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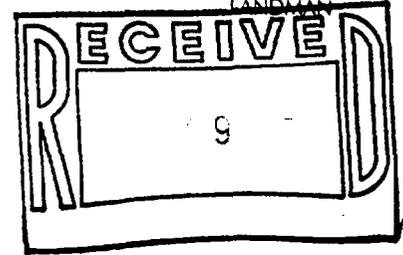
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C-49990

**CHESAPEAKE OPERATING, INC.**

LAND DEPARTMENT

P.O. BOX 18496  
OKLAHOMA CITY, OKLAHOMA 73154-0496  
405/848-8000, EXT. 416  
405/879-9560 FAX

MIKE HAZLIP, CPL



July 24, 1997

**VIA FACSIMILE (915) 686-6586 AND US MAIL**

Mr. Warren D. Richardson  
Conoco Inc.  
10 Desta Drive, Suite 100W  
Midland, Texas 79705

Re: Request for Extension of Term Assignment  
SE/4 SE/4 Section 1-T16S-R36E,  
Lea County, New Mexico

Dear Warren:

Pursuant to our conversation, Chesapeake hereby requests an extension of that certain Term Assignment effective June 1, 1997 covering Conoco's interest in the captioned acreage. Of the two other interest owners in the subject tract, one has granted Chesapeake a term assignment and the other has yet to commit their interest in writing. We have initiated force pooling procedures as a precaution, but if required to follow through with the procedures to procure the interest, we will not have sufficient time before our Term Assignment with Conoco expires on August 29, 1997.

Chesapeake has made a diligent effort to arrange for drilling in a timely manner under the terms of our agreement and may still commence drilling before the expiration date, but would very much appreciate an extension of the term of the subject Term Assignment until October 1, 1997 to insure that our current efforts will be worthwhile.

If you are agreeable to amending the Term Assignment by this letter to effectuate the expiration date to October 1, 1997, please so indicate by signing in the space provided below and returning to my attention at your earliest convenience. We appreciate your consideration and assistance in this matter.

Best regards,

AGREED TO AND ACCEPTED this 31 day of July, 1997.

Mike Hazlip

CONOCO, INC.

By:   
Name: Jerry D. Hardin  
Title: Attorney-in-Fact

WDR

BEFORE THE  
OIL CONSERVATION COMMISSION  
Case No. 11836 Exhibit No. 3  
Submitted By:  
**Chesapeake Inc.**  
Hearing Date: August 21, 1997