

**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

June 25, 1997

**VIA FACSIMILE (918) 492-7944 AND U.S. MAIL**

Mr. Ed Watts  
Bristol Resources  
6655 S. Lewis  
Tulsa, Oklahoma 74136

Re: Lots 9, 10, 11, 14, 15, 16,  
S/2 SE/4 Section 1-T16S-R36E and  
Lots 12, 13, 14 and 17 Section 6-T16S-R37E  
Lea County, New Mexico

Dear Ed:

Pursuant to our most recent discussion, this letter will serve to memorialize our verbal agreement for Bristol Resources Corporation and Bristol Resources Acquisition Ltd Partnership ("Bristol") to farmout all of their interest in the captioned acreage to Chesapeake Operating, Inc ("Chesapeake"). The parties have agreed to the following basic terms and conditions, subject to the execution of a formal executed Farmout Agreement.

1. On or before ninety (90) days from the date Chesapeake receives a mutually acceptable and fully executed Farmout Agreement from Bristol covering the captioned lands, Chesapeake shall commence operations for the drilling of a well to an estimated depth of 11,900' at a legal location in the S/2 SE/4 Section 1-T16S-R36E, Lea County, New Mexico.
2. In the event said well is completed as a commercial producer, Chesapeake shall have earned an assignment covering 100% of Bristol's interest in the proration unit established by the New Mexico Oil Conservation Division from the surface to 100' below total depth drilled. Additionally, Chesapeake shall have earned the option to continuously develop the captioned acreage with no more than 180 days lapsing from the completion of one well to the commencement of drilling operations on the next.

BEFORE THE  
OIL CONSERVATION COMMISSION  
Case No. 11836 Exhibit No. 2  
Submitted By:  
*Chesapeake Inc.*  
Hearing Date: August 21, 1997

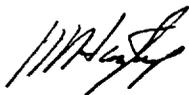
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3. On any assignment earned, Bristol shall retain an overriding royalty interest equal to the difference between twenty-five percent (25%) and existing burdens, proportionately reduced to Bristol's interest.

Should the foregoing accurately reflect our verbal agreement, please so indicate by signing in the space provided below and returning to my attention at your earliest convenience so that we can begin the preparation of a formal Farmout Agreement which includes the above-stated terms.

I appreciate your consideration and assistance regarding this matter.

Most sincerely,



Mike Hazlip

AGREED TO AND ACCEPTED this \_\_\_\_ day of June, 1997.

BRISTOL RESOURCES CORPORATION AND BRISTOL RESOURCES 1994  
ACQUISITION LTD PARTNERSHIP:

By: \_\_\_\_\_