

CHESAPEAKE OPERATING, INC.

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

LAND DEPARTMENT

MIKE HAZLIP, CPL

LANDMAN

READING FILE

April 24, 1997

VIA FACSIMILE (918) 492-7944
AND CERTIFIED MAIL

Mr. Charlie Sherwood
Bristol Resources
6655 S. Lewis
Tulsa, Oklahoma 74136

Re: Well Proposal - Kim 1-1
S/2 SE/4 Section 1-T16S-R36E
Lea County, New Mexico

Dear Mr. Sherwood:

Per our conversation, it has come to our attention that Bristol Resources recently purchased Apache Corporation's interest in the Anderson 1-1 well and the acreage held by the production thereof. Chesapeake hereby proposes the drilling of the Kim 1-1 as an 11,900' Strawn test to be drilled 810' FSL and 746' FEL Section 1-16S-R36E.

Attached is an AFE reflecting estimated dry hole and completed well costs of \$605,000.00 and \$965,000.00 respectively. Should Bristol desire to participate with its interest, please sign the AFE and return it to my attention with Bristol's share of the dry hole costs as soon as possible and I will send a JOA for your execution.

We would appreciate your timely response to our well proposal.

Most sincerely,



Mike Hazlip

BEFORE THE
OIL CONSERVATION COMMISSION
Case No. 11836 Exhibit No. **7**
Submitted By:
Chesapeake Inc.
Hearing Date: August 21, 1997

CHESAPEAKE OPERATING, INC.

AUTHORIZATION FOR EXPENDITURE

Project Area: Strawn Project
 Well Name: Kim 1-1
 Operator: Chesapeake Operating, Inc.
 AFE #: 712221
 Spacing Unit: S/2 SE/4 Section 1-16S-36E

County, State: Lea, New Mexico
 Date: April 18, 1997
 Vertical Depth: 11,900'
 Measured Depth: 11,900'
 Formation: Wolfcamp, Strawn

CODE	INTANGIBLE COSTS	WORK DESCRIPTION	DRY HOLE	PRODUCER
233400	Location:	Roads, Location, Pits	\$30,000.00	\$30,000.00
233405		Reclamation	\$10,000.00	\$10,000.00
233401		Damages	\$10,000.00	\$10,000.00
233402	Legal:	Governmental Filings	\$2,000.00	\$2,000.00
233403		Title Opinions	\$10,000.00	\$10,000.00
233404		Seismic Costs	\$50,000.00	\$50,000.00
233406	Drilling:	Top Drive	\$0.00	\$0.00
233410		Drilling Contractor: 30 days @ \$5,500/day	\$165,000.00	\$165,000.00
233411		Directional Services	\$0.00	\$0.00
233413		Rig Mobilization/Demobilization	\$20,000.00	\$20,000.00
233414		Contract Labor	\$10,000.00	\$10,000.00
233415		Bits	\$40,000.00	\$40,000.00
233426		Cement Conductor	\$0.00	\$0.00
233416		Supplies and Utilities	\$4,000.00	\$6,000.00
233417		Cement Surface Casing	\$10,000.00	\$10,000.00
233420		Cement Intermediate Casing	\$18,000.00	\$18,000.00
233424		Cement Production Casing	\$0.00	\$30,000.00
233425		Cement Drilling Liner	\$0.00	\$0.00
233452		Cement Production Liner	\$0.00	\$0.00
233418		Mud Logging	\$11,000.00	\$11,000.00
233419		Drilling Fluids, Mud, Chem.	\$30,000.00	\$30,000.00
233421		Drill String Inspection	\$0.00	\$0.00
233423		Open Hole Logging/Form Evaluation	\$27,000.00	\$27,000.00
233427		Fishing	\$0.00	\$0.00
233428		Downhole Rental Equipment	\$0.00	\$0.00
233430	Completion:	Completion Unit	\$0.00	\$40,000.00
233431		Cased Hole Logging/Perforating	\$0.00	\$20,000.00
233433		Jetting	\$0.00	\$0.00
233434		Formation Stimulation	\$0.00	\$0.00
233437	General:	Surface Equipment Rental	\$15,000.00	\$17,000.00
233438		Transportation	\$10,000.00	\$12,000.00
233441		Frac Fluid Hauloff	\$0.00	\$0.00
233442		Blowout/Emergencies	\$0.00	\$0.00
233443		Company Supervision/Engineering	\$20,000.00	\$25,000.00
233444		Consultants	\$19,000.00	\$27,000.00
233446		Company Overhead	\$8,000.00	\$16,000.00
233447		Insurance	\$10,000.00	\$10,000.00
233450		Plug to Abandon	\$0.00	\$0.00
TOTAL INTANGIBLES		Total Intangible Costs	\$529,000.00	\$648,000.00

CODE	TANGIBLE COSTS	WORK DESCRIPTION		
230108	Tubulars:	Conductor:	\$0.00	\$0.00
230100		Surface Casing: 450' 13 3/8"	\$12,000.00	\$12,000.00
230101		Intermediate Casing: 4,300' 8 5/8"	\$60,000.00	\$60,000.00
230102		Production Casing: 11,900' 5 1/2"	\$0.00	\$92,000.00
230103		Drilling Liner:	\$0.00	\$0.00
230109		Production Liner:	\$0.00	\$0.00
230104		Float Equipment	\$4,000.00	\$5,000.00
230105		Tubing: 11,700' 2 7/8"	\$0.00	\$47,000.00
230108	Lease Equipment:	Wellhead Equipment	\$0.00	\$5,000.00
230107		Downhole Equipment	\$0.00	\$5,000.00
230111		Artificial Lift-Pumping Unit	\$0.00	\$60,000.00
230113		Production Equipment	\$0.00	\$30,000.00
230115		Compressor/Compression	\$0.00	\$0.00
230120		Non-Controllable Equipment	\$0.00	\$3,000.00
TOTAL TANGIBLES		Total Tangible Costs	\$76,000.00	\$319,000.00
		Total Costs	\$605,000.00	\$965,000.00

Prepared by: DST

Approved by: JML

OPERATOR'S APPROVAL: [Signature]
 Operations/Geology

DATE: 4-22-97

OPERATOR'S APPROVAL: [Signature]
 Land/Accounting

DATE: 4-1-97

NON-OPERATOR'S APPROVAL: _____

DATE: _____