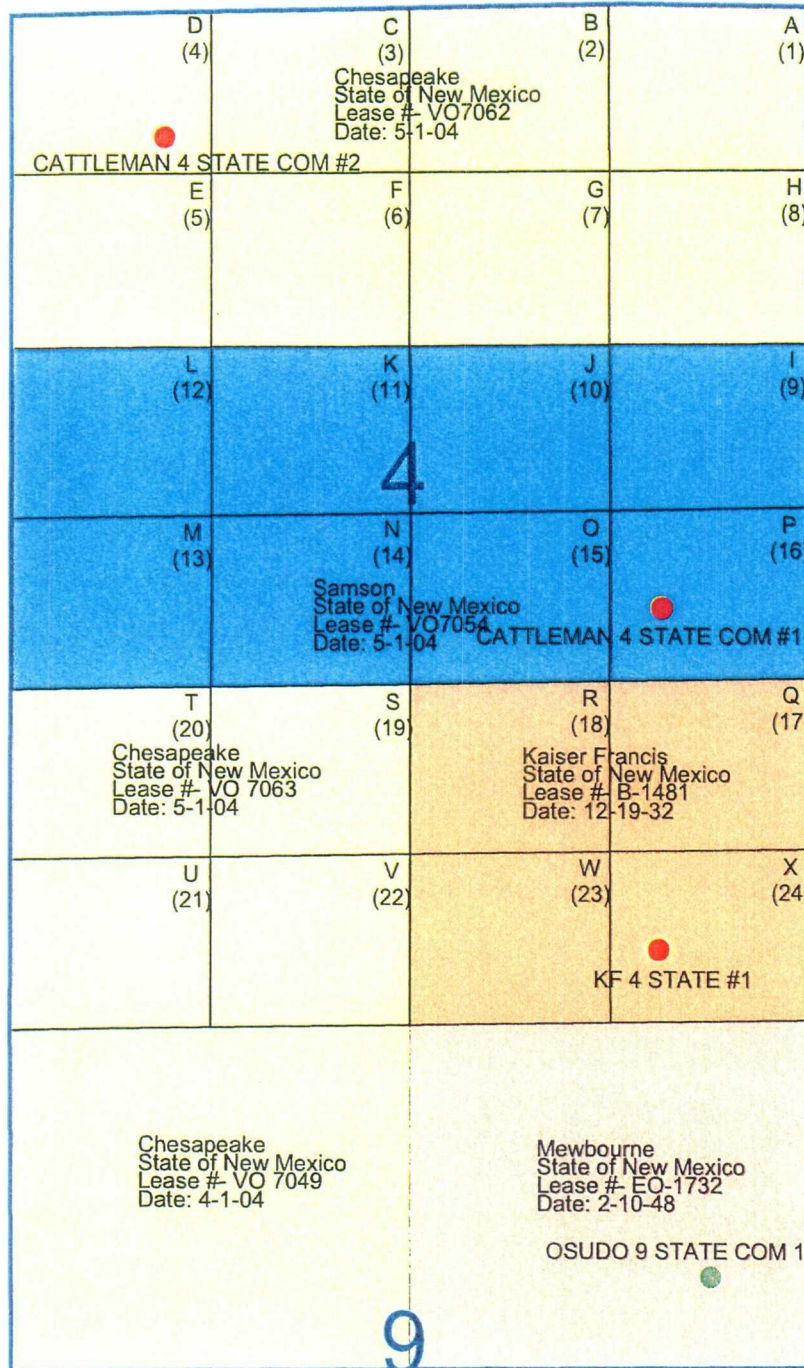
W. Thomas Kellahin
Kellahin & Kellahin
P.O. Box 2265
Santa Fe, NM 87504-2265

Samson Resources Company and
Kaiser-Francis Oil Company

By: 
Their Attorney

J.E. Gallegos
Gallegos Law Firm, P.C.
460 St. Michael's Drive, Bldg. 300
Santa Fe, NM 87505
Telephone: (505) 983-6686
Facsimile: (505) 986-1367



Scott Hall
Miller Stratvert P.A.
P.O. Box 1986
Santa Fe, NM 87504-1986



Leases

- Chesapeake
- Kaiser Francis
- Mewbourne
- Samson

750 0 750 1500 Feet

 Chesapeake Energy Corporation Osudo Prospect	
	
Scale: 1:18000	Projection: No Projection
Date: 05/12/2005	Author: Brian Weaver

Lease No. 4

V-7062

Chesapeake Exploration Limited Partnership - 75%

Rubicon Oil & Gas I, LP - 25%

Lease No. 3

V-7054

Samson Resources Co. - 100%

Lease No. 2

V-7063

Chesapeake Exploration
Limited Partnership - 75%

Rubicon Oil & Gas I, LP - 25%

Lease No. 1

B-1481

Samson Resources Co. - 12.5%

Kaiser-Francis
Oil Company - 87.5%

SECTION 4-21S-35E

OWNERSHIP AS OF 3/10/05

Stipulated Exhibit

2

NMOCD Case Nos. 13492 / 13493

April 1, 2005
Communitization Agreement
between
Samson Resources Co.
Kaiser-Francis Oil Company
Mewbourne Oil Company

Approved by Commissioner
of Public Lands,
State of New Mexico

SECTION 4-21S-35E

COMMUNITIZATION AGREEMENT

Stipulated Exhibit 3
NMOCD Case Nos. 13492 / 13493

District I
1625 N. French Dr., Hobbs, NM 88240

District II
1301 W. Grand Ave., Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
1220 S. St Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-101
Permit 8104

APPLICATION FOR PERMIT TO DRILL

Operator Name and Address CHESAPEAKE OPERATING, INC. PO Box 11050 Midland, TX 79702-8050		OGRID Number 147179
		API Number 30-025-37129
Property Code 34679	Property Name KF 4 STATE	Well No. 001

Surface Location

UL or Lot	Section	Township	Range	Lot Ida	Feet From	N/S Line	Feet From	E/W Line	County
X	4	21S	35E		660	S	990	E	Lea

Proposed Pools

OSUDO, MORROW, SOUTH (GAS) 82200

Work Type New Well	Well Type GAS	Cable/Rotary	Lease Type State	Ground Level Elevation 3621
Multiple N	Proposed Depth 12100	Formation Morrow	Contractor	Spud Date 03/18/2005

Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.5	13.375	48	450	500	0
Intl	12.25	9.625	40	5350	1300	0
Prod	8.75	5.5	17	12100	1350	4000

Casing/Cement Program: Additional Comments

13 3/8 csg: Lead 295 sx 35.65 Poz C + additives, Tail 205 sx Cl C + additives, circ to surface; 9 5/8 cmt: 1,150 sx 50.50 Poz Cl C + additives, Tail 150 sx Cl C + additives circ. to surface; 5 1/2 Prod Csg. 1st Stage Lead 275 sx 50.50 Poz Cl H + additives, 1st Stage Tail 470 sx 50.50 Poz Cl H + additives; 2nd stage 555 sx 50.50 Poz Cl H + additives, 2nd stage Tail 50 sx 50.50 Poz Cl H + additives.

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Annular	5000	5000	
Double Ram	5000	5000	

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Electronically Signed By: Brenda Coffman

Title: Regulatory Analyst

Date: 03/10/2005

Phone: 432-685-4310

OIL CONSERVATION DIVISION

Electronically Approved By: Paul Kautz

Title: Geologist

Approval Date: 03/11/2005

Expiration Date: 03/11/2006

Conditions of Approval:

There are conditions. See Attached.

Stipulated Exhibit 4
NMOCD Case Nos. 13492 / 13493

District I
1625 N. French Dr., Hobbs, NM 88240

District II
1301 W. Grand Ave., Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
1220 S. St Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102
Permit 8104

WELL LOCATION AND ACREAGE DEDICATION FLAT

API Number 30-025-37129	Pool Name OSUDO,MORROW, SOUTH (GAS)	Pool Code 82200
Property Code 34679	Property Name KF 4 STATE	Well No. 001
OGRID No. 147179	Operator Name CHESAPEAKE OPERATING, INC.	Elevation 3621

Surface And Bottom Hole Location

UL or Lot X	Section 4	Township 21S	Range 35E	Lot Idn	Feet From 660	N/S Line S	Feet From 990	E/W Line E	County Lea
Dedicated Acres 320		Joint or Infill		Consolidation Code		Order No.			

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Electronically Signed By: Brenda Coffman
Title: Regulatory Analyst
Date: 03/10/2005

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Electronically Signed By: Gary L Jones
Date of Survey: 03/10/2005
Certificate Number: 7977

Permit Conditions Of Approval

C-101, Permit 8104

Operator: CHESAPEAKE OPERATING, INC. , 147179

Well: KF 4 STATE #001

OCD Reviewer	Condition
PKAUTZ	Re-seeding mixture will must be approved or authorized by surface owner
PKAUTZ	Notice is to be given to the OCD prior to construction of the pit(s)
PKAUTZ	Pit construction and closure must satisfy all requirements of O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines

DISTRICT I
1800 N. French Dr., Hobbs, NM 88240

DISTRICT II
511 South First, Artesia, NM 88213

DISTRICT III
1800 N. French Dr., Hobbs, NM 88240

DISTRICT IV
2040 South Padre, Santa Fe, NM 87504

State of New Mexico

Geology, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1989

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 2 Copies

OIL CONSERVATION DIVISION

2040 South Padre
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-37129	Pool Code 82200	Pool Name Osido, S. Marav (GAS)
Property Code 34679	Property Name KF "4" STATE	Well Number 1
DEED No. 147179	Operator Name CHESAPEAKE OPERATING INC.	Elevation 3621'

Surface Location

UL or lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
X	4	21 S	35 E		660	SOUTH	990	EAST	LEA

Bottom Hole Location if Different From Surface

UL or lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 820	Joint or Leasing	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

LOT 12 - 40 AC.	LOT 11 - 40 AC.	LOT 10 - 40 AC.	LOT 9 - 40 AC.
LOT 13 - 40 AC.	LOT 14 - 40 AC.	LOT 15 - 40 AC.	LOT 16 - 40 AC.
1/4 COR.			1/4 COR.
<p>Lat.: N32.5025° Long.: W103.3657° (NAD 27)</p> <p>990'</p> <p>990'</p>			

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Brenda Coffman
Signature
Brenda Coffman
Printed Name
Reg. Analyst
Title
3-10-05
Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my belief.

MARCH 10, 2005
Data Surveyed
Signed & Sealed
Professional Surveyor
7977
No. 52055
Certificate No. 0017 - Jones 7977
BARN SURVEYS

Stipulated Exhibit 5
NMOCD Case Nos. 13492 / 13493

Submit 3 Copies To Appropriate District Office

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Ave., Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural ResourcesOIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103

May 27, 2004

WELL API NO.

30-025-37129

5. Indicate Type of Lease

STATE ☒ FEE ☐

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name
KF 4 State

8. Well Number 001

9. OGRID Number 147179

10. Pool name or Wildcat

Osudo, & Morrow, South (gas)

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)1. Type of Well: Oil Well ☐ Gas Well ☒ Other

2. Name of Operator

Chesapeake Operating, Inc.

3. Address of Operator

P. O. Box 11050
Midland, TX 79702-8050

4. Well Location

Unit Letter X / P : 660 feet from the South line and 990 feet from the East line
Section 4 Township 21S Range 35E NMPM County Lea11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3621Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type Drilling Depth to Groundwater 150 Distance from nearest fresh water well 1000 Distance from nearest surface water 1000

Pit Liner Thickness: 12 mil Below-Grade Tank: Volume 12139 bbls; Construction Material

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐OTHER: Close Pit ☒OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Chesapeake plans to close the drilling pit for this well according to current NMOCD guidelines Section B3b.

(320 AC. 5/2)

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE

Brenda Coffman

TITLE Regulatory Analyst

DATE 03/10/2005

Type or print name Brenda Coffman

E-mail address: bcoffman@chmenergy.com

Telephone No. (432)687-2992

For State Use Only

APPROVED BY:

[Signature]

TITLE

PETROLEUM

MAR 11 2005

Conditions of Approval (if any):

Submit 3 Copies To Appropriate District
Office

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Ave., Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM
87505State of New Mexico
Energy, Minerals and Natural ResourcesOIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103

May 27, 2004

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-025-37129
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Chesapeake Operating, Inc.		6. State Oil & Gas Lease No.
3. Address of Operator P. O. Box 11050 Midland, TX 79702-8050		7. Lease Name or Unit Agreement Name KF 4 State
4. Well Location Unit Letter X / P : 660 feet from the South line and 990 feet from the East line Section 4 Township 21S Range 35E NMPM County Lea		8. Well Number 001
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3621		9. OGRID Number 147179 82200
Pit or Below-grade Tank Application <input checked="" type="checkbox"/> or Closure <input type="checkbox"/>		10. Pool name or Wildcat Osuda, & Morrow, South (gas)
Pit type <u>Drilling</u> Depth to Groundwater <u>150</u> Distance from nearest fresh water well <u>1000</u> Distance from nearest surface water <u>1000</u>		
Pit Liner Thickness: <u>12</u> mil Below-Grade Tank: Volume <u>12139</u> bbls; Construction Material		

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐OTHER: Close Pit ☒OTHER: ☐

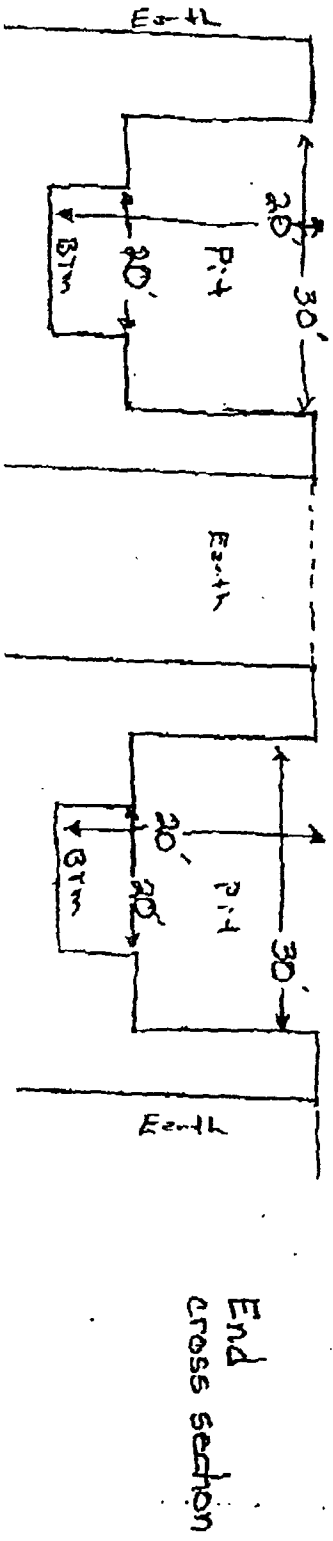
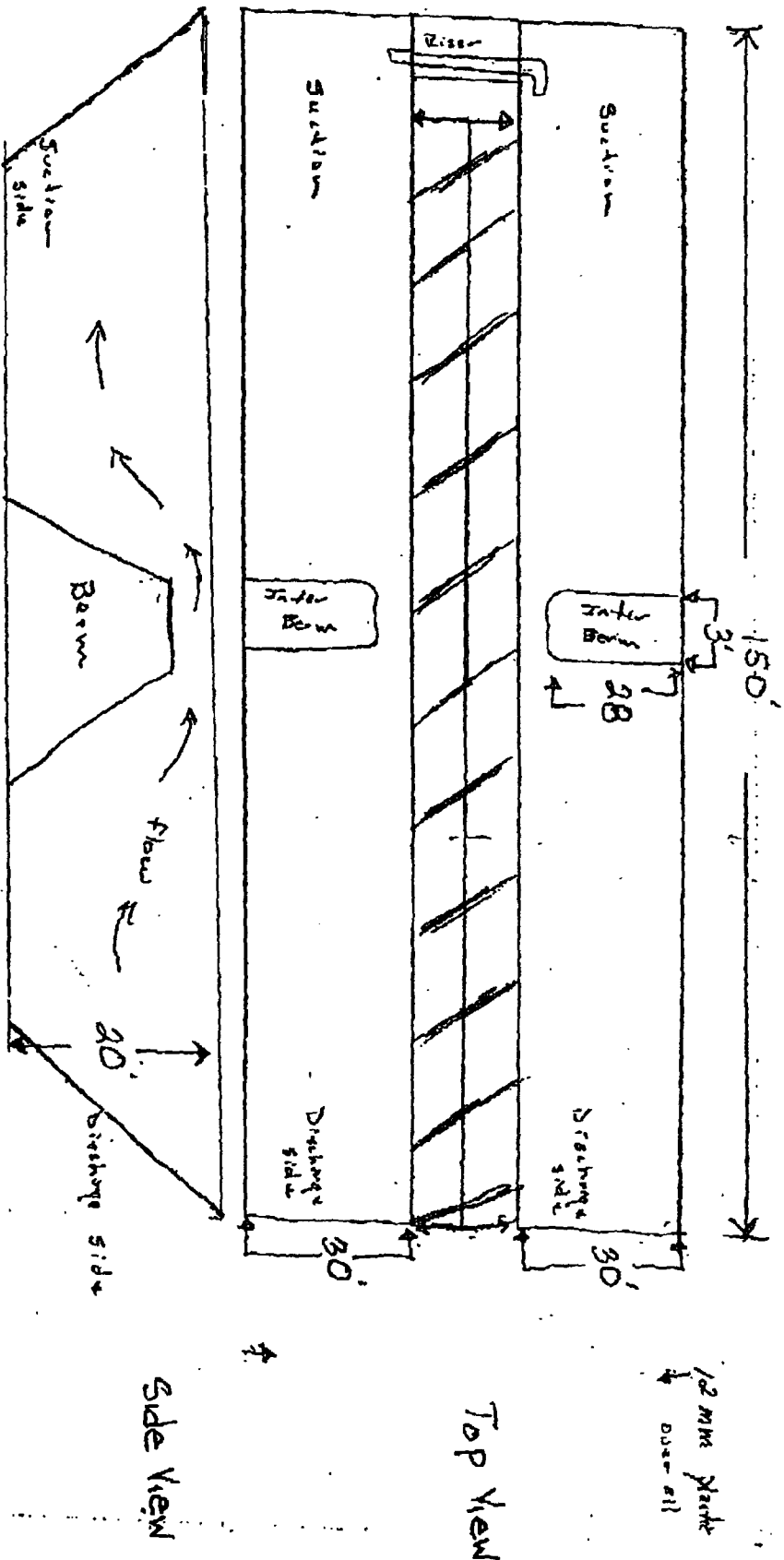
13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Chesapeake plans to close the drilling pit for this well according to current NMOCD guidelines Section B3b.

(320 AC. 5/2)

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒ a general permit ☐ or an (attached) alternative OCD-approved plan ☐.SIGNATURE Brenda Coffman TITLE Regulatory Analyst DATE 03/10/2005Type or print name Brenda Coffman
For State Use OnlyE-mail address: bcoffman@midenergy.com Telephone No. (432)687-2992APPROVED BY: [Signature] TITLE PETROLEUM ENGINEER DATE MAR 11 2005
Conditions of Approval (if any):Stipulated Exhibit 6
NMOCD Case Nos. 13492 / 13493

Chesapeake Energy Double Pit Guideline 3A



$30' \times 140' = 75600 \text{ ft}^3 \div 5.614 = 13464.8 \text{ bbls} \times 2 = 26929.7 \text{ bbls}$, with 18' of fluid cuttings in pits.
 $30' \times 140' = 90000 \text{ ft}^3 \div 5.614 = 16029.6 \text{ bbls} \times 2 = 32059.2 \text{ bbls}$ with 20'

Submit 3 Copies To Appropriate District Office

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Ave., Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103

May 27, 2004

WELL API NO.	30-025-37129
5. Indicate Type of Lease	STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.	

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		7. Lease Name or Unit Agreement Name KF 4 State
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		8. Well Number 001
2. Name of Operator Chesapeake Operating, Inc.		9. OGRID Number 147179
3. Address of Operator P. O. Box 11050 Midland, TX 79702-8050		10. Pool name or Wildcat Osudo;Morrow,South (Gas)
4. Well Location Unit Letter <u>X</u> : <u>660</u> feet from the <u>South</u> line and <u>990</u> feet from the <u>East</u> line Section <u>4</u> Township <u>21S</u> Range <u>35E</u> NMPM County <u>Lea</u>		
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3621 GR		
Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/>		
Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____		
Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____		

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☒ P AND A ☐
CASING/CEMENT JOB ☒

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

4-27-05 Spud 17 1/2" surface hole @ 10:30 p.m.

4-29-05 Ran 10 jts. 13 3/8" 48# H-40 STC csg. set @ 4:48. Cmt'd w/240 sx Premium Plus + additives; tail in w/225 sx Premium Plus + additives. Cmt. Circulated to ground surface. WOC 24 hrs.

4-30-05 Tested to 1000# - OK.



I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOC guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Brenda Coffman

TITLE Regulatory Analyst

DATE 05/02/2005

Type or print name Brenda Coffman

E-mail address: bcoffman@chkenergy.com

Telephone No. (432)687-2992

For State Use Only

APPROVED BY: [Signature]

TITLE

PETROLEUM ENGINEER

DATE MAY 16 2005

Conditions of Approval (if any):

of Approval
(47) Form C-140 Application For Qualification of Well Workover Project and Certification of Approval

[1-1-50...2-1-96; 19.15.13.1100 NMAC - Rn, 19 NMAC 15.M.1100, 06/30/04]

19.15.13.1101 APPLICATION FOR PERMIT TO DRILL, DEEPEN OR PLUG BACK (Form C-101):

A. Before commencing drilling or deepening operations, or before plugging a well back to another zone, the operator of the well must obtain a permit to do so. To obtain such permit, the operator shall submit to the division five copies of form C-101, application for permit to drill, deepen or plug back, completely filled out. If the operator has an approved bond in accordance with 19.15.3.101 NMAC, one copy of the drilling permit will be returned to him on which will be noted the division's approval, with any modification deemed advisable. If the proposal cannot be approved for any reason, the forms C-101 will be returned with the cause for rejection stated thereon.

B. Form C-101 must be accompanied by three copies of form C-102, well location and acreage dedication plat. (See 19.15.13.1102 NMAC.)

C. If the well is to be drilled on state land, submit six copies of form C-101 and four copies of form C-102, the extra copy of each form being for the state land office.

[1-1-64...2-1-96; 19.15.13.1101 NMAC - Rn, 19 NMAC 15.M.1101, 06/30/04]

19.15.13.1102 WELL LOCATION AND ACREAGE DEDICATION PLAT (Form C-102):

A. Form C-102 is a dual purpose form used to show the exact location of the well and the acreage dedicated thereto. The form is also used to show the ownership and status of each lease contained within the dedicated acreage. When there is more than one working interest or royalty owner on a given lease, designation of the majority owner et al. will be sufficient.

B. All information required on form C-102 shall be filled out and certified by the operator of the well except the well location on the plat. This is to be plotted from the outer boundaries of the section and certified by a professional surveyor, registered in the state of New Mexico, or surveyor approved by the division.

C. Form C-102 shall be submitted in triplicate or quadruplicate as provided in 19.15.13.1101 NMAC.

D. Amended form C-102 (in triplicate or quadruplicate) shall be filed in the event there is a change in any of the information previously submitted. The well location need not be certified when filing amended form C-102.

[1-1-65...2-1-96; 19.15.13.1102 NMAC - Rn, 19 NMAC 15.M.1102, 06/30/04]

19.15.13.1103 SUNDRY NOTICES AND REPORTS ON WELLS (Form C-103):

Form C-103 is a dual purpose form to be filed with the appropriate district office of the division to obtain division approval prior to commencing certain operations and also to report various completed operations.

A. Form C-103 as a notice of intention

(1) Form C-103 shall be filed in triplicate by the operator and approval obtain from the division prior to:

(a) Effecting a change of plans from those previously approved on form C-101 or form C-103.

(b) Altering a drilling well's casing program or pulling casing or otherwise altering an existing well's casing installation.

(c) Temporarily abandoning a well.

(d) Plugging and abandoning a well.

(e) Performing remedial work on a well which, when completed, will affect the original status of the well. (This shall include making new perforations in existing wells or squeezing old perforations in existing wells, but is not applicable to new wells in the process of being completed nor to old wells being deepened or plugged back to another zone when such recompletion has been authorized by an approved form C-101, application for permit to drill, deepen or plug back, nor to acidizing, fracturing or cleaning out previously completed wells, nor to installing artificial lift equipment.)

New Mexico Oil Conservation Division
C-102 Instructions

IF THIS IS AN AMENDED REPORT, CHECK THE BOX LABELED "AMENDED REPORT" AT THE TOP OF THIS DOCUMENT.

Surveyors shall use the latest United States government survey or dependent resurvey. Well locations will be in reference to the New Mexico Principal Meridian. If the land is not surveyed contact the appropriate OCD district office. Independent subdivision surveys will not be acceptable.

1. The OCD assigned API number for this well.
2. The pool code for this (proposed) completion.
3. The pool name for this (proposed) completion.
4. The property code for this (proposed) completion.
5. The property name (well name) for this (proposed) completion.
6. The well number for this (proposed) completion.
7. Operator's OGRID number.
8. The operator's name.
9. The ground level elevation of this well.
10. The surveyed surface location of this well measured from the section lines. NOTE: If the United States government survey designates a Lot Number for this location use that number in the 'UL or lot no.' box. Otherwise use the OCD unit letter.
11. Proposed bottom hole location. If this is a horizontal hole indicate the location of the end of the hole.
12. The calculated acreage dedicated to this completion to the nearest hundredth of an acre.
13. Put a Y if more than one completion will be sharing this same acreage or N if this is the only completion on this acreage.
14. If more than one lease of different ownership has been dedicated to the well show the consolidation code from the following table:

C	Communitization
U	Unitization
F	Forced pooling
O	Other
P	Consolidation pending

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION!

15. Write in the OCD order(s) approving a non-standard location, non-standard spacing, or directional or horizontal drilling.
16. This grid represents a standard section. You may superimpose a non-standard section over this grid. Outline the dedicated acreage and the separate leases within that dedicated acreage. Show the well surface location and bottom hole location, if it is directionally drilled, with the dimensions from the section lines in the cardinal directions. (Note: A legal location is determined from the perpendicular distance to the edge of the tract.) If this is a high angle or horizontal hole, show that portion of the well bore that is open within this pool.

Show all lots, lot numbers, and their respective acreage.

If more than one lease has been dedicated to this completion, outline each one and identify the ownership as to both working interest and royalty.
17. The signature, printed name, e-mail address, and title of the person authorized to make this report, and the date this document was signed.
18. The registered surveyors certification. This section does not have to be completed if this form has been previously accepted by the OCD and is being filed for a change of pool or dedicated acreage.

Stipulated Exhibit 8
NMOCD Case Nos. 13492 / 13493



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.nmstateclands.org

April 27, 2005

Mewbourne Oil Company
Post Office Box 7698
Tyler, Texas 75711

Attn: Allen Brinson

Re: Communitization Agreement Approval (Pennsylvanian)
Osudo 4 State Com Well No. 1
Lots 9, 10, 15, 16, and SE4, Section 4, Township 21 South, Range 35 East
Lea County, New Mexico

Dear Mr. Brinson:

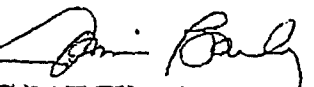
The Commissioner of Public Lands has this date approved the Osudo 4 State Com Well No. 1 Communitization Agreement for the Pennsylvanian formation for lots 9, 10, 15, 16, and SE4 of Section 4, Township 21 South, Range 35 East, Lea County, New Mexico.

The effective date of this approval is April 1, 2005 and the term of the agreement is for one year, and so long thereafter as communitized substances are produced from the communitized area in paying quantities. Enclosed are five Certificates of Approval.

If we may be of further service, please contact Jeff Albers at (505) 827-5759.

Sincerely,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director
Oil, Gas & Minerals Division
(505) 827-5744
PHL/JB/ja

Stipulated Exhibit 9

NMOCD Case Nos. 13492 / 13493

-State Land Office Beneficiaries-

Curie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM College of Arts & Sciences • Water Resources • Western New Mexico University

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

Meybourne Oil Company
Osado 4 State Comm Well No. 1
Lea County, New Mexico

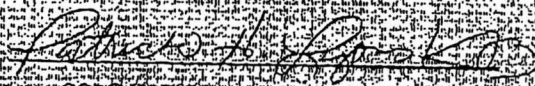
Lots 9, 10, 15, 16, and SE 4, Section 4, Township 21 South Range 35 East
Pennsylvanian

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination a Communitization Agreement for the development and operation of a certain well as provided within the referenced agreement, dated April 7, 2005, which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said agreement the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal annexed, this 27th day of April, 2005.


COMMISSIONER OF PUBLIC LANDS

of the State of New Mexico

COMMUNITIZATION AGREEMENT

STATE OF NEW MEXICO) KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF LEA)

THAT THIS AGREEMENT* is entered into as of the April 1, 2005, by and between the parties subscribing, ratifying or consenting hereto, such parties hereinafter being referred to as "Parties hereto";

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by the Legislature, as set forth in Sec. 19-10-53, New Mexico Statutes, Annotated, 1978, in the interest of conservation of oil & gas and the prevention of waste to consent to and approve the development or operation of State lands under agreements made by lessees of oil & gas leases thereon, jointly or severally with other oil & gas lessees of State Lands, or oil and gas lessees or mineral owners of privately owned or fee lands, for the purpose of pooling or communitizing such lands to form a proration unit or portion thereof, or well-spacing unit, pursuant to any order, rule or regulation of the New Mexico Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department where such agreement provides for the allocation of the production of oil or gas from such pools or communitized area on an acreage or other basis found by the Commissioner to be fair and equitable.

WHEREAS, the parties hereto, own working, royalty, or other leasehold interests or operating rights under the oil and gas leases and lands subject to this agreement, which leases are more particularly described in the schedule attached hereto, marked Exhibit "A" and made a part hereof, for all purposes; and

WHEREAS, said leases, insofar as they cover the Pennsylvanian formation (hereinafter referred to as "said formation") in and under the land hereinafter described cannot be independently developed and operated in conformity with the well spacing program established for such formation in and under said lands; and

WHEREAS, the parties hereto desire to communitize and pool their respective interests in said leases subject to this agreement for the purpose of developing, operating and producing hydrocarbons in the said formation in and under the land hereinafter described subject to the terms hereof.

NOW THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the undersigned as follows:

1. The lands covered by this agreement (hereinafter referred to as the "communitized area") are described as follows:

*This agreement not to be used for helium or carbon dioxide

Township 21 South, Range 35 East, N. M. P. M.

Section 4: Lots 9, 10, 15, 16 and SE/4

Lea County, New Mexico,

Containing 320.00 acres, more or less. It is the judgment of the parties hereto that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of hydrocarbons from the said formation in and under said land is necessary and advisable in order to properly develop and produce the hydrocarbons in the said formation beneath the said land in accordance with the well spacing rules of the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and in order to promote the conservation of the hydrocarbons in and that may be produced from said formation in and under said lands, and would be in the public interest;

AND, for the purposes aforesaid, the parties hereto do hereby communitize for proration or spacing purposes only the leases described in Exhibit "A" hereto insofar as they cover hydrocarbons within and that may be produced from the said formation (hereinafter referred to as "Communitized Substances") beneath the above-described land, into a single communitization, for the development, production, operation and conservation of the hydrocarbons in said formation beneath said lands.

Attached hereto and made a part of this agreement for all purposes, is Exhibit "A" showing the acreage, and ownership (Lessees of Record) of all leases within the communitized area.

- 2. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leases described in Exhibit "A" hereto in the proportion that the number of surface acres covered by each of such leases and included within the communitized area bears to the total number of acres contained in the communitized area.*
- 3. Subject to Paragraph 4, the royalties payable on communitized substances allocated to the individual leases and the rentals provided for in said leases shall be determined and paid in the manner and on the basis prescribed in each of said leases. Except as provided for under the terms and provisions of the leases described in Exhibit "A" hereto or as herein provided to the contrary, the payment of rentals under the terms of said leases shall not be affected by this agreement; and except as herein modified and changed or heretofore amended, the oil and gas leases subject to this agreement shall remain in full force and effect as originally issued and amended.*
- 4. The State of New Mexico hereafter is entitled to the right to take in kind its share for the communitized substances allocated to such tract, and Operator shall make deliveries of such royalty share taken in kind in conformity with applicable contracts, laws, and regulations.*

**This agreement not to be used for helium or carbon dioxide*

5. *There shall be no obligation upon the parties hereto to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the Operator be required to measure separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area; provided, however, that the parties hereto shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area.*
6. *The commencement, completion, and continued operation or production of a well or wells for communitized substances on the communitized area shall be considered as the commencement, completion, continued operation or production as to each of the leases described in Exhibit "A" hereto.*
7. *The production of communitized substances and disposal thereof shall be in conformity with the allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State laws. This agreement shall be subject to all applicable Federal and State laws, executive orders, rules and regulations affecting the performance of the provisions hereof, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if compliance is prevented by or if such failure results from compliance with any such laws, orders, rules and regulations.*
8. *Mewbourne Oil Company shall be the Operator of said communitized area and all matters of operation shall be determined and performed by Mewbourne Oil Company.*
9. *This agreement shall be effective as of the date hereinabove written upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public Lands, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced from the communitized area in paying quantities; provided, that this agreement shall not expire if there is a well capable of producing gas in paying quantities located upon some part of the communitized area, if such a well is shut-in due to the inability of the operator to obtain a pipeline connection or to market the gas therefrom, and if either: (a) a shut-in royalty has been timely and properly paid pursuant to the provisions of one of the State of New Mexico oil and gas leases covering lands subject to this agreement so as to prevent the expiration of such lease; or (b) each of the State of New Mexico oil and gas leases covering lands subject to this agreement is in its primary term (if a five-year lease), or in its primary or secondary term (if a ten-year lease), or is held by production from another well. Provided further, however, that prior to production in paying quantities from the communitized area, and upon fulfillment of all requirements of the Commissioner of Public Lands with respect to any dry hole or abandoned well drilled upon the communitized area, this Agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production of communitized substances if,*

*This agreement not to be used for helium or carbon dioxide

within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence. As to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.

10. *Operator will furnish the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and the Commissioner of Public Lands of the State of New Mexico, with any and all reports, statements, notices and well logs and records which may be required under the laws and regulations of the State of New Mexico.*
11. *It is agreed between the parties hereto that the Commissioner of Public Lands, or his duly authorized representatives, shall have the right of supervision over all operations under the communitized area to the same extent and degree as provided in the oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State of New Mexico.*
12. *If any order of the Oil Conservation Division of the New Mexico Energy Minerals and Natural Resources Department, upon which this agreement is predicated or based is in anyway changed or modified, then in such event said agreement is likewise modified to conform thereto.*
13. *This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instruments, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.*
14. *This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.*

*This agreement not to be used for helium or carbon dioxide

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

OPERATOR: Mewbourne Oil Company

By: 

James Allen Brinson
Attorney In Fact

LESSEES OF RECORD: Samson Resources Company

By: 

Marlin R. Garrett
Vice President

Kaiser-Francis Oil Company

By: _____

By: _____

*This agreement not to be used for helium or carbon dioxide

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

OPERATOR: Mewbourne Oil Company

By: _____
James Allen Brinson
Attorney In Fact

LESSEES OF RECORD: Samson Resources Company

By: _____

Kaiser-Francis Oil Company

By: Wayne A. Fields
WAYNE A. FIELDS
ATTORNEY-IN-FACT

By: _____

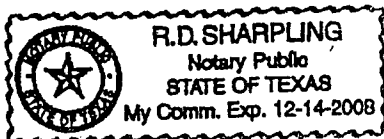
*This agreement not to be used for helium or carbon dioxide

STATE OF TEXAS)
COUNTY OF SMITH)ss

The foregoing instrument was acknowledged before me this 20th day of April, 2005 by James Allen Brinson, as Attorney in Fact for Mewbourne Oil Company, a Delaware Corporation, on behalf of said corporation.

R. A. Sharpling
Notary Public

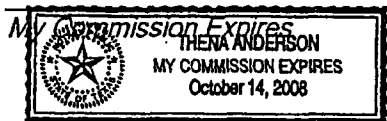
My Commission Expires



STATE OF Texas)
COUNTY OF Midland)ss

The foregoing instrument was acknowledged before me this 12th day of April, 2005 by Marlin R. Barrett, as Vice President of/for Jansen Resources Company, on behalf of said corporation.

Thena Anderson
Notary Public



STATE OF _____)
COUNTY OF _____)ss

The foregoing instrument was acknowledged before me this _____ day of _____, 2005 by _____, as _____ of/for _____, on behalf of said _____.

My Commission Expires

Notary Public

*This agreement not to be used for helium or carbon dioxide
6

STATE OF _____)
)ss
COUNTY OF _____)

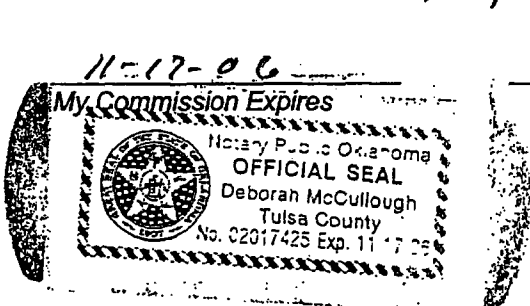
The foregoing instrument was acknowledged before me this _____ day of _____, 2005 by James Allen Brinson, as Attorney in Fact for Mewbourne Oil Company, a Delaware Corporation, on behalf of said corporation.

My Commission Expires _____

Notary Public

STATE OF Oklahoma)
)ss
COUNTY OF Tulsa)

The foregoing instrument was acknowledged before me this 4th day of April, 2005 by Wayne A. Fields, as Attorney-in-Fact of/for Kaiser-Francis Oil Company, on behalf of said Corporation.



Deborah McCullough
Notary Public

STATE OF _____)
)ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2005 by _____, as _____ of/for _____, on behalf of said _____.

My Commission Expires _____

Notary Public

*This agreement not to be used for helium or carbon dioxide

RECAPITULATION

TRACT NO.	NO. OF ACRES COMMITTED	PERCENTAGE OF INTEREST IN COMMUNITIZED AREA
Lease No. 1	160.00	50%
Lease No. 2	160.00	50%
	<u>320.0</u>	<u>100%</u>

05969

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

MAY 13 2005

at 10:39 o'clock A M
and recorded in Book _____

Page _____

Melinda Hughes, Lea County Clerk
By [Signature] Deputy



*This agreement not to be used for helium or carbon dioxide
8

KELLAHIN & KELLAHIN
Attorney at Law

W. Thomas Kellahin
Recognized Specialist in the Area of
Natural Resources-oil and gas law-
New Mexico Board of Legal Specialization

P.O. Box 2265
Santa Fe, New Mexico 87504
117 North Guadalupe
Santa Fe, New Mexico 87501

Telephone 505-982-4285
Facsimile 505-982-2047
kellahin@earthlink.net

April 26, 2005

HAND DELIVERED

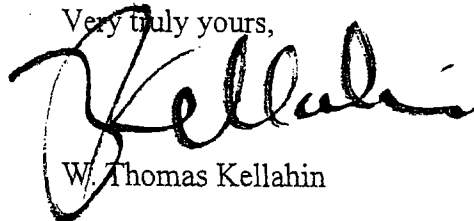
Mr. Mark E. Fesmire, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: KF "4" State Well No. 1 (API #30-025-37129)
Location: Unit X
Dedication: S/2 of Irregular Section 4, T21S, R35E
Application of Chesapeake Permian, L.P.
for compulsory pooling,
Lea County, New Mexico

Dear Mr. Fesmire:

On behalf of Chesapeake Permian, L.P., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for May 19, 2005. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Lynda Townsend

Stipulated Exhibit 10
NMOCD Case Nos. 13492 / 13493

BEFORE THE
OIL CONSERVATION DIVISION
Case # 13492&13493 Exhibit No. ____
Submitted By:
Chesapeake Inc.
Hearing Date: August 22, 2005
BEFORE THE

2005 APR 26 PM 1 43

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF CHESAPEAKE PERMIAN, L.P.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO.

APPLICATION

CHESAPEAKE PERMIAN, L.P. ("Chesapeake") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the S/2 of Irregular Section 4, T21S, R35E, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any production for any and all formations/pools developed on 320-acre gas spacing within that vertical extent, including but not limited to the South Osudo Morrow Pool. This unit is to be dedicated to its KF 4 State Well No. 1 (API#30-025-37129) that is being drilled at a standard well location in Unit X of this section. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Chesapeake Operating, Inc. as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well.

In support of its application Chesapeake states:

- (1) Chesapeake is the current lessee of State of New Mexico Oil & Gas Lease #VO-7063-1, effective May 1, 2004, covering the SW/4 of Irregular Section 4.
- (2) The SE/4 of this section is subject to a State of New Mexico Oil & Gas Lease #B1481, effective December 19, 1932 that as of March 9, 2005 the working interest owners were: Kaiser Francis Oil Company with 43.75% interest and Samson Resources Company with 6.25% interest.
- (3) On March 9, 2005, Chesapeake, by letter including an AFE, proposed the drilling of its KF State 4 Well No. 1 for an estimated completed well costs of \$2,012,000.00 to be dedicated to a standard 320-acre gas spacing unit consisting of the S/2 of this irregular section to both Kaiser Francis Oil Company and Samson Resources Company.

- (4) On March 10, 2005 Chesapeake staked the subject well and on March 11, 2005, obtained Division approval of Chesapeake's application for permit to drill ("APD")
- (5) By letter dated March 16, 2005, Samson Resources Company, on its behalf and for all its related affiliates including Geodyne Nominee Corporation, **elected to participate** in Chesapeake's proposed well and spacing unit.
- (6) By letter dated March 30, 2005, Samson Resources Company **attempted to rescind** its March 16, 2005 election to participate contending that there was no JOA between the parties despite the fact that Chesapeake well proposal was not made pursuant to any JOA.
- (7) The validity of Samson Resources Company attempt to rescind its election is disputed by Chesapeake.
- (8) By letter dated April 4, 2005, Chesapeake sent its Joint Operating Agreement ("JOA") to Samson Resources Company and to Kaiser Francis Oil Company.
- (9) By letter dated April 5, 2005, Samson Resources Company, still assuming that it could rescind its prior election to participate, acknowledge receipt of Chesapeake's JOA and advised that its would not sign it.
- (10) On April 5, 2005, Jim Wakefield, on behalf of Kaiser Francis Oil Company, informed Chesapeake that he owed Mewbourne Oil Company and "big favor" and was assigning it what amounted to 7.1875% interest the SE/4 and therefore decline to participate in Chesapeake's proposal.
- (11) By its actions, Kaiser Francis Oil Company has apparently conspired with Mewbourne Oil Company in an attempt to avoid Chesapeake proposal for its well and spacing unit.
- (12) Because of Kaiser Francis Oil Company action, Chesapeake has concluded that it will be unable to reach a voluntary agreement with Kaiser Francis Oil Company.

- (13) As an alternative to litigation whether Samson Resources Company has validly rescinded its prior election to participate, Chesapeake seeks to have Samson Resources Company interest pooled by the Division.
- (14) Neither Kaiser Francis Oil Company nor Mewbourne Oil Company has provided Chesapeake with any document concerning any transfer of interest or if there are any such documents of record as of the date this application was filed.
- (15) But in the event that Mewbourne Oil Company may have an interest in the SE4 of this section, then Chesapeake seeks any order that pooled all interests in the SE/4 of this section including any held by Mewbourne Oil Company.
- (16) Pursuant to Commission Order R-11992, effective August 15, 2003, Chesapeake requests that the 200% risk charge be applied.
- (17) Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Chesapeake needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.
- (18) In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for May 19, 2005.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on May 19, 2005 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

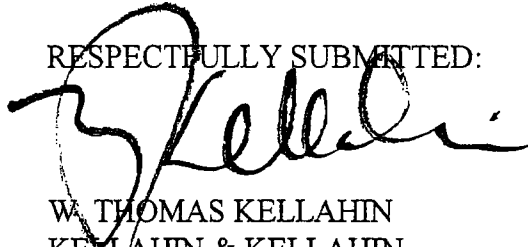
- (1) Chesapeake Operating, Inc. be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of re-entering, completing, equipping and operating the well;

(3) In the event a mineral interest or working interest owner fails to elect to participate, then provisions to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;

(4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS

(5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name and address.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN

P. O. Box 2265

Santa Fe, New Mexico 87504

Telephone: (505) 982-4285

Fax: (505) 982-2047

EXHIBIT "A"

Kaiser Francis Oil Company
P. O. Box 21468
Tulsa, Oklahoma 74121-1468
Attn: Jim Wakefield

Samson Resources Company
2 W. 2nd Street
Tulsa, Oklahoma 74103
Attn: Mono Ables

Mewbourne Oil Company
500 West Texas, Suite 1020
Midland, Texas 79707

CASE____: Application of Chesapeake Permian, L.P. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the S/2 of Irregular Section 4, T21S, R35E, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any production for any and all formations/pools developed on 320-acre gas spacing within that vertical extent, including but not limited to the South Osudo Morrow Pool. This unit is to be dedicated to its KF 4 State Well No. 1 (API #30-025-37129) that is being drilled at a standard well location in Unit X of this section. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Chesapeake Operating, Inc. as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well. This unit is located approximately 6 miles west from Oil Center, New Mexico.



Lynda F. Townsend, CPL/ESA
Senior Landman

March 9, 2005

VIA FACSIMILE (918) 591-1796
& EXPRESS MAIL

Ms. Mona Ables
Samson Resources Company
2 W. 2nd St.
Tulsa, OK 74103

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

Dear Sir or Madam:

Chesapeake Operating, Inc., on behalf of Chesapeake Permian, LP ("Chesapeake"), hereby proposes to drill the KF State 4 #1 well to an approximate depth of 12,100', or a depth sufficient to test the Morrow Formation and all other potentially productive formations encountered in the captioned well.

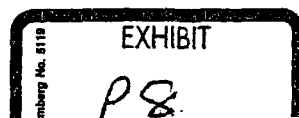
Please indicate the option of Samson Resources Company's ("Samson") choice below, sign and return this letter by facsimile, if available, to our office at (405) 767-4251, followed by a hard copy in the mail. If Samson elects to participate in the proposed operation, please also execute and return the enclosed AFE along with a check in the amount of \$76,812.50 (6.250000% WI X \$1,229,000.00), which represents Samson's share of the AFE dry hole costs. Please also include a Well Requirement Sheet containing a contact name, facsimile number and e-mail address, if available, to insure receipt of well information.

As an alternative to the above, Chesapeake would be interested in purchasing Samson's interest, including any producing well bores, subject to the negotiation of a mutually agreeable price and terms. If Samson is interested in pursuing this alternative, please so indicate in the space provided below and/or contact the undersigned. We will immediately forward this information to our Acquisitions and Divestitures Department for follow up. However, please be advised that entering into negotiations to sell Samson's interest does not excuse or allow Samson to delay the required election under this well proposal.

Chesapeake Energy Corporation
6100 N. Western Ave. • Oklahoma City, OK 73118 • P.O. Box 13496 • Oklahoma City, OK 73154-0496
405.879.0414 • Fax 405.767.4251 • lyndat@chesapeakeenergy.com

24 • RCVD AT 3/11/2005 2:00:59 PM [Central Standard Time] • SVL-FAXSRVR • DMS:7156 • CSD:Samson • DURATION (mm:ss):00:00

Stipulated Exhibit 11
NMOCD Case Nos. 13492 / 13493



Ms. Mona Ables

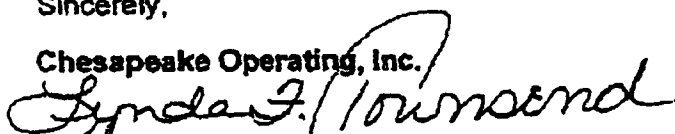
March 9, 2005

Page 2 of 2

Your early attention and response to this proposal will be greatly appreciated. Should you have any questions, please contact the undersigned.

Sincerely,

Chesapeake Operating, Inc.


Lynda F. Townsend

☒ Samson Resources Company hereby elects to participate in the KF State 4 #1.

☐ Samson Resources Company hereby elects not to participate in the KF State 4 #1.

SAMSON RESOURCES COMPANY

By: Marlin R. Garrett

Name: Marlin R. Garrett

Title: Vice President

Date: 3/22/05

 Samson Resources Company is interested in selling its interest in this unit including any producing well bores. Please contact me to discuss.

CHESAPEAKE OPERATING, INC.

Project Area: Future New Market Well Name: 10 Mile 4 01 Location: Chesapeake Operating, Inc. APC #: 100002 Spending Unit: 53 Section 4315-30E			AUTHORIZATION FOR EXPENDITURE		County, State Date: Total Budget Proposed Property P:	Loc, New Market 2/12/05 12,107 Master 01/04/05
CODE	NTANOMBLE COSTS	WORK DESCRIPTION	Qty	Unit P	PRODUCER	
223400	Location	Roads, Location, P&S			\$40,000.00	\$40,000.00
223401		Design			\$12,000.00	\$12,000.00
223402		Geological/Physical			\$0.00	\$0.00
223403		Seismic Core			\$0.00	\$0.00
223404		Acquisition			\$0.00	\$0.00
223405		Top Drive			\$0.00	\$0.00
223406	Using	Positive Construction			\$0.00	\$0.00
223407		Permit			\$0.00	\$0.00
223408		Drilling Contractor: 2100 days @ \$1200 per day			\$252,000.00	\$252,000.00
223409		Directional Services			\$0.00	\$0.00
223410		Pre-Mobilization/Decontamination			\$100,000.00	\$100,000.00
223411		Contract Labor			\$0.00	\$0.00
223412		Site			\$1,000.00	\$1,000.00
223413		Supply and Utilize			\$0.00	\$0.00
223414		Contract Construction			\$0.00	\$0.00
223415		Contract Information Costing			\$0.00	\$0.00
223416		Contract Production Control			\$0.00	\$0.00
223417		Contract Drilling Unit			\$0.00	\$0.00
223418		Contract Production Unit			\$0.00	\$0.00
223419		Well Logging			\$14,000.00	\$14,000.00
223420		Drilling Fluids, Mud, Chem.			\$0.00	\$0.00
223421		Well Drilling Inspector			\$0.00	\$0.00
223422		Open Hole Logging			\$0.00	\$0.00
223423		Plasma			\$0.00	\$0.00
223424		Geological/Physical Equipment			\$0.00	\$0.00
223425		Contract Unit			\$0.00	\$0.00
223426	Completion	Coiled Tube Services/Perforating			\$0.00	\$0.00
223427		Well			\$0.00	\$0.00
223428		Production Stimulation			\$0.00	\$0.00
223429		Surface Equipment Rental			\$0.00	\$0.00
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Centennial Tower
200 N. Lorraine, Suite 1010
Midland, TX 79701
USA
432/683-7063
Fax 432/683-6847

March 30, 2005

Chesapeake Permian, L. P.
Attn. Lynda F. Townsend
P. O. Box 18496
Oklahoma City, OK 73154-0496

VIA Facsimile 405-767-4251

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

Gentlemen:

Reference is made to Samson Resources Company's letter of March 16, 2005 in response to your letter dated March 9, 2005. Upon reviewing Samson's records we have determined that there is actually no JOA between the parties which would support an election for this well. In addition, the timeframe for the purported election has not yet expired. **Accordingly, please be advised the Samson hereby rescinds and revokes its invalid election to participate in Chesapeake's proposed KF State 4#1 well.**

If you have any questions please call me at 432-686-6312.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. C. Reece', with a long horizontal line extending to the right.

Tim C. Reece
Senior Landman

TCR:

CHK 000145



Centennial Tower
200 N. Lorraine, Suite 1010
Midland, TX 79701
USA
432/683-7063
Fax 432/683-6847

March 30, 2005

Chesapeake Permian, L. P.
Attn. Lynda F. Townsend
P. O. Box 18496
Oklahoma City, OK 73154-0496

VIA Facsimile 405-767-4251


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

Gentlemen:

Reference is made to Samson Resources Company's letter of March 16, 2005 in response to your letter dated March 9, 2005. Upon reviewing Samson's records we have determined that there is actually no JOA between the parties which would support an election for this well. In addition, the timeframe for the purported election has not yet expired. **Accordingly, please be advised the Samson hereby rescinds and revokes its invalid election to participate in Chesapeake's proposed KF State 4#1 well.**

If you have any questions please call me at 432-686-6312.

Sincerely,


Tim C. Reece
Senior Landman

TCR:

CHK 000145



Centennial Tower
200 N. Lorraine, Suite 1010
Midland, TX 79701
USA

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Chesapeake Permian, L. P.
Attn: Lynda F. Townsend
P. O. Box 18496
Oklahoma City, OK 73154-0496



Stipulated Exhibit 13
NMOCD Case Nos. 13492 / 13493

OIL CONSERVATION DIVISION
Case # 13492&13493 Exhibit No. __
Submitted By:
Chesapeake Inc.
Hearing Date: August 22, 2005

CHK 000146

CHK 000166



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

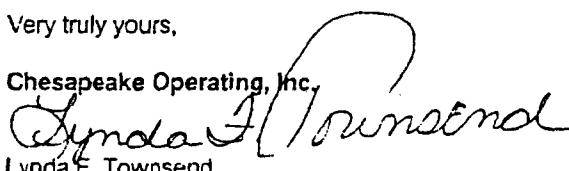
Dear Mr. Wakefield:

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:\Ferment\Operated Well\KF State 4 #1\UCA\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@chkeenergy.com

Stipulated Exhibit 13
NMOCD Case Nos. 13492 / 13493

BEFORE THE
OIL CONSERVATION DIVISION
Case # 13492&13493 Exhibit No. ___
Submitted By:
Chesapeake Inc.
Hearing Date: August 22, 2005

CHK 000166

4/4/05

CUSTOMER ID (IF NECESSARY) Wakefield, Jim

COMPANY NAME Mr. Jim Wakefield

ATTENTION Kaiser Francis Oil Company

ADDRESS (STREET ADDRESS ONLY - NO P.O. BOX)

6733 South Yale Avenue

CITY Tulsa STATE OK ZIP 74136

PHONE # (918) 491-4510 RESIDENTIAL DELIVERY Y N

SERVICE TYPE (PLEASE CHECK ONE)

DOMESTIC SERVICES:

☒ NEXT BUSINESS DAY BY 10:30 AM
☐ NEXT BUSINESS DAY BY END OF DAY
☐ NEXT BUSINESS DAY **BY 8 AM**
 ADD'L \$25.00 CHARGE
☐ TWO DAY DELIVERY - AM
☐ TWO DAY DELIVERY - PM
☐ UPS GROUND (3-5 DAY)
☐ *SATURDAY DELIVERY*
 ADDITIONAL \$10.00 CHARGE
☐ USPS EXPRESS MAIL (P.O. BOX ONLY)
\$ ☐ INSURANCE (IF VALUE EXCEEDS \$100)

INTERNATIONAL SERVICES:

☐ WORLDWIDE EXPRESS PLUS **BY 8:30 AM NEXT DAY**
 TO CANADA - ADD'L \$40.00 CHARGE
☐ WORLDWIDE EXPRESS BY 10:30 AM NEXT DAY
☐ WORLDWIDE EXPEDITED WITHIN 3 DAYS
☐ STANDARD GROUND ECONOMY
☐ *SATURDAY DELIVERY*
 ADDITIONAL \$10.00 CHARGE
☐ USPS EXPRESS MAIL (P.O. BOX ONLY)
\$ ☐ INSURANCE (IF VALUE EXCEEDS \$100)

IF YOU HAVE ANY QUESTIONS ABOUT DELIVERY SERVICES AND TIMES, PLEASE CONTACT THE MAILROOM FOR SPECIFICS

ALL SERVICE TYPES ARE SUBJECT TO AVAILABILITY
PER AREA OF DELIVERY

SENDER Sara Caldwell

APPROVED BY Synda A Townsend

CONTENTS: KF State 4 #1 JOA

CHK 000167



Lynda F. Townsend, CPL/ESA
Senior Landman

April 4, 2005

VIA UNITED PARCEL SERVICE

Mr. Tim Reece
Samson Resources Company
Centennial Tower
200 N Loraine, Suite 1010
Midland, TX 79701

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

Dear Mr. Reece:

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\JOA\Transmittal Letters.doc

Chesapeake Energy Corporation
6100 N. Western Ave. • Oklahoma City, OK 73116 • P.O. Box 18496 • Oklahoma City, OK 73154-0496
405.879.9414 • fax 405.767.4251 • ltownsend@chkenergy.com

CHK 000168

4/4/05

CUSTOMER ID (IF NECESSARY) Reece, Tim

COMPANY NAME Mr. Tim Reece

ATTENTION Samson Resources Company

ADDRESS (STREET ADDRESS ONLY - NO P.O. BOX)

200 N Loralne, Suite 1010

CITY Midland STATE TX ZIP 79701

PHONE # (432) 686-6312 RESIDENTIAL DELIVERY Y N

SERVICE TYPE (PLEASE CHECK ONE)

DOMESTIC SERVICES:

☒ NEXT BUSINESS DAY BY 10:30 AM
☐ NEXT BUSINESS DAY BY END OF DAY
☐ NEXT BUSINESS DAY **BY 8 AM**
☐ **ADD'L \$25.00 CHARGE**
☐ TWO DAY DELIVERY - AM
☐ TWO DAY DELIVERY - PM
☐ UPS GROUND (3-5 DAY)
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PER AREA OF DELIVERY

SENDER Sara Caldwell

APPROVED BY *Sydney J. Townsend*

CONTENTS: KF State 4 #1 JOA

CHK 000169

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

CHK 000176

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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between Chesapeake Exploration Limited Partnership, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators".

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided,

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

- A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.
- B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.
- C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.
- D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".
- E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.
- F. The term "drill site" shall mean the oil and gas lease or interest on which a proposed well is to be located.
- G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.
- H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

- ☒ A. Exhibit "A", shall include the following information:
 - (1) Identification of lands subject to this agreement,
 - (2) Restrictions, if any, as to depths, formations, or substances,
 - (3) Percentages or fractional interests of parties to this agreement,
 - (4) ~~Oil and gas leases and/or oil and gas interests subject to this agreement,~~
 - (5) Addresses of parties for notice purposes.
- ☐ B. ~~Exhibit "B", Form of Lease.~~
- ☒ C. Exhibit "C", Accounting Procedure.
- ☒ D. Exhibit "D", Insurance.
- ☒ E. Exhibit "E", Gas Balancing Agreement.
- ☒ F. ~~Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.~~ Memorandum of Operating Agreement.
- ☐ G. ~~Exhibit "G", Tax Partnership.~~

If any provision of any exhibit, except Exhibits "E" and "G", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an oil and gas interest in the Contract Area, that interest shall be treated for all purposes of this agreement and during the term hereof as if it were covered by the form of oil and gas lease attached hereto as Exhibit "B", and the owner thereof shall be deemed to own both the royalty interest reserved in such lease and the interest of the lessee thereunder.

B. Interests of Parties in Costs and Production:

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their interests are set forth in Exhibit "A". In the same manner, the parties shall also own all production of oil and gas from the Contract Area subject to the payment of royalties / to the extent of _____ as provided by law. _____ which shall be borne as hereinafter set forth.

~~Regardless of which party has contributed the lease(s) and/or oil and gas interest(s) hereto on which royalty is due and payable, each party entitled to receive a share of production of oil and gas from the Contract Area shall bear and shall pay or deliver, or cause to be paid or delivered, to the extent of its interest in such production, the royalty amount stipulated hereinabove and shall hold the other parties free from any liability therefor. No party shall ever be responsible, however, on a price basis higher than the price received by such party, to any other party's lesser or royalty owner, and if any such other party's lesser or royalty owner should demand and receive settlement on a higher price basis, the party contributing the affected lease shall bear the additional royalty burden attributable to such higher price.~~

Nothing contained in this Article III.B. shall be deemed an assignment or cross-assignment of interests covered hereby.

C. ~~Excess Royalties, Overriding Royalties and Other Payments:~~

~~Unless changed by other provisions, if the interest of any party in any lease covered hereby is subject to any royalty, overriding royalty, production payment or other burden on production in excess of the amount stipulated in Article III.B., such party so burdened shall assume and alone bear all such excess obligations and shall indemnify and hold the other parties hereto harmless from any and all claims and demands for payment asserted by owners of such excess burden.~~

D. Subsequently Created Interests:

If any party should hereafter create an overriding royalty, production payment or other burden payable out of production attributable to its working interest hereunder, or if such a burden existed prior to this agreement and is not set forth in Exhibit "A", or was not disclosed in writing to all other parties prior to the execution of this agreement by all parties, or is not a jointly acknowledged and accepted obligation of all parties / (any such interest being hereinafter referred to as "subsequently created interest" irrespective of the timing of its creation and the party out of whose working interest the subsequently created interest is derived being hereinafter referred to as "burdened party"), and:

1. If the burdened party is required under this agreement to assign or relinquish to any other party, or parties, all or a portion of its working interest and/or the production attributable thereto, said other party, or parties, shall receive said assignment and/or production free and clear of said subsequently created interest and the burdened party shall indemnify and save said other party, or parties, harmless from any and all claims and demands for payment asserted by owners of the subsequently created interest; and,
2. If the burdened party fails to pay, when due, its share of expenses chargeable hereunder, all provisions of Article VII.B. shall be enforceable against the subsequently created interest in the same manner as they are enforceable against the working interest of the burdened party.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the ~~contract lands,~~ ~~drill site of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and/or oil and gas interests included, or planned to be included, in the drilling unit around such well.~~ The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and/or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

- ☐ Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C", and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.

ARTICLE IV
continued

and lease brokers

1 ☒ Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys / for title examination
2 (including preliminary, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties
3 in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Ex-
4 hibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above
5 functions.

7 Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection
8 with leases or oil and gas interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling
9 designations or declarations as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders.
10 This shall not prevent any party from appearing on its own behalf at any such hearing. / Costs incurred by Operator in procuring
11 spacing and Pooling orders including fees paid outside attorneys shall be borne by the Drilling Parties.

12 No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above
13 provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to par-
14 ticipate in the drilling of the well.

B. Loss of Title:

19 1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a
20 reduction of interest from that shown on Exhibit "A", the party contributing the affected lease or interest shall have ninety (90) days
21 from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisi-
22 tion will not be subject to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining oil
23 and gas leases and interests; and,

24 (a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be
25 entitled to recover from Operator or the other parties any development or operating costs which it may have theretofore paid or incurred,
26 but there shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has

27 (b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has
28 been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has oc-
29 curred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract
30 Area by the amount of the interest lost;

31 (c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is
32 increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such in-
33 terest (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such
34 well;

35 (d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has
36 failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties
37 who bore the costs which are so refunded;

38 (e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be
39 borne by the party or parties whose title failed in the same proportions in which they shared in such prior production; and,

40 (f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest
41 claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in
42 connection therewith.

43 2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well
44 payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates,
45 there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required
46 payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment,
47 which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the
48 date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in
49 the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the
50 required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to
51 the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it
52 shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled
53 or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

54 (a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis,
55 up to the amount of unrecovered costs;

56 (b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of
57 oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease
58 termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said
59 portion of the oil and gas to be contributed by the other parties in proportion to their respective interest; and,

60 (c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest
61 lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

63 3. Other Losses: All losses / incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall be joint losses
64 and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of
65 the Contract Area.

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 corporate name or structure of Operator or transfer of Operator's interest to any ^{affiliate} 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.

ARTICLE VI
continued

1 If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the
2 well as a dry hole, the provisions of Article VI.E.1. shall thereafter apply.

6 B. Subsequent Operations:

8 1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided
9 for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all
10 the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the
11 other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation
12 and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice
13 within which to notify the party wishing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling
14 rig is on location, notice of a proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be
15 limited to forty-eight (48) hours, ^{inclusive} ~~exclusive~~ of Saturday, Sunday, and legal holidays. Failure of a party receiving such notice to reply within
16 the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or
17 response given by telephone shall be promptly confirmed in writing.

21 If all parties elect to participate in such a proposed operation, Operator shall, within ninety (90) days after expiration of the notice
22 period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is on loca-
23 tion, as the case may be), actually commence the proposed operation * and complete it with due diligence at the risk and expense of all par-
24 ties hereto; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties,
25 for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain
26 permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title ex-
27 amination or curative matter required for title approval or acceptance. Notwithstanding the force majeure provisions of Article XI, if the
28 actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein) and
29 if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accor-
30 dance with the provisions hereof as if no prior proposal had been made.

34 2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VII.D.1. (Option
35 No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties
36 giving the notice and such other parties as shall elect to participate in the operation shall, within ninety (90) days after the expiration of
37 the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is
38 on location, as the case may be) actually commence the proposed operation * and complete it with due diligence. Operator shall perform all
39 work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is
40 a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed opera-
41 tion for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Con-
42 senting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and con-
43 ditions of this agreement.

47 * Nothing contained herein shall prohibit Operator or the participating parties from actually commencing the proposed
48 operation before the expiration of the notice period nor shall the timing of such commencement affect in any way the validity of a
49 party's election or deemed election.

52 If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable
53 notice period, shall advise the Consenting Parties of the total interest of the parties approving such operation and its recommendation as
54 to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours
55 ^{inclusive} ~~exclusive~~ of Saturday, Sunday and legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit par-
56 ticipation to such party's interest as shown on Exhibit "A" or (b) carry its proportionate part of Non-Consenting Parties' interests, and
57 failure to advise the proposing party shall be deemed an election under (a). In the event a drilling rig is on location, the time permitted for
58 such a response shall not exceed a total of forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays). The proposing party,
59 at its election, may withdraw such proposal if there is insufficient participation and shall promptly notify all parties of such decision.

63 The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have
64 elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such
65 operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties.
66 If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well and restore the surface location at their
67 sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a pro-
68 ducer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk,
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ARTICLE VI
continued

1 and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold, (after deducting production taxes, excise taxes, royalty, overriding royalty and other interests not excepted by Article III.D. payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

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12 (a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and

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21 (b) 500 % of that portion of the costs and expenses of drilling, reworking, deepening, plugging back, testing and completing, after deducting any cash contributions received under Article VII.C., and 500 % of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

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28 An election not to participate in the drilling or the deepening of a well shall be deemed an election not to participate in any reworking or plugging back operation proposed in such a well, or portion thereof, to which the initial Non-Consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment account. Any such reworking or plugging back operation conducted during the recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties ^{five} one hundred percent (100%) ⁵⁰⁰ of that portion of the costs of the reworking or plugging back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a reworking or plugging back operation is proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting Parties in said well.

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39 During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, excise, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production not excepted by Article III.D.

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46 In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

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53 Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting Party.

ARTICLE VI
continued

1 If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above,
2 the relinquished interests of such Non-Consenting Party shall automatically revert to it /, and, from and after such reversion, such Non-
3 Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production
4 therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, reworking, deepening or plugging
5 back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of
6 the operation of said well in accordance with the terms of this agreement and the Accounting Procedure attached hereto.

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10 Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall
11 be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such
12 well conforms to the then-existing well spacing pattern for such source of supply.

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16 The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A.
17 except (a) as to Article VII.D.1. (Option No. 2), if selected, or (b) as to the reworking, deepening and plugging back of such initial well
18 after it has been drilled to the depth specified in Article VI.A. if it shall thereafter prove to be a dry hole or, if initially completed for pro-
19 duction, ceases to produce in paying quantities; or (c) Operator proposes to recomplete additional zones in any producing well drilled
20 under the terms of this Agreement.

21
22
23 3. Stand-By Time: When a well which has been drilled or deepened has reached its authorized depth and all tests have been
24 completed, and the results thereof furnished to the parties, stand-by costs incurred pending response to a party's notice proposing a
25 reworking, deepening, plugging back or completing operation in such a well shall be charged and borne as part of the drilling or deepen-
26 ing operation just completed. Stand-by costs subsequent to all parties responding, or expiration of the response time permitted, whichever
27 first occurs, and prior to agreement as to the participating interests of all Consenting Parties pursuant to the terms of the second gram-
28 matical paragraph of Article VI.B.2., shall be charged to and borne as part of the proposed operation, but if the proposal is subsequently
29 withdrawn because of insufficient participation, such stand-by costs shall be allocated between the Consenting Parties in the proportion
30 each Consenting Party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all Consenting Par-
31 ties.

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35 4. Sidetracking: Except as hereinafter provided, those provisions of this agreement applicable to a "deepening" operation shall
36 also be applicable to any proposal to directionally control and intentionally deviate a well from vertical so as to change the bottom hole
37 location (herein call "sidetracking"), unless done to straighten the hole or to drill around junk in the hole or because of other
38 mechanical difficulties. Any party having the right to participate in a proposed sidetracking operation that does not own an interest in the
39 affected well bore at the time of the notice shall, upon electing to participate, tender to the well bore owners its proportionate share (equal
40 to its interest in the sidetracking operation) of the value of that portion of the existing well bore to be utilized as follows:

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44 (a) If the proposal is for sidetracking an existing dry hole, reimbursement shall be on the basis of the actual costs incurred in
45 the initial drilling of the well down to the depth at which the sidetracking operation is initiated.

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47
48
49 (b) If the proposal is for sidetracking a well which has previously produced, reimbursement shall be on the basis of the well's
50 salvage materials and equipment down to the depth at which the sidetracking operation is initiated, determined in accordance with the
51 provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning.

52
53
54
55 In the event that notice for a sidetracking operation is given while the drilling rig to be utilized is on location, the response period
56 shall be limited to forty-eight (48) hours, ^{inclusive} ~~exclusive~~ of Saturday, Sunday and legal holidays; provided, however, any party may request and
57 receive up to eight (8) additional days after expiration of the forty-eight (48) hours within which to respond by paying for all stand-by time
58 incurred during such extended response period. If more than one party elects to take such additional time to respond to the notice, stand
59 by costs shall be allocated between the parties taking additional time to respond on a day-to-day basis in the proportion each electing par-
60 ty's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all the electing parties. In all other in-
61 stances the response period to a proposal for sidetracking shall be limited to thirty (30) days.

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65 C. TAKING PRODUCTION IN KIND:

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67 Each party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area,
68 exclusive of production which may be used in development and producing operations and in preparing and treating oil and gas for
69 marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any
70 party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be

ARTICLE VI
continued

1 required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

2

3 ~~Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from~~
4 ~~the Contract Area, and, except as provided in Article VI.B., shall be entitled to receive payment directly from the purchaser thereof for~~
5 ~~its share of oil production.~~

6

7 In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of
8 the oil / ^{and/or gas} produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not
9 the obligation, to purchase such oil / ^{and/or gas} or sell it to others at any time and from time to time, for the account of the non-taking party at the
10 best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the
11 owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil / ^{and/or gas} not previously
12 delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil shall be only for such reasonable periods of
13 time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess
14 of one (1) year.

15

16 In the event one or more parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines and/or
17 deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total gas sales to
18 be allocated to it, the balancing or accounting between the respective accounts of the parties shall be in accordance with any gas balancing
19 agreement between the parties hereto, whether such an agreement is attached as Exhibit "E", or is a separate agreement.

20

21 D. Access to Contract Area and Information:

22

23 Each party shall have access to the Contract Area at all reasonable times, at its sole cost and risk to inspect or observe operations,
24 and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books
25 and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with
26 governmental agencies, daily drilling reports, well logs, / ^{and actual monthly oil and gas production and sales volumes} ~~tank-to-bills, daily gauge and run tickets and reports of stock-on-hand at the first of~~
27 ~~each month~~, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of
28 gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that re-
29 quests the information. / Non-consenting parties shall be denied access to the well location and well information until the non-consent
30 period has expired.

31

32 E. Abandonment of Wells:

33

34 1. Abandonment of Dry Holes: Except for any well drilled or deepened pursuant to Article VI.B.2., any well which has been
35 drilled or deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned
36 without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply
37 within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after receipt of notice of the proposal to plug and abandon
38 such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in
39 accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or deepening
40 such well. Any party who objects to plugging and abandoning such well shall have the right to take over the well and conduct further
41 operations in search of oil and/or gas subject to the provisions of Article VI.B.

42

43 2. Abandonment of Wells that have Produced: Except for any well in which a Non-Consent operation has been conducted
44 hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a
45 producer shall not be plugged and abandoned without the consent of all parties / ^{who participated in the cost of drilling the well} ~~If all parties consent to such abandonment, the well shall~~
46 be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within
47 thirty (30) days after receipt of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well,
48 those wishing to continue its operation from the interval(s) of the formation(s) then open to production shall tender to each of the other
49 parties its proportionate share of the value of the well's salvageable material and equipment, determined in accordance with the provisions of
50 Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. / ^{Failure of a party to make written election within thirty (30) days} ~~Each abandoning party shall assign~~
51 the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and
52 material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the in-
53 terval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and
54 gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or in-
55 tervals of the formation or formations then open to production, for a term of one (1) year and so long thereafter as oil and/or gas is pro-
56 duced from the interval or intervals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit

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ARTICLE VI
continued

1 "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the
2 assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the
3 Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of
4 interests in the remaining portion of the Contract Area.

5
6 Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from
7 the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon re-
8 quest, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges con-
9 templated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned
10 well. Upon proposed abandonment of the producing interval(s) assigned or leased, the assignor or lessor shall then have the option to
11 repurchase its prior interest in the well (using the same valuation formula) and participate in further operations therein subject to the pro-
12 visions hereof.

13
14 3. Abandonment of Non-Consent Operations: The provisions of Article VI.E.1. or VI.E.2 above shall be applicable as between
15 Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided, however, no well shall be
16 permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been notified
17 of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article
18 VI.E.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

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20
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22 A. Liability of Parties:

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24
25 The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and
26 shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted
27 among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor
28 shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

29
30 B. Liens and Payment Defaults:

31
32 Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share
33 of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon
34 at the rate provided in Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the
35 state, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the ob-
36 taining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien
37 rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share
38 of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from
39 the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest, has been paid. Each
40 purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien
41 and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

42
43 If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by
44 Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that
45 the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain
46 reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

47
48 C. Payments and Accounting:

49
50 Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development
51 and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective propor-
52 tionate shares upon the expense basis provided in Exhibit "C". Operator shall keep an accurate record of the joint account hereunder,
53 showing expenses incurred and charges and credits made and received.

54
55 Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance
56 of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding
57 month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together
58 with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted
59 on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within
60 fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount
61 due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual ex-
62 pense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

63
64 D. Limitation of Expenditures:

65
66 1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened
67 pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling or deepening shall include:

ARTICLE VII
continued

1 ☐ Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including
2 necessary tankage and/or surface facilities.

3
4 ☒ Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its
5 authorized depth, and all tests have been completed, and the results thereof ^{made available} ~~transmitted~~ to the parties, Operator shall give immediate notice
6 to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight
7 (48) hours ^{inclusive} ~~exclusive~~ of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion at-
8 tempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, in-
9 cluding necessary tankage and/or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall
10 constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties,
11 elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging
12 back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less
13 than all parties.

14
15 2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or
16 plugged back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the reworking or plugging back of a well shall
17 include all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage
18 and/or surface facilities.

19
20 3. Other Operations: Without the consent of all parties, Operator shall not undertake any single project reasonably estimated
21 to require an expenditure in excess of Fifty Thousand Dollars (\$50,000.00)
22 except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been
23 previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden
24 emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required
25 to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other
26 parties. If Operator prepares an authority for expenditure (AFE) for its own use, Operator shall furnish any Non-Operator so requesting
27 an information copy thereof for any single project costing in excess of Fifty Thousand
28 Dollars (\$50,000.00) but less than the amount first set forth above in this paragraph. / An AFE is an estimate only of costs and
29 in no way shall the execution of an AFE limit the liability of any party.

30 E. Rentals, Shut-in Well Payments and Minimum Royalties:

31
32 Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the
33 party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have con-
34 tributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on
35 behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of
36 failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such pay-
37 ment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the pro-
38 visions of Article IV.B.2.

39
40 Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production
41 of a producing gas well, at least five (5) days (excluding Saturday, Sunday and legal holidays), or at the earliest opportunity permitted by
42 circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify
43 Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments of any shut-in well payment
44 shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

45
46 F. Taxes:

47
48 Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property
49 subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they
50 become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not
51 be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-
52 Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, over-
53 riding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or
54 owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduc-
55 tion. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding
56 anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax
57 value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in
58 the manner provided in Exhibit "C".

59
60 If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner
61 prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final deter-
62 mination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any
63 interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint ac-
64 count, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as
65 provided in Exhibit "C".

66
67 Each party shall pay or cause to be paid all production, severance, excise, gathering and other taxes imposed upon or with respect
68 to the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

ARTICLE VII
continued

1 G. Insurance:

2
3 At all times while operations are conducted hereunder, Operator shall comply with the workmen's compensation law of
4 the state where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said com-
5 pensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C". Operator shall
6 also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part
7 hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workmen's compensation
8 law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.

9
10 ~~In the event automobile public liability insurance is specified in said Exhibit "D", or subsequently receives the approval of the~~
11 ~~parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive equipment.~~

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

16 A. Surrender of Leases:

17
18 The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole
19 or in part unless all parties consent thereto ^{; however, no consent shall be necessary to release} a lease which has expired or otherwise terminated.

20
21 However, should any party desire to surrender its interest in any lease or in any portion thereof, and the other parties do not
22 agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in
23 such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production
24 thereafter secured, to the parties not consenting to such surrender. If the interest of the assigning party is or includes an oil and gas in-
25 terest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering
26 such oil and gas interest for a term of one (1) year and so long thereafter as oil and/or gas is produced ^{in commercial quantities} from the land covered thereby, such
27 lease to be on the form attached hereto as Exhibit "B". Upon such assignment or lease, the assigning party shall be relieved from all
28 obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well
29 attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and pro-
30 duction other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the
31 party assignor or lessor the reasonable salvage value of the latter's interest in any wells and equipment attributable to the assigned or leased
32 acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of
33 salvaging and the estimated cost of plugging and abandoning. If the assignment or lease is in favor of more than one party, the interest
34 shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties.

35
36 Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering
37 party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage
38 assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this
39 agreement.

41 B. Renewal or Extension of Leases:

42
43 If any party secures a renewal of any oil and gas lease subject to this agreement, all other parties shall be notified promptly, and
44 shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the
45 renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper pro-
46 portionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the
47 interests held at that time by the parties in the Contract Area.

48
49 If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties
50 who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area
51 to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease.
52 Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

53
54 Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein
55 by the acquiring party.

56
57 The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease
58 or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or
59 contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or con-
60 tracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to
61 the provisions of this agreement.

62
63 The provisions in this Article shall also be applicable to extensions of oil and gas leases.

65 C. ~~Acreage or Cash Contributions:~~

66
67 ~~While this agreement is in force, if any party contracts for a contribution of cash towards the drilling of a well or any other~~
68 ~~operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be~~
69 ~~applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the con-~~
70 ~~tribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions~~

ARTICLE VIII
continued

1 said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be
2 governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions
3 it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to op-
4 tional rights to earn acreage outside the Contract Area which are in support of a well drilled inside the Contract Area.

5
6 ~~— If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such~~
7 ~~consideration shall not be deemed a contribution as contemplated in this Article VIII.C.~~

8
9 D. Maintenance of Uniform Interests:

10
11 ~~— For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, no~~
12 ~~party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells,~~
13 ~~equipment and production unless such disposition covers either:~~

14
15 ~~1. the entire interest of the party in all leases and equipment and production; or~~

16
17 ~~2. an equal undivided interest in all leases and equipment and production in the Contract Area.~~

18
19 Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement
20 and shall be made without prejudice to the right of the other parties.

21
22 If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may
23 require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for
24 and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such
25 party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter
26 into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract
27 Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

28
29 E. Waiver of Rights to Partition:

30
31 If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an
32 undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided
33 interest therein.

34
35 F. Preferential Right to Purchase:

36
37 ~~— Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract~~
38 ~~Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the~~
39 ~~name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms~~
40 ~~of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase~~
41 ~~on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchas-~~
42 ~~ing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing par-~~
43 ~~ties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to~~
44 ~~dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent com-~~
45 ~~pany or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.~~

46
47 ARTICLE IX.
48 INTERNAL REVENUE CODE ELECTION
49

50 This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association
51 for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and liabilities hereunder are several
52 and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for federal income tax
53 purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded
54 from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1986, as per-
55 mitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to ex-
56 ecute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the
57 United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements,
58 and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further
59 evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the
60 Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other
61 action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract
62 Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1,
63 Subtitle "A", of the Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of the Code is per-
64 mitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing elec-
65 tion, each such party states that the income derived by such party from operations hereunder can be adequately determined without the
66 computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed Fifty Thousand Dollars (\$50,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspending during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by mail or telegram, postage or charges prepaid, or by telex or telecopier and addressed to the parties to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the mail or with the telegraph company, with postage or charges prepaid, or sent by telex or telecopier. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subject hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease or oil and gas interest contributed by any other party beyond the term of this agreement.

☐ Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal, or otherwise.

☒ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 90 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, reworking, deepening, plugging back, testing or attempting to complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling, deepening, plugging back or reworking operations are commenced within 90 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the Contract Area is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

This agreement and all matters pertaining hereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. ~~If the Contract Area is in two or more states, the law of the state of _____ shall govern.~~

C. Regulatory Agencies:

Nothing herein contained shall grant, or be construed to grant, Operator the right or authority to waive or release any rights, privileges, or obligations which Non-Operators may have under federal or state laws or under rules, regulations or orders promulgated under such laws in reference to oil, gas and mineral operations, including the location, operation, or production of wells, on tracts offsetting or adjacent to the Contract Area.

With respect to operations hereunder, Non-Operators agree to release Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations or orders of the Department of Energy or predecessor or successor agencies to the extent such interpretation or application was made in good faith. Each Non-Operator further agrees to reimburse Operator for any amounts applicable to such Non-Operator's share of production that Operator may be required to refund, rebate or pay as a result of such an incorrect interpretation or application, together with interest and penalties thereon owing by Operator as a result of such incorrect interpretation or application.

Non-Operators authorize Operator to prepare and submit such documents as may be required to be submitted to the purchaser of any crude oil sold hereunder or to any other person or entity pursuant to the requirements of the "Crude Oil Windfall Profit Tax Act of 1980", as same may be amended from time to time ("Act"), and any valid regulations or rules which may be issued by the Treasury Department from time to time pursuant to said Act. Each party hereto agrees to furnish any and all certifications or other information which is required to be furnished by said Act in a timely manner and in sufficient detail to permit compliance with said Act.

ARTICLE XV.
OTHER PROVISIONS

A. CONFLICTS

Notwithstanding anything herein contained to the contrary, it is understood and agreed that if there is any conflict between any part of or all of the terms and provisions of Article XV and any other terms and provisions of this agreement, the terms and provisions of this Article XV shall prevail and control.

B. PRIORITY OF OPERATIONS

If at any time there is more than one operation proposed in connection with any well subject to this agreement and if the Consenting Parties do not agree on the sequence of proposed operations, such proposed operations shall be conducted in the following sequence:

- | | | |
|--------|---|---|
| First | - | testing, coring or logging |
| Second | - | completion attempts without plugging back in ascending order from deepest to shallowest depths; |
| Third | - | sidetracking in the order of least deviation from the original bottomhole location to the greatest deviation; |
| Fourth | - | deepening of a well below the authorized depth in descending order from shallowest to deepest depths; |
| Fifth | - | plugging back and completion attempts in ascending order from deepest to shallowest depths. |

C. MISCELLANEOUS COSTS

The following expenses shall be a direct charge, borne by the Joint Account as provided in Exhibit "C", and shall not be included as administrative overhead as set forth in Part III of Exhibit "C".

1. All reasonable costs incurred by Operator, and necessary in its sole judgment, in obtaining spacing, pooling or other orders or rulings from state regulatory bodies or courts regarding the Contract Area.
2. All reasonable costs incurred by Operator in complying with the Natural Gas Policy Act of 1978, or in complying with federal, state or local law for the obtaining and monitoring of any well classifications required in the Natural Gas Policy Act of 1978; or in complying with any laws administered by, or any rules or regulations promulgated by, through, or under the United States Department of Energy regarding the Contract Area.

D. MULTIPLE BILLING

In no event shall Operator be required to make more than three billings for the entire interest credited to each Non-operator on Exhibit "A". If any Non-Operator to this Agreement disposes of any part or all of the interest credited to it on Exhibit "A", hereinafter referred to as "Selling Party", such Selling Party shall be solely responsible for billing its assignee or assignees and shall remain primarily liable to the other Parties for the interest or interests assigned until such time as Selling Party has 1) designated and qualified the assignees to receive the billing for its interest, 2) designated assignees have been approved and accepted by Operator, and 3) has furnished to Operator written notice of the conveyance and photocopy of the recorded assignments by which the transfer is made. The sale or other disposition of any interest in the leases covered by this agreement shall be made specifically subject to the provisions of this Article. Operator's approval will not be unreasonably withheld.

E. PAYMENT OF CERTAIN ROYALTIES

If at any time a portion or all of the Contract Area is subject to a valid drilling and spacing unit order entered by the New Mexico Oil Conservation Division and notwithstanding the provision of Article III.B. and Article III.C. hereof with respect to payment of royalties, the Operator is hereby authorized to receive all royalty proceeds from the sale of gas production from each such drilling and spacing unit within the Contract Area and to remit such proceeds to the parties entitled thereto. Non-Operators agree to direct their gas purchasers to remit all royalty proceeds to Operator for distribution to royalty owners. If any gas purchaser refuses to remit directly to the Operator for any or all of Non-Operator's share of such proceeds, then such Non-Operator shall within ten (10) days of receipt thereof, remit such portion to Operator, less that portion of such Non-Operator's share of such proceeds attributable to its net revenue interest in each such drilling and spacing unit. Such proceeds shall be net after taxes and shall not include any portion of the value of gas sold which in the opinion of a party hereto selling such gas, is subject to refund by virtue of an order of the Federal Energy Regulatory Commission. Upon approval by the Federal Energy Regulatory Commission of any portion of such rate subject to refund obligation, a Non-Operator shall, if increased royalties result, remit to Operator such increased royalty amount, which shall be distributed over the unit on the basis of royalty ownership at the time of accrual. Each Non-Operator shall furnish to Operator the names, addresses, tax identification or Social Security numbers, and fractional interests of all owners of royalty in the leasehold and oil and gas interests contributed to the unit by each Non-Operator and shall immediately advise Operator of any change in such data of which Non-Operator subsequently becomes aware. If division order title opinions are not otherwise provided for herein, Non-Operator shall, upon Operator's request, furnish Operator with copies of division order title opinions prepared by a reputable attorney covering the land subject to Non-Operator's leaseholds or oil and gas interests in each drilling and spacing unit. Operator shall have no liability to Non-operator for losses sustained or liabilities incurred except as may otherwise be provided herein. Each Non-Operator agrees to indemnify, hold and save Operator harmless from any claims, losses, demands and causes of action which may be asserted by reason of an error in the ownership information furnished to Operator and each Non-Operator shall indemnify operator against loss resulting from Operator's actions taken in reliance upon any information furnished by Non-Operator to Operator or by reason of Non-Operator withholding payment of any sums which it believes are subject to refund as hereinabove provided. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by royalty owners to whom each party is accountable.

F. PREPAYMENT OF COSTS AND EXPENSES

Notwithstanding any other provisions of this agreement, and without prejudice to any other rights of the Operator, Operator will have the right to request and receive from each Non-Operator payment in advance of its respective share of (i) lease acreage acquisition costs to the extent the Non-Operator is acquiring its leasehold interest from the Operator and all or part of the completed well cost for the initial well to be drilled under Article VI.A. or any other well to be drilled hereunder to which such Non-Operator has consented, and (ii) the cost of any completion, reworking, recompletion, sidetracking, deepening, plugging back operation or any other operation hereunder to which such Non-Operator has consented (any such operation under clause (i) or (ii) being herein called a "Drilling Operation"). Such request for advance payment may be made on all Non-Operators or on any one Non-Operator in writing and may be either mailed, hand-delivered or transmitted by facsimile machine.

A Non-Operator receiving a request for advance payment will, within two (2) days of the receipt of such request if a drilling rig is on location and within fifteen (15) days of the receipt of such request in all other cases, pay to Operator in cash the full amount of such request. Operator will credit the amount to the Non-Operator's account for the payment of such Non-Operator's share of costs of such Drilling Operation and, following the end of each month, Operator will charge such account with such Non-Operator's share of actual costs incurred during such month.

Payment of an advance will not relieve a Non-Operator of the obligation to pay such Non-Operator's share of the actual cost of a Drilling Operation and, when the actual costs have been determined, Operator will adjust the accounts of the parties by refunding any net amounts due or invoicing the parties for additional sums owing, which additional sums shall be paid in accordance with the Accounting Procedure.

In the event a Non-Operator to which a request for advance payment was made does not, within the time and manner above provided, fully satisfy the request for advance payment as provided in this paragraph F, then Operator may, in the Operator's sole discretion at any time prior to actual payment, exercise any one or more of the following rights and remedies: (a) if the advance was requested for leasehold acreage acquisition or the drilling of the initial well under Article VI.A., Operator may rescind and terminate this agreement as to such Non-Operator by written notice to such Non-Operator, and upon sending such notice, Non-Operator will be deemed to have relinquished all of its leasehold and contract rights in the Contract Area; (b) if the advance was requested for any Drilling Operation, including, without limitation, the initial well drilled pursuant to Article VI.A., Operator may notify such Non-Operator that such Non-Operator is deemed to have relinquished its interest in the well to which the Drilling Operation relates and to have elected to go non-consent on such Drilling Operation under Article VI.B.2; (c) sue the Non-Operator who failed to pay as provided above for its proportionate share of expenses plus interest; or (d) exercise any and all other rights and remedies available to the Operator under this agreement and applicable law. Each of the parties to this agreement hereby agrees to execute and deliver to the other parties hereto any and all documents, agreements and acknowledgments necessary to evidence any actions taken by the Operator pursuant to the provisions of this paragraph F. All remedies herein provided are cumulative and not alternative, and no failure to exercise or delay in exercising any such right will operate as a waiver thereof.

G. DISTRIBUTION OF REVENUE

Notwithstanding anything to the contrary contained herein, and without prejudice to any other rights possessed by Operator, Operator at its sole discretion, may receive the proceeds from all oil and/or gas production attributable to any Non-Operator's ownership in the Contract Area and distribute those proceeds to said Non-Operator during the next calendar month ensuing following receipt of the proceeds by Operator from the purchaser.

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1982

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 9th day of March, (year) 2005.

Sara Caldwell, who has prepared and circulated this form for execution, represents and warrants that the form was printed from and with the exception listed below, is identical to the AAPL Form 610-1982 Model Form Operating Agreement, as published in diskette form by Forms On-A-Disk, Inc. No changes, alterations, or modifications, ~~other than those in Article~~ _____, have been made to the form, other than as shown by strikeout and/or bold type.

OPERATOR

CHESAPEAKE EXPLORATION LIMITED
PARTNERSHIP by Chesapeake Operating, Inc.,
General Partner

Henry J. Hood, Senior Vice President - Land and Legal

NON-OPERATORS

KAISER FRANCIS OIL COMPANY

BY: _____

TITLE: _____

SAMSON RESOURCES COMPANY

BY: _____

TITLE: _____

EXHIBIT "A"

EXHIBIT A TO THAT CERTAIN 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 Loraine, Suite 1010 Midland, TX 79701	<u>6.250000%</u>
TOTAL	100.000000%

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

EXHIBIT "A-1"

ATTACHED TO AND MADE A PART OF THAT CERTAIN 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\Exhibit A-1 Leases.doc

THERE IS NO EXHIBIT "B"

EXHIBIT "C"

Attached to and made a part of that certain 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

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the Parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

A. Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation within fifteen (15) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

B. Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the prime rate in effect at Bank One of Oklahoma, N.A., -2% on the first day of the month in which delinquency occurs plus 1% or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

Operator may, at its option, choose to substitute other penalties described elsewhere in this Agreement for failure to pay bills within the thirty (30) day time frame described above.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

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5. Audits

A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.

B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.

6. Approval By Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Ecological and Environmental

Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy environmental considerations applicable to the Joint Operations. Such costs may include surveys of an ecological or archaeological nature and pollution control procedures as required by applicable laws and regulations.

2. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

3. Labor

A. (1) Salaries and wages of Operator's field employees ^{and/or consultants} directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First level Supervisors in the field. ^{and/or consultants}

(3) Salaries and wages of Technical Employees ^{and/or consultants} directly employed on the Joint Property if such charges are excluded from the overhead rates.

(4) Salaries and wages of Technical Employees ^{and/or consultants} either temporarily or permanently assigned to and directly employed in the operation or the Joint Property if such charges are excluded from the overhead rates.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II. Such costs under this Paragraph 3B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 3A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.

4. Employee Benefits

Operator's current costs or established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.

5. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

6. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store where like material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store where like material is normally available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

7. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 10 of Section II and Paragraph i, ii, and iii, of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

8. Equipment and Facilities Furnished By Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed ten percent (10 %) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 8A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

9. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

10. Legal Expense

title and regulatory work,

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, ~~except that no charge for services of Operators legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.~~

11. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties hereto in accordance with the tax value generated by each party's working interest.

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12. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Worker's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

13. Abandonment and Reclamation

Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory authority.

14. Communications

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.

15. Other Expenditures

The cost of Operator's Field Offices not covered in Section III, or any
Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (X) Fixed Rate Basis, Paragraph 1A, or
() Percentage Basis, Paragraph 1B

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A, Section II. ~~The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.~~

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

- () shall be covered by the overhead rates, or
(X) shall not be covered by the overhead rates.

iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

- () shall be covered by the overhead rates, or
(X) shall not be covered by the overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 8,136.10
(Prorated for less than a full month)

Producing Well Rate \$ 813.61

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

(i) Charges for drilling wells shall begin on the date ^{location work begins} ~~the well is spudded~~ and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever

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is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.

- (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

(b) Producing Well Rates

- (1) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

- (2) ~~Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing such completion is considered a separate well by the governing regulatory authority.~~

- (3) ~~An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.~~

- (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.

- (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached ^{by the percent increase or decrease published by COPAS}. ~~The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as approved and recorded by COPAS, published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.~~

B—Overhead—Percentage Basis

- (1) Operator shall charge the Joint Account at the following rates:

(a) Development

 Percent (%) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 10 of Section II and all salvage credits.

(b) Operating

 Percent (%) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 2 and 10 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

- (2) Application of Overhead—Percentage Basis shall be as follows:

~~For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, re-drilling, deepening, or any remedial operations on any or all wells involving the use of drilling rig and crew capable of drilling to the producing interval on the Joint Property; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as operating.~~

2. Overhead—Major Construction

~~To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint~~

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Account for overhead based on the following rates for any Major Construction project in excess of \$ 50,000.00

A. 4.0 % of first \$100,000 or total cost if less, plus

B. 3.0 % of costs in excess of \$100,000 but less than \$1,000,000, plus

C. 1.0 % of costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment shall be excluded.

3. Catastrophe Overhead

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following rates:

A. % of total costs through \$100,000, plus

B. % of total costs in excess of \$100,000 but less than \$1,000,000, plus

C. % of total costs in excess of \$1,000,000.

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provisions of this Section III shall apply.

4. Amendment of Rates

The overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular Goods Other than Line Pipe

(a) Tubular goods, sized 2 3/8 inches OD and larger, except line pipe, shall be priced at Eastern mill published carload base prices effective as of date of movement plus transportation cost using the 80,000 pound carload weight basis to the railway receiving point nearest the Joint Property for which published rail rates for tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Lorain, Ohio and casing from Youngstown, Ohio.

(b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus transportation cost from that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000

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pound Oil Field Haulers Association interstate truck rate shall be used.

(c) Special end finish tubular goods shall be priced at the lowest published out-of-stock price, f.o.b. Houston, Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate, to the railway receiving point nearest the Joint Property.

(d) Macaroni tubing (size less than 2 3/8 inch OD) shall be priced at the lowest published out-of-stock prices f.o.b. the supplier plus transportation costs, using the Oil Field Haulers Association interstate truck rate per weight of tubing transferred, to the railway receiving point nearest the Joint Property.

(2) Line Pipe

(a) Line pipe movements (except size 24 inch OD and larger with walls 3/4 inch and over) 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.

(b) Line Pipe movements (except size 24 inch OD) and larger with walls 3/4 inch and over) less than 30,000 pounds shall be priced at Eastern mill published cartload base prices effective as of date of shipment, plus the percent most recently recommended by COPAS, plus 20 percent, plus transportation costs based on freight rates as set forth under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.

(c) Line pipe 24 inch OD and over and 3/4 inch wall and larger shall be priced f.o.b. the point of manufacture at current new published prices plus transportation cost to the railway receiving point nearest the Joint Property.

(d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at prices agreed to by the Parties.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.

(4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2.A.(1) and (2).

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

At seventy-five percent (75%) of current new price, as determined by Paragraph A.

(2) Material used on and moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as new Material or

(b) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as used Material

(3) Material not used on and moved from the Joint Property

At seventy-five percent (75%) of current new price as determined by Paragraph A.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph A. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose shall be priced on a basis commensurate with its use. Operator may dispose of Condition D Material under procedures normally used by Operator without prior approval of Non-Operators.

(a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be priced at used line pipe prices.

(b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g. power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non upset basis.

(3) Condition E

Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under procedures normally utilized by Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading or unloading costs may be charged to the Joint Account at the rate of twenty-five cents (25¢) per hundred weight on all tubular goods movements, in lieu of actual loading or unloading costs sustained at the stocking point. The above rate shall be adjusted as of the first day of April each year following January 1, 1985 by the same percentage increase or decrease used to adjust overhead rates in Section III, Paragraph I.A.(3). Each year, the rate calculated shall be rounded to the nearest cent and shall be the rate in effect until the first day of April next year. Such rate shall be published each year by the Council of Petroleum Accountants Societies.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. ~~Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.~~

4. Warranty of Material Furnished By Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Account for

overages and shortages, but, Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special inventories may be taken whenever there is any sale, change of interest, or change of Operator in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory. In cases involving a change of Operator, all Parties shall be governed by such inventory.

4. Expense of Conducting Inventories

A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.

B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.

EXHIBIT "D"

ATTACHED TO AND MADE A PART OF THAT CERTAIN 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

1. Operator shall procure and maintain, at all times while conducting operations under this Agreement, the following insurance coverages with limits not less than those specified below:

- | | | |
|----|---|---------------------------------------|
| A. | Worker's Compensation | Statutory |
| | Employer's Liability | \$100,000 each accident |
| B. | Comprehensive General Liability including: | |
| | (a) property damage and bodily injury liability including, but not limited to, losses resulting from explosion, collapse, underground damage; and | |
| | (b) contractual liability assumed under this Agreement. | \$1,000,000
Combined single limit |
| C. | Comprehensive Automobile Liability covering owned, non-owned and hired vehicles. | \$1,000,000
Combined single limit |
| D. | Umbrella Liability in excess of A (except Worker's Compensation), B, and C above. | \$20,000,000
Combined single limit |
| E. | Cost of Well Control and Operator's Extra Expense, including Care, Well Control Custody, and Control Coverage | \$5,000,000 OEE and
\$250,000 CCC |

2. The insurance described in 1. above shall be carried at the joint expense of the parties hereto and all premiums and other costs and expenses related thereto shall be charged to the Joint Account in accordance with the Accounting Procedure attached as Exhibit "C" to this Agreement, unless prior to spud a Non-Operator who desires to provide its own insurance provides Operator with a certificate of insurance evidencing such individual coverage.

3. Operator shall use every reasonable effort to have its contractors and subcontractors comply with applicable Worker's Compensation laws, rules and regulations and carry such insurance as Operator may deem necessary.

4. Operator shall not be liable to Non-Operator for loss suffered because of insufficiency of the insurance procured and maintained for the Joint Account nor shall Operator be liable to Non-Operator for any loss occurring by reason of Operator's inability to procure or maintain the insurance provided for herein. If at any time during the term of this Agreement, Operator is unable to procure or maintain said insurance, Operator shall promptly so notify Non-Operator in writing.

5. In the event of loss not covered by the insurance provided for herein, such loss shall be charged to the Joint Account and borne by the parties in accordance with their respective percentage of participation as determined by this Agreement.

6. Any party hereto may individually and at its own expense procure such additional insurance as it desires; provided, however, such party shall provide Operator with a certificate of insurance evidencing such coverage before spud of the well and such coverage includes waivers by the insurer of all right of subrogation in favor of the other parties.

EXHIBIT "E"

ATTACHED TO AND MADE A PARTY OF THAT CERTAIN 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

GAS STORAGE AND BALANCING AGREEMENT

The parties to the Operating Agreement to which this gas storage agreement is attached own the working interest in the gas rights underlying the Contract Area covered by such agreement in accordance with the percentages of participation as set forth in Exhibit "A" to the Operating Agreement.

In accordance with the terms of the Operating Agreement, each party thereto has the right to take its share of gas produced from the Contract Area and market the same. In the event any of the parties hereto is not able to market its share of gas or has contracted to sell its share of gas produced from the Contract Area to a purchaser which is unable at any time while this agreement is in effect to take the share of gas attributable to the interest of such party, the terms of this storage agreement shall automatically become effective.

During the period or periods when any party hereto is not selling or otherwise disposing of its share of gas produced from the Contract Area, or its purchaser is unable to take its share of gas produced from the Contract Area, the other parties shall be entitled to produce each month one hundred percent (100%) of the allowable gas production assigned to such Contract Area and shall be entitled to take and deliver to its or their purchaser all of such gas production. All parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests and subject to the Operating Agreement to which this gas storage agreement is attached, but the party or parties taking such gas shall own all of the gas delivered to its or their purchaser. Each party not selling or otherwise disposing of its share of the gas produced shall be credited with gas in storage equal to its share of the gas produced and metered under this Agreement. A nonconsenting party pursuant to Article VI of this Operating Agreement shall be credited with only its proportionate share of gas against its nonconsent penalties regardless of what share such owner's purchaser is taking at any given time.

Each party taking gas shall furnish the Operator a monthly statement of gas taken. The Operator will maintain a current account of the gas balance between the parties and will furnish all parties hereto monthly statement showing the total quantity of gas taken and/or sold by each party and the monthly and accumulative over and under delivered of each party.

Each party producing and/or delivering gas to its purchaser shall pay any and all production taxes due on such gas.

At all times while gas is produced from the Contract Area, each party hereto will make settlement with all royalty owners for said unit as required by applicable regulations. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by royalty owners to whom each party is accountable.

After notice to the Operator, any party at any time may begin taking or delivering to its purchaser its share of the gas produced from the Contract Area. In addition to its share, each party, including the Operator, until it has recovered its gas in storage and balanced the gas account as to its interest, shall be entitled to take or deliver to a purchaser a volume of gas equal to twenty-five percent (25%) of the overproduced party or parties' share of gas produced from the Contract Area. If two or more parties are entitled to twenty-five percent (25%) of the overproduced party or parties' share of gas produced, they shall divide such twenty-five percent (25%) in accordance with their percentage of participation in the Contract Area.

Should production of gas be discontinued before the gas account is balanced, a monetary settlement will be made between the underproduced and overproduced parties. In making such settlement, each overproduced party shall remit to the Operator an amount of money that such party received for its overproduction, less taxes theretofore paid, for a volume of gas equal to its overproduction.

Each party to the Joint Operating Agreement, whether underproduced or overproduced, is responsible for its share of lease operating expenses.

EXHIBIT "F"

ATTACHED TO AND MADE A PART OF THAT CERTAIN 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

STATE OF OKLAHOMA)
) SS:
COUNTY OF OKLAHOMA)

WHEREAS, Chesapeake Exploration Limited Partnership, as Operator, having a notice address of P.O. Box 18496, Oklahoma City, Oklahoma 73154-0496 and Kaiser Francis Oil Company, having a notice address of P.O. Box 21468, Tulsa, Oklahoma 74121-1468 and Samson Resources Company having a notice address of Centennial Tower 200 N Loraine, Suite 1010 Midland, TX 79701, as Non-Operators have entered into that certain Operating Agreement dated effective on March 9, 2005, covering oil and gas operations being conducted on those certain lands described in Exhibit "A" (the "Contract Area"), attached hereto and made a part hereof, as said Exhibit may be amended from time to time; and

WHEREAS, Operator and Non-Operators desire to give third parties record notice of the existence of said Operating Agreement and of the rights and obligations of Operator and Non-Operators thereunder.

NOW, THEREFORE, for and in consideration of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Operator and Non-Operators hereby stipulate and agree as follows:

I.

The Operating Agreement is on an A.A.P.L. form 610-1982 Model Form Operating Agreement, as amended by the parties, plus attachments.

II.

Article VI.C. grants each party to the Operating Agreement the right to take in kind its proportionate share of all oil and gas produced from the Contract Area. Additionally, the parties have agreed to be bound by a volumetric Gas Balancing Agreement which is attached as Exhibit "E" to the Operating Agreement.

III.

Pursuant to Article VII.B., each Non-Operator mortgages to Operator, and grants to Operator a lien upon, its oil and gas leasehold estates and "oil and gas interests", as that term is defined in Article I.C. thereof, in the Contract Area, and grants to Operator a security interest in its share of oil or gas when extracted from the Contract Area and its interest in all equipment located thereon to secure payment of its share of expense under the Operating Agreement (including costs of investigation, defenses and payment of any final judgment or settlement for damages arising out of operations thereunder), together with interest thereon in accordance with the Operating Agreement, in addition to any other remedies available to Operator in law or pursuant to the Operating Agreement. Upon default by a Non-Operator in the payment of its share of expense, without prejudice to any other rights and remedies, Operator shall have the right to collect from the purchaser of production from the Contract Area the proceeds from the sale of such Non-Operator's share of oil or gas produced and sold from the Contract Area until the amount owed by Non-Operator, including interest, has been paid. Each purchaser of oil and gas produced from the Contract Area shall be entitled to rely upon Operator's written statement

concerning the amount of any default. Operator grants a like mortgage, lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If Operator pays a defaulting party's share of any costs or expenses pursuant to Article VII. B.4 of the Operating Agreement, all other parties to the Operating Agreement, including Non-Operators shall, upon being billed by Operator, contribute their proportionate share of all sums advanced by Operator for and on behalf of the defaulting party. Such contributing parties shall in addition to any other right they may have hereunder receive a share of any interest in the Contract Area forfeited by the defaulting party as well as any percentage penalty recoupment from such defaulting party. The share for each such contributing party shall be in proportion to its contribution.

IV.

This Memorandum shall constitute a Financing Statement covering oil and gas extracted from the Contract Area to the extent that such oil and gas is owned by a defaulting party under the Operating Agreement. This Mortgage and Financing Statement shall be filed for record in the real estate records of any county or parish in which the contract Area is situated and/or the Secretary of State and shall be filed by Operator upon its own motion or upon the request of any Non-Operator. Each of the undersigned Non-Operators shall be considered as both a debtor, to the extent that such party has failed to pay his or its share of expense, and as a secured party mortgagee.

V.

In addition to the lien contained in Article VII.B. of the Operating Agreement, the Gas Balancing Agreement attached as Exhibit "E" to the Operating Agreement provides that each overproduced party grants a lien to each Underproduced Party upon its leasehold interest and upon its interest in gas production and the proceeds therefrom, and upon its interest in material and equipment, to the extent and so long as the Overproduced Party is overproduced, to secure its balancing obligations, both in kind and in cash, which lien shall be inferior and subject to the Operator's lien as provided in Article VII.B. of the parties Operating Agreement.

VI.

Operator may, on behalf of all parties, terminate the effect of this Memorandum as to all or any portion of the Contract Area by recording a full or partial release hereof.

VII.

Any party requiring additional information concerning the rights and obligations of the parties under the Operating Agreement may contact the Operator at the following address:

OPERATOR: Chesapeake Exploration Limited Partnership by its
General Partner, Chesapeake Operating, Inc.
P.O. Box 18496
Oklahoma City, Oklahoma 73154
Attn: Henry J. Hood

VIII.

This Memorandum may be executed in any number of counterparts, each of which shall be considered an original for all purposes and shall be binding upon the heirs, successors and assigns of the parties. The Operator is hereby authorized to compile the signature and notary pages from each of the counterparts in order to have one instrument containing signature and notarial acknowledgments for all parties for recording purposes.

MEMORANDUM OF OPERATING AGREEMENT

STATE OF OKLAHOMA)
) SS:
COUNTY OF OKLAHOMA)

WHEREAS, Chesapeake Exploration Limited Partnership, as Operator, having a notice address of P.O. Box 18496, Oklahoma City, Oklahoma 73154-0496 and Kaiser Francis Oil Company, having a notice address of P.O. Box 21468, Tulsa, Oklahoma 74121-1468 and Samson Resources Company having a notice address of Centennial Tower 200 N Loraine, Suite 1010 Midland, TX 79701, as Non-Operators have entered into that certain Operating Agreement dated effective on March 9, 2005, covering oil and gas operations being conducted on those certain lands described in Exhibit "A" (the "Contract Area"), attached hereto and made a part hereof, as said Exhibit may be amended from time to time; and

WHEREAS, Operator and Non-Operators desire to give third parties record notice of the existence of said Operating Agreement and of the rights and obligations of Operator and Non-Operators thereunder.

NOW, THEREFORE, for and in consideration of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Operator and Non-Operators hereby stipulate and agree as follows:

I.

The Operating Agreement is on an A.A.P.L. form 610-1982 Model Form Operating Agreement, as amended by the parties, plus attachments.

II.

Article VI.C. grants each party to the Operating Agreement the right to take in kind its proportionate share of all oil and gas produced from the Contract Area. Additionally, the parties have agreed to be bound by a volumetric Gas Balancing Agreement which is attached as Exhibit "E" to the Operating Agreement.

III.

Pursuant to Article VII.B., each Non-Operator mortgages to Operator, and grants to Operator a lien upon, its oil and gas leasehold estates and "oil and gas interests", as that term is defined in Article I.C. thereof, in the Contract Area, and grants to Operator a security interest in its share of oil or gas when extracted from the Contract Area and its interest in all equipment located thereon to secure payment of its share of expense under the Operating Agreement (including costs of investigation, defenses and payment of any final judgment or settlement for damages arising out of operations thereunder), together with interest thereon in accordance with the Operating Agreement, in addition to any other remedies available to Operator in law or pursuant to the Operating Agreement. Upon default by a Non-Operator in the payment of its share of expense, without prejudice to any other rights and remedies, Operator shall have the right to collect from the purchaser of production from the Contract Area the proceeds from the sale of such Non-Operator's share of oil or gas produced and sold from the Contract Area until the amount owed by Non-Operator, including interest, has been paid. Each purchaser of oil and gas produced from the Contract Area shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like mortgage, lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If Operator pays a defaulting party's share of any costs or expenses pursuant to Article VII. B.4 of the Operating Agreement, all other parties to the Operating Agreement, including Non-Operators shall, upon being billed by Operator, contribute their proportionate share of all sums advanced by Operator for and on behalf of the defaulting party. Such contributing parties shall in addition to any other right they may have hereunder receive a share of any interest in the Contract Area forfeited by the defaulting party as well as any percentage penalty recoupment from such defaulting party. The share for each such contributing party shall be in proportion to its contribution.

IV.

This Memorandum shall constitute a Financing Statement covering oil and gas extracted from the Contract Area to the extent that such oil and gas is owned by a defaulting party under the Operating Agreement. This Mortgage and Financing Statement shall be filed for record in the real estate records of any county or parish in which the contract Area is situated and/or the Secretary of State and shall be filed by Operator upon its own motion or upon the request of any Non-Operator. Each of the undersigned Non-Operators shall be considered as both a debtor, to the extent that such party has failed to pay his or its share of expense, and as a secured party mortgagee.

V.

In addition to the lien contained in Article VII.B. of the Operating Agreement, the Gas Balancing Agreement attached as Exhibit "E" to the Operating Agreement provides that each overproduced party grants a lien to each Underproduced Party upon its leasehold interest and upon its interest in gas production and the proceeds therefrom, and upon its interest in material and equipment, to the extent and so long as the Overproduced Party is overproduced, to secure its balancing obligations, both in kind and in cash, which lien shall be inferior and subject to the Operator's lien as provided in Article VII.B. of the parties Operating Agreement.

VI.

Operator may, on behalf of all parties, terminate the effect of this Memorandum as to all or any portion of the Contract Area by recording a full or partial release hereof.

VII.

Any party requiring additional information concerning the rights and obligations of the parties under the Operating Agreement may contact the Operator at the following address:

OPERATOR: Chesapeake Exploration Limited Partnership by its
General Partner, Chesapeake Operating, Inc.
P.O. Box 18496
Oklahoma City, Oklahoma 73154
Attn: Henry J. Hood

VIII.

This Memorandum may be executed in any number of counterparts, each of which shall be considered an original for all purposes and shall be binding upon the heirs, successors and assigns of the parties. The Operator is hereby authorized to compile the signature and notary pages from each of the counterparts in order to have one instrument containing signature and notarial acknowledgments for all parties for recording purposes.

OPERATOR:

CHESAPEAKE EXPLORATION
LIMITED PARTNERSHIP

By: _____
Henry J. Hood,
Senior Vice President-Land and Legal
of Chesapeake Operating, Inc.,
General Partner

NON-OPERATOR:

KAISER FRANCIS OIL COMPANY

By: _____
Its: _____

SAMSON RESOURCES COMPANY

By: _____
Its: _____

STATE OF OKLAHOMA)
)
COUNTY OF OKLAHOMA)

This instrument was acknowledged before me on _____, 2005,
by Henry J. Hood, Senior Vice President-Land and Legal of Chesapeake Operating, Inc.,
General Partner of Chesapeake Exploration Limited Partnership, an Oklahoma limited
partnership.

Notary Public
Name: Sandra L. Mathis
My Commission Expires: May 5, 2006
Commission Number: 02007791

STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on _____, 2005
by _____ of Kaiser
Francis Oil Company, a(n) _____ company, on behalf of the company.

Notary Public
Name (Print) _____
My Commission Expires: _____

STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on _____, 2005
by _____, _____ of Samson
Resources Company, a(n) _____ company, on behalf of the company.

Notary Public

Name (Print)

My Commission Expires: _____

W:\Permian\Operated Weis\KF State 4 #1\JOA\Memorandum.doc

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 Loraine, Suite 1010 Midland, TX 79701	<u>6.250000%</u>
TOTAL	100.000000%

W:\Permian\Operated Wells\KF State 4 #1UOAMemorandum 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



Centennial Tower
200 N. Loraine, Suite 1010
Midland, TX 79701
USA
432/683-7063
Fax 432/683-6547

RECEIVED
APR 08 2005
MAILROOM

April 5, 2005

Chesapeake Operating, Inc.
Attn: Lynda F. Townsend
P. O. Box 18496
Oklahoma City, OK 73154-0496

Re: Operating Agreement
Proposed KF State 4 #1
S/2 Section 4, T-21-S, R-35-E
Lea County, New Mexico

Gentlemen:

Samson is in receipt of the Operating Agreement for the referenced well. However, please be advised that by letter dated March 30, 2005 (copy attached) Samson rescinded its election to participate in the well and, therefore, will not be executing the Operating Agreement.

Should you have any questions regarding this matter, please contact the undersigned at (432) 686-6312.

Sincerely,

Tim Reece
Senior Landman

BEFORE THE
OIL CONSERVATION DIVISION
Case # 13492&13493 Exhibit No.____
Submitted By:
Chesapeake Inc.
Hearing Date: August 22, 2005
BEFORE THE

Stipulated Exhibit 14
NMOCD Case Nos. 13492 / 13493

CHK 000153



Centennial Tower
200 N. Lorraine, Suite 1010
Midland, TX 79701
USA
432/683-7063
Fax 432/683-6847

March 30, 2005

Chesapeake Permian, L. P.
Attn. Lynda F. Townsend
P. O. Box 18496
Oklahoma City, OK 73154-0496

VIA Facsimile 405-767-4251

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

Gentlemen:

Reference is made to Samson Resources Company's letter of March 16, 2005 in response to your letter dated March 9, 2005. Upon reviewing Samson's records we have determined that there is actually no JOA between the parties which would support an election for this well. In addition, the timeframe for the purported election has not yet expired. **Accordingly, please be advised the Samson hereby rescinds and revokes its invalid election to participate in Chesapeake's proposed KF State 4#1 well.**

If you have any questions please call me at 432-686-6312.

Sincerely,


Tim C. Reece
Senior Landman

TCR:

05-0523