

THE OIL CONSERVATION COMMISSION

CASE NO. 14001 & 14002

EXHIBIT

5

UNIT OPERATING AGREEMENT
QUAIL QUEEN UNIT
LEA COUNTY, NEW MEXICO

BEFORE THE OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 14001 & 14002 De Novo
(Consolidated)....Exhibit No. 5
Submitted by:
CHESAPEAKE EXPLORATION, L.L.C.
Hearing Date: August 14, 2008

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UNIT OPERATING AGREEMENT
QUAIL QUEEN UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of August, 2007, by the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof;

WITNESSETH:

WHEREAS, the parties hereto as Working Interest Owners have executed, as of the date hereof, an agreement entitled "UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE QUAIL QUEEN UNIT AREA, LEA COUNTY, NEW MEXICO", herein referred to as "Unit Agreement", which, among other things, provides for a separate agreement to be entered into by Working Interest Owners to provide for Unit Operations as therein defined.

NOW THEREFORE, in consideration of the mutual agreements here set forth, it is agreed as follows:

ARTICLE 1
CONFIRMATION OF UNIT AGREEMENT

1.1 Confirmation of Unit Agreement: The Unit Agreement is hereby confirmed and by reference made a part of this agreement. The definitions in the Unit Agreement are adopted for all purposes of this agreement. If there is any conflict between the Unit Agreement and this agreement, the Unit Agreement shall govern.

ARTICLE 2
EXHIBITS

2.1 Exhibits: The following exhibits are incorporated herein by reference:

2.1.1 Exhibit "A", "B" and "C" of the Unit Agreement.

2.1.2 Exhibit "D", attached hereto, is a schedule showing the Working Interest of each Working Interest Owner in each Tract, each Working Interest Owner's Unit Participation attributable to each such interest, and the total Unit Participation of each Working Interest Owner. Exhibit "D", or a revision thereof, shall not be conclusive as to the information therein, except it may be used as showing the Unit Participations of Working Interest Owners for purposes of this agreement until shown to be in error or revised as herein authorized.

2.1.3 Exhibit "E", attached hereto is the Accounting Procedure applicable to Unit Operations. If there is any conflict between this agreement and Exhibit "E", this agreement shall govern.

2.1.4 Exhibit "F", attached hereto, contains insurance provisions applicable to Unit Operations.

2.1.5 Exhibit "G", attached hereto, contains Pre-Existing Non-Consent provisions.

2.1.6 Exhibit "H", attached hereto, is an outline of categories of Pre-Unitization Expenses for the formation of the subject Unit.

2.2 Correcting Errors: The shapes and descriptions of the respective Tracts have been

established by using the best information available. If it subsequently appears that any Tract, because of diverse royalty or working interest ownership on the Effective Date hereof, should be divided into more than one Tract, or that any mechanical or clerical error has been made in the preparation of Exhibits or information shown thereon, the Unit Operator, with the approval of the Working Interest Owners, may correct the mistake by revising the Exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participation. Each such revision of an Exhibit made prior to thirty (30) days after the Effective Date shall be effective as of the Effective Date. Each such revision of an Exhibit thereafter made shall be effective at 7:00 a.m. on the first day of the calendar month next following the filing for record of the revised Exhibit, or such date as may be determined by the Working Interest Owners and set forth in the revised Exhibit.

2.3 Reference to Exhibits: When reference is made herein to an exhibit, it is to the exhibit as originally attached, or, if revised, to the last revision.

ARTICLE 3 SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS

3.1 Overall Supervision: The Working Interest Owners shall exercise overall supervision and control of all matters pertaining to Unit Operations pursuant to this Unit Operating Agreement.

3.2 Specific Authorities and Duties: The matters with respect to which the Working Interest Owners shall decide and take action shall include, but not be limited to, the following:

3.2.1 Method of Operation: The method of operation, including any type of pressure maintenance, secondary recovery, or other recovery program to be employed.

3.2.2 Drilling of Wells: The drilling of any well whether for production of Unitized Substances, for use as an injection well, or for other purposes.

3.2.3 Well Recompletions and Change of Status: The recompletion, abandonment, or change of status of any well, or the use of any well for injection or other purposes.

3.2.4 Expenditures: Authorization of any single expenditure, in excess of One Hundred Thousand Dollars (\$100,000.00); provided that, approval by the Working Interest Owners of the drilling, workover, drilling deeper, or plugging back of any well shall include approval of all necessary expenditures required therefor, and for completing, testing, and equipping the well, including necessary flow lines, separators, and lease tankage.

3.2.5 Disposition of Unit Equipment: The selling or otherwise disposing of any surplus Unit Equipment, if the current list price of new equipment similar thereto is Fifty Thousand Dollars (\$50,000.00) or more.

3.2.6 Appearance Before a Court or Regulatory Agency: The designating of a representative to appear before any court or regulatory agency in matters pertaining to Unit Operations; provided that, such designation shall not prevent any Working Interest Owner from appearing in person or from designating another representative in its own behalf at such Working Interest Owner's own expense.

3.2.7 Audits: The auditing of the accounts of Unit Operator pertaining to Unit Operations hereunder; provided that the audits shall:

a) Not be conducted more than once each year except upon resignation or removal of Unit Operator;

b) Be made upon the affirmative vote of at least fifty-one percent (51%) of the voting interest remaining after excluding the voting interest of Unit Operator; such costs incurred shall be at the expense of all Working Interest Owners other than Unit Operator;

c) Be made at the expense of all Working Interest Owners other than the Working Interest Owner designated as Unit Operator except that if the affirmative vote is less than the fifty-one percent (51%) required in subparagraph (b) of this section, then the audit shall be made at the expense of those Working Interest Owners requesting such audit; and,

d) Be made upon not less than thirty (30) days' written notice to Unit Operator.

3.2.8 Inventories: The taking of periodic inventories under the terms of Exhibit "E".

3.2.9 Technical Services: The authorizing of charges to the joint account for services by consultants or Unit Operator's technical personnel not covered by the overhead charges provided by Exhibit "E".

3.2.11 Replacement of Operator: The removal of Unit Operator and the selection of a successor.

3.2.12 Investment Adjustment: The adjustment and readjustment of investments.

3.2.13 Termination of Operations: The termination of Unit Operations and the Plan of Unitization.

3.2.14 Release of Information: The release of information, photographs, or television pictures concerning operations conducted hereunder and incidents occurring in connection with operations conducted hereunder; provided, however, that drilling depths, names of formations encountered, and other information normally furnished to industry scouting or news services may be released by the Unit Operator without approval of the Working Interest Owners.

ARTICLE 4 MANNER OF SUPERVISION

4.1 Designation of Representatives: Each Working Interest Owner shall in writing inform Unit Operator of the names and addresses of the representative and alternate who are authorized to represent and bind such Working Interest Owner with respect to Unit Operations. The representative or alternate may be changed from time to time by written notice to Unit Operator.

4.2 Meetings: All meetings of working Interest Owners shall be called by Unit Operator upon its own motion or at the request of one or more Working Interest Owners having a total Unit Participation of not less than two percent (2.00%). No meeting shall be called on less than fourteen (14) days' advance written notice, with agenda for the meeting attached. Working Interest Owners who attend the meeting shall not be prevented from amending items or other items presented in the agenda or from deciding the amended item or other items presented at the meeting. The representative of Unit Operator shall be chairman of each meeting.

4.3 Voting Procedure: Working Interest Owners shall decide all matters coming before them as follows:

4.3.1 Voting Interest: Each Working Interest Owner shall have a voting interest equal to its Unit Participation.