



April 22, 2010

VIA CERTIFIED MAIL

Chesapeake Exploration, L.L.C.
P. O. Box 18496
Oklahoma City, Ok 73154-0496
Attention: Hugh Brower

RECEIVED
APR 26 2010
MAILROOM 10

RE: Turkey Track Prospect (720018)
Leo 3 Fed Com #1H
S2S2 of Section 3-T15S-R31E
Chaves County, New Mexico

Dear Hugh:

COG Operating LLC (COG) hereby proposes the drilling of a horizontal well to a depth sufficient to adequately test the Lower Abo/Wolfcamp formation at an anticipated total vertical depth of 8775' and total measured depth being approximately 13,450'. The surface location for this well is proposed at 660' FSL & 430' FEL with a bottomhole location situated at 660' FSL & 330' FWL with the dedicated project area being the S2S2 of Section 3, Township 15 South, Range 31 East, Chaves County, New Mexico. Included herein is our AFE dated April 20, 2010, as well as our proposed form of Operating Agreement.

We ask that you join COG to the full extent of your interest in the drilling, testing and completing of this proposed well by indicating your acceptance in the space provided.

However, in the event you do not wish to participate, COG respectfully requests that you consider as an alternative either of the below proposals:

Proposal 1:

COG would be interested in purchasing, subject to reaching mutually agreeable price and terms, all of Chesapeake Exploration, L.L.C.'s or its entity's of record contractual and leasehold interests situated in Section 3-T15S-R31E, Chaves County, New Mexico.

Proposal 2:

Chesapeake Exploration, L.L.C. or its entity of record will farmout all of its contractual and leasehold interests in Section 3-T15S-R31E, Chaves County, New Mexico, retaining an overriding royalty interest equal to the difference between existing lease burdens and 80%, proportionately reduced and will retain the right to convert said overriding royalty interest to a twenty percent (20%) proportionately reduced working interest in subsequent proration units drilled in said section.

Please indicate below the option of your choice below, sign and return this letter at your earliest convenience to my attention by any of the following methods:

- US Mail – 550 West Texas Avenue, Suite 100, Midland, Texas 79701
- Fax – 432.685.4398
- Email – Jspradlin@conchoresources.com

Should you have any questions, please do not hesitate to contact me at 432.683.7443.

Very truly yours,

COG Operating LLC



Jan Preston Spradlin, CPL
Senior Landman

____ I/We hereby elect to participate in the Leo 3 Fed Co #1H
____ I/We hereby elect **not** to participate in the Lea 3 Fed Com #1H
____ I/We hereby elect to pursue Proposal 1
____ I/We hereby elect to pursue Proposal 2

CHESAPEAKE EXPLORATION, L.L.C.

By: _____

Name: _____

Title: _____

Date: _____

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: Leo 3 Fed Com #1H	PROSPECT NAME: TURKEY TRACK
Surf. 660' FSL, 430' FEL, Section 3	COUNTY & STATE: CHAVES CO. NM
BHL 660' FSL, 330' FWL, Section 3	OBJECTIVE: 13,450' MD, (8775' TVD) W/ftcmp/Lwr Abo
T15S, R31E	

INTANGIBLE COSTS		BCP	ACP	TOTAL
Title/Curative/Permit	201	5,500		5,500
Insurance	202	22,000	302	22,000
Damages/Right of Way	203	15,000	303	15,000
Survey/Stake Location	204	3,000	304	3,000
Location/Pits/Road Expense	205	45,000	305	50,000
Drilling / Completion Overhead	206	5,000	306	6,000
Turnkey Contract	207		307	0
Footage Contract	208		308	0
Daywork Contract 38.4 @ \$12000/day	209	456,000	309	504,000
Directional Drilling Services w/o LWD	210	275,000	310	275,000
Fuel & Power	211	136,000	311	151,000
Water	212	30,000	312	100,000
Bits	213	70,000	313	71,000
Mud & Chemicals	214	80,000	314	80,000
Drill Stem Test	215		315	0
Coring & Analysis	216			0
Cement Surface	217	12,200		12,200
Cement Intermediate	218	28,000		28,000
Cement 2nd Intermediate 7"	218		319	37,400
Cement Squeeze & Other (Kickoff Plug)	220	18,700	320	18,700
Float Equipment & Centralizers	221	7,000	321	9,000
Casing Crews & Equipment	222	15,000	322	25,000
Fishing Tools & Service	223		323	0
Geologic/Engineering	224	10,000	324	11,000
Contract Labor	225	10,000	325	40,000
Company Supervision	226	2,000	326	4,000
Contract Supervision	227	42,000	327	46,400
Testing Casing/Tubing	228	4,000	328	5,500
Mud Logging Unit	229	26,250	329	26,250
Logging	230	60,000	330	60,000
Perforating/Wireline Services	231	2,000	331	14,500
Stimulation/Treating			332	900,000
Completion Unit			333	24,000
Swabbing Unit			334	0
Rentals-Surface	235	100,000	335	145,000
Rentals-Subsurface	236	50,000	338	60,000
Trucking/Forklift/Rig Mobilization	237	80,000	337	100,000
Welding Services	238	3,000	338	4,500
Water Disposal	239		339	15,000
Plug to Abandon	240		340	0
Seismic Analysis	241		341	
Closed Loop & Environmental	244	180,000	344	180,000
Miscellaneous	242	5,000	342	6,000
Contingency	243	180,350	343	310,050
TOTAL INTANGIBLES		1,978,000	1,417,000	3,395,000

TANGIBLE COSTS				
Surface Casing 500' 13 3/8"	401	16,000		16,000
Intermediate Casing 4000' 9 5/8", 8000'-7"	402	108,000	503	303,000
Production Casing/Liner 5500'-4 1/2"			503	66,000
Tubing 8000' 2 7/8"			504	47,000
Wellhead Equipment	405	10,000	505	18,000
Pumping Unit			506	97,000
Prime Mover			507	20,000
Rods			508	39,000
Pumps			509	4,500
Tanks			510	60,000
Flowlines			511	15,000
Heater Treater/Separator			512	35,000
Electrical System			513	20,000
Packers/Anchors/Hangers	414		514	250,000
Couplings/Fittings/Valves	415	2,000	515	52,000
Gas Compressors/Meters			516	4,000
Dehydrator			517	0
Injection Plant/CO2 Equipment			518	0
Miscellaneous	419	1,000	519	2,000
Contingency	420	14,000	520	106,500
TOTAL TANGIBLES		151,000	1,004,000	1,155,000
TOTAL WELL COSTS		2,129,000	2,421,000	4,550,000

COG Operating LLC

By: J. Coffman / C. Bird

Date Prepared: 4/20/10

We approve:
_____% Working Interest

Company:
By: _____

Printed Name:
Title:
Date:

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.



Hugh T. Brower
Landman

May 25, 2010

VIA FACSIMILE (432) 683-7441
and U. S. POSTAL SERVICE

Ms. Jan Preston Spradlin, C.P.L.
COG Operating LLC
550 West Texas Avenue, Suite 100
Midland, Texas 79701

Re: Proposed New Drill
Leo 3 Fed Com #1H
SHL: 660' FSL & 430' FEL
BHL: 660' FSL & 330' FWL
Section 3, Township 15 South, Range 31 East
Chaves County, New Mexico

Dear Ms. Spradlin:

Pursuant to the proposal letter from COG Operating LLC ("COG") dated April 22, 2010, and received by Chesapeake Exploration, L.L.C. ("Chesapeake") on April 26, 2010, Chesapeake hereby elects to participate in drilling the above referenced well. COG's election letter has been executed and is enclosed for your records. The AFE will be faxed to you upon execution by the proper parties. All original documents will subsequently be mailed to your attention.

Also enclosed is a copy of our Well Information Distribution information. Chesapeake will provide its own insurance, a copy of which will be provided upon request.

Sincerely,

Chesapeake Exploration, L.L.C.

A handwritten signature in cursive script that reads "Hugh T. Brower".
Hugh T. Brower

Enclosures



April 22, 2010

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P. O. Box 18496
Oklahoma City, Ok 73154-0496
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CHESAPEAKE EXPLORATION, L.L.C.

By: 

Name: James W. Wimmer

Title: Land Manager – Permian

Date: 5/25/10



Permian Land Department

July 8, 2010

Ms. Traci Conner
COG Operating LLC
550 W. Texas Avenue, Suite 1300
Midland, Texas 79701

Re: Operating Agreement dated April 21, 2010
by and between COG Operating LLC/Chisos Ltd,
et al, as Non-Operators, covering the South Half
of Section 3-Township 15 South, Range 31 East
Chaves County, New Mexico

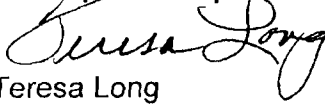
Dear Ms. Conner:

Enclosed please find original executed signatory pages to the Joint Operating Agreement, as referenced above, executed by the proper party at Chesapeake Exploration, L.L.C. Also enclosed are original signatory pages for your Exhibit "H", Model Form Recording Supplement to Operating Agreement and Financing Statement.

Should you have any questions or concerns please do not hesitate to contact Justin Zerkle, who has recently taken over the area previously handled by Hugh Brower.

Sincerely,

Chesapeake Exploration, L.L.C.


Teresa Long
Assistant Landman

Enclosure

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

April 21 , 2010 ,

OPERATOR COG Operating LLC

CONTRACT AREA Township 15 South, Range 31 East

Section 3: S/2

COUNTY OR PARISH OF Chaves , STATE OF New Mexico

COPYRIGHT 1989 - ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD.
FORT WORTH, TEXAS, 76137, APPROVED FORM.

A.A.P.L. NO. 610 - 1989

354-0011

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

1		Tax ID or S.S. No. _____
2		<u>The Blanco Company</u>
3	_____	By _____
4	_____	_____
5		Type or print name _____
6		Title _____
7		Date _____
8		Tax ID or S.S. No. _____
9		_____
10		
11	_____	By _____
12	_____	<u>Thomas E. Jennings</u>
13		Type or print name _____
14		Title _____
15		Date _____
16		Tax ID or S.S. No. _____
17		<u>Chesapeake Exploration, L.L.C., an</u>
18		<u>Oklahoma limited liability company</u>
19	_____	By _____
20	_____	<u>Henry J. Hood</u>
		Type or print name _____
21		Title <u>Senior Vice President - Land and</u>
22		<u>Legal & General Counsel</u>
		Date <u>June 22, 2010</u>
23		Tax ID or S.S. No. _____
24		
25		<u>Cimarex Energy Co.</u>
26	_____	By _____
27	_____	_____
28		Type or print name _____
29		Title _____
30		Date _____
31		Tax ID or S.S. No. _____
32		_____
33	_____	By _____
34	_____	_____
35		Type or print name _____
36		Title _____
37		Date _____

TB
CBB
AH