

CHESAPEAKE OPERATING, INC.

P.O. BOX 18496
OKLAHOMA CITY, OKLAHOMA 73154-0496
405/879-9414
405/879-9535 FAX
ltownsend@chesapeake-energy.com

LAND DEPARTMENT

LYNDA F. TOWNSEND, CPL/ESA
LANDMAN

February 22, 2000

VIA CERTIFIED MAIL

Mr. Dale Douglas
203 W. Wall, Suite 1201
Midland, TX 79701

Re: Chesapeake's Proposed Teague 1-22
W/2 Section 22-16S-36E
Lea County, New Mexico

Dear Dale:

Chesapeake hereby proposes to drill the captioned well to a total depth of 12,650' to test the Morrow formation. The well will be drilled at an unorthodox location 2274' FNL and 2134' FWL in the W/2 of Section 22-16S-36E.

Attached is Chesapeake's AFE reflecting dry-hole costs of \$847,000 and completed well costs of \$1,252,000. Dale Douglas is the record title owner of the S/2 SW/4 for a total of 80 net mineral acres of the 320 gross acre unit. Chesapeake offers you the opportunity to participate in the drilling of the Teague 1-22 with a working interest of 25.0% and a proportionate dry-hole cost of \$211,750.

Should you elect to participate, please sign and return the AFE to my attention. A Joint Operating Agreement will then be forwarded for your signature.

If you have any questions, please give me a call.

Very truly yours,


Lynda F. Townsend

CHESAPEAKE OPERATING, INC.

AUTHORIZATION FOR EXPENDITURE					
Project Area: Lovington Well Name: Teague 1-22 Operator: Chesapeake Operating, Inc. AFE #: 100073 Spacing Unit: W2 Section 22-168-36E			County, State: Lea, New Mexico Date: February 18, 2000 Total Depth: 12,650' Formation: Lower Mississippi		
CODE		INTANGIBLE COSTS	WORK DESCRIPTION	DRY HOLE	PRODUCER
233400		Location:	Roads, Location, Pits	\$35,000.00	\$35,000.00
233401			Damages	\$5,000.00	\$5,000.00
233402			Governmental Filings	\$1,000.00	\$1,000.00
233403			Title Opinions	\$5,000.00	\$5,000.00
233404			Seismic Costs	\$0.00	\$0.00
233405			Reclamation	\$12,000.00	\$12,000.00
233406	Drilling:	Top Drive		\$0.00	\$0.00
233408		Pipeline Construction		\$0.00	\$0.00
233410		Drilling Contractor: 36 days @ \$6,100/day		\$220,000.00	\$220,000.00
233411		Directional Services		\$18,000.00	\$18,000.00
233413		Rig Mobilization/Demobilization		\$25,000.00	\$25,000.00
233414		Contract Labor		\$20,000.00	\$20,000.00
233415		Bits		\$55,000.00	\$55,000.00
233416		Supplies and Utilities		\$2,000.00	\$3,000.00
233426		Cement Conductor		\$0.00	\$0.00
233417		Cement Surface Casing		\$5,000.00	\$5,000.00
233420		Cement Intermediate Casing		\$15,000.00	\$15,000.00
233424		Cement Production Casing		\$0.00	\$25,000.00
233425		Cement Drilling Liner		\$0.00	\$0.00
233432		Cement Production Liner		\$0.00	\$0.00
233418		Mud Logging		\$12,000.00	\$12,000.00
233419		Drilling Fluids, Mud, Chem.		\$35,000.00	\$35,000.00
233421		Drill String Inspection		\$3,000.00	\$3,000.00
233423		Open Hole Logging		\$30,000.00	\$30,000.00
233427		Fishing		\$0.00	\$0.00
233428		Downhole Rental Equipment		\$35,000.00	\$35,000.00
233430	Completion:	Completion Unit		\$0.00	\$25,000.00
233431		Cased Hole Logging/Perforating		\$0.00	\$15,000.00
233433		Jetting		\$0.00	\$0.00
233434		Formation Stimulation		\$0.00	\$75,000.00
233437	General:	Surface Equipment Rental		\$36,000.00	\$46,000.00
233438		Transportation		\$3,000.00	\$5,000.00
233441		Frac Fluid Hauloff		\$0.00	\$0.00
233442		Blowout/Emergencies		\$0.00	\$0.00
233443		Company Supervision/Engineering		\$25,000.00	\$30,000.00
233444		Consultants		\$22,000.00	\$22,000.00
233446		Company Overhead		\$15,000.00	\$20,000.00
233447		Insurance		\$6,000.00	\$6,000.00
233449		Major Construction Overhead		\$0.00	\$2,000.00
233450		Plug to Abandon		\$0.00	\$0.00
		20% Contingency		\$128,000.00	\$183,000.00
TOTAL	INTANGIBLES		Total Intangible Costs	\$768,000.00	\$978,000.00
CODE		TANGIBLE COSTS	WORK DESCRIPTION		
230108		Tubulars:	Conductor:	\$0.00	\$0.00
230100			Surface Casing: 475' 13 3/8"	\$8,000.00	\$8,000.00
230101			Intermediate Casing: 4,300' 9 5/8"	\$56,000.00	\$56,000.00
230102			Production Casing: 12,650' 5 1/2"	\$0.00	\$76,000.00
230103			Drilling Liner:	\$0.00	\$0.00
230109			Production Liner:	\$0.00	\$0.00
230104			Float Equipment	\$2,000.00	\$3,000.00
230105			Tubing: 12,250' 2 7/8"	\$0.00	\$43,000.00
230106	Lease Equipment:	Wellhead Equipment		\$0.00	\$7,000.00
230107		Downhole Equipment		\$0.00	\$5,000.00
230111		Artificial Lift-Pumping Unit		\$0.00	\$0.00
230113		Production Equipment		\$0.00	\$30,000.00
230115		Compressor/Compression		\$0.00	\$0.00
230116		Pipeline Equipment		\$0.00	\$0.00
230120		Non-Controllable Equipment		\$0.00	\$0.00
		20% Contingency		\$13,000.00	\$46,000.00
TOTAL	TANGIBLES		Total Tangible Costs	\$79,000.00	\$274,000.00
			Total Costs	\$847,000.00	\$1,252,000.00

Prepared by: DWA

Approved by: JML

OPERATOR'S APPROVAL

Operations/Geology

DATE 2/18/00

OPERATOR'S APPROVAL

Land/Accounting

DATE 2/18/00

NON-OPERATOR'S APPROVAL

DATE

THE COSTS ITEMIZED ON THIS AFE ARE ESTIMATES ONLY. BY EXECUTION OF THE AFE, THE NON-OPERATOR AGREES TO PAY ITS PROPORTIONATE SHARE OF ALL ACTUAL COSTS INCURRED IN THE REFERENCED OPERATION.

214 West Texas
Suite 400 (Zip 79701)
P.O. Box 2071
Midland, Texas 79702

DAVID H. ARRINGTON OIL & GAS, INC.

Area Code: 915
Phone : 682-6685
Fax: 682-4139

February 25, 2000

VIA FACSIMILE 405-879-9535 AND MAIL

Chesapeake Operating, Inc.
Attn: Ms. Lynda Townsend
PO Box 18496
Oklahoma City, Oklahoma 73154

Re: Proposal to drill the Teague 1-22 Well
W/2 of Section 22, T16S, R36E
Lea County, NM


Dear Lynda:

I received your proposal to drill the captioned well as outlined in your letter to me of February 22, 2000. As I mentioned to you on the phone on Thursday, I have assigned all of my working interest in the lease covering the S/2SW/4 of Section 22 to David H. Arrington Oil & Gas, Inc. David H. Arrington Oil & Gas, Inc. subsequently assigned the leasehold estate to David H. Arrington, individually, Ocean Energy Resources, Inc. and Steve L. Holifield, Sr. This assignment of interest was mailed for recording in Lea County on February 7, 2000, and should be of record there. I have not yet received the recorded copy back. I have enclosed herewith a photocopy of the unrecorded assignment for your records, which includes the mailing addresses for the assignees.

Although I will forward a copy of your well proposal to these parties, I would suggest that you contact them direct.

Should there be any questions or comments regarding this matter, please advise.

Yours very truly,


Dale Douglas, CPL
/dd

Enclosure

MAR 06 2000

STATE OF NEW MEXICO \$
 \$ KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF LEA \$

Trace K. Coursey
Notary Public in and for the State of Texas

EXHIBIT "A"

Attached to and made a part of that certain Partial Assignment of Oil and Gas Leases dated effective as of December 3, 2000 from David H. Arrington Oil & Gas, Inc. to Ocean Energy Resources, Inc. et al

Oil and Gas leases:

Date: December 1, 1999
Recording: State of New Mexico VO-5671
Recording: 998 OPR 12, Lea County, New Mexico
Lessor: State of New Mexico
Lessee: Dale Douglas
Description: E/2SE/4 of Section 21, T16S, R36E, Lea County, New Mexico

Date: December 1, 1999
Recording: State of New Mexico VO-5672
Recording: 998 OPR 8, Lea County, New Mexico
Lessor: State of New Mexico
Lessee: Dale Douglas
Description: S/2SW/4 of Section 22, T16S, R36E, Lea County, New Mexico

Date: December 1, 1999
Recording: State of New Mexico VO-5673
Recording: 998 OPR 4, Lea County, New Mexico
Lessor: State of New Mexico
Lessee: Dale Douglas
Description: NW/4 of Section 27, T16S, R36E, Lea County, New Mexico

END OF EXHIBIT

CHESAPEAKE OPERATING, INC.

P.O. BOX 18496
OKLAHOMA CITY, OKLAHOMA 73154-0496
405/879-9414
405/879-9535 FAX
ltownsend@chesapeake-energy.com

LAND DEPARTMENT

LYNDA F. TOWNSEND, CPL/ESA
LANDMAN

February 25, 2000

VIA CERTIFIED MAIL

Mr. Jim Enlow —
Bellwether Exploration Company
1221 Lamar, Suite 1600
Houston, TX 77010

Re: Chesapeake's Proposed Teague 1-22
W/2 Section 22-16S-36E
Lea County, New Mexico

Dear Mr. Enlow:

Chesapeake Operating, Inc. hereby proposes to drill the captioned well to a total depth of 12,650' to test the Morrow formation. The well will be drilled at an unorthodox location 2274' FNL and 2134' FWL in the W/2 of Section 22-16S-36E.

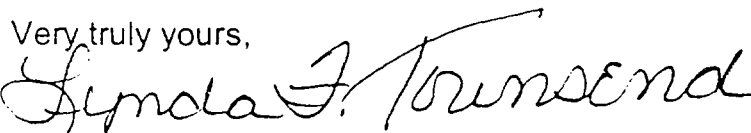
Attached is Chesapeake's AFE reflecting dry-hole costs of \$847,000 and completed well costs of \$1,252,000. Bellwether is the record title owner of 40 net mineral acres of the 320 acre unit. Chesapeake offers you the opportunity to participate in the drilling of the Teague 1-22 with a working interest of 12.5% and a proportionate dry-hole cost of \$105,875.

Should you elect to participate, please sign and return the AFE to my attention. A Joint Operating Agreement will then be forwarded for your signature.

As an alternative to your participation in the drilling of the Teague 1-22 well, Chesapeake offers to lease your acreage for the following terms; \$200.00/acre lease bonus, 1/4th royalty and a two (2) year term.

As time is of the essence, Chesapeake would appreciate receiving your election within 20 days of your receipt of this proposal. Should you have any questions, please give me a call.

Very truly yours,


Lynda F. Townsend

CHESAPEAKE OPERATING, INC.

AUTHORIZATION FOR EXPENDITURE				County, State: Lea, New Mexico	
Project Area: Lovington				Date: February 18, 2000	
Well Name: Teague 1-22				Total Depth: 12,650'	
Operator: Chesapeake Operating, Inc.				Formation: Lower Mississippi	
AFE #: 100073					
Spacing Unit: W2 Section 22-166-36E					
CODE	INTANGIBLE COSTS	WORK DESCRIPTION	DRY HOLE	PRODUCER	
233400	Location:	Roads, Location, Pits	\$35,000.00	\$35,000.00	
233401		Damages	\$5,000.00	\$5,000.00	
233402		Governmental Filings	\$1,000.00	\$1,000.00	
233403		Title Options	\$5,000.00	\$5,000.00	
233404		Seismic Costs	\$0.00	\$0.00	
233405		Reclamation	\$12,000.00	\$12,000.00	
233406	Drilling:	Top Drive	\$0.00	\$0.00	
233408		Pipeline Construction	\$0.00	\$0.00	
233410		Drilling Contractor: 36 days @ \$6,100/day	\$220,000.00	\$220,000.00	
233411		Directional Services	\$18,000.00	\$18,000.00	
233413		Rtg Mobilization/Demobilization	\$25,000.00	\$25,000.00	
233414		Contract Labor	\$20,000.00	\$20,000.00	
233415		Bbs	\$55,000.00	\$55,000.00	
233416		Supplies and Utilities	\$2,000.00	\$3,000.00	
233426		Cement Conductor	\$0.00	\$0.00	
233417		Cement Surface Casing	\$5,000.00	\$5,000.00	
233420		Cement Intermediate Casing	\$15,000.00	\$15,000.00	
233424		Cement Production Casing	\$0.00	\$25,000.00	
233425		Cement Drilling Liner	\$0.00	\$0.00	
233452		Cement Production Liner	\$0.00	\$0.00	
233418		Mud Logging	\$12,000.00	\$12,000.00	
233419		Drilling Fluids, Mud, Chem.	\$35,000.00	\$35,000.00	
233421		Drill String Inspection	\$3,000.00	\$3,000.00	
233423		Open Hole Logging	\$30,000.00	\$30,000.00	
233427		Fishing	\$0.00	\$0.00	
233428		Downhole Rental Equipment	\$35,000.00	\$35,000.00	
233430	Completion:	Completion Unit	\$0.00	\$25,000.00	
233431		Cased Hole Logging/Perforating	\$0.00	\$15,000.00	
233433		Jetting	\$0.00	\$0.00	
233434		Formation Stimulation	\$0.00	\$75,000.00	
233437	General:	Surface Equipment Rental	\$36,000.00	\$46,000.00	
233438		Transportation	\$3,000.00	\$5,000.00	
233441		Frac Fluid Hauloff	\$0.00	\$0.00	
233442		Blowout/Emergencies	\$0.00	\$0.00	
233443		Company Supervision/Engineering	\$25,000.00	\$30,000.00	
233444		Consultants	\$22,000.00	\$22,000.00	
233446		Company Overhead	\$15,000.00	\$20,000.00	
233447		Insurance	\$8,000.00	\$8,000.00	
233449		Major Construction Overhead	\$0.00	\$2,000.00	
233450		Plug to Abandon	\$0.00	\$0.00	
		20% Contingency	\$129,000.00	\$163,000.00	
TOTAL	INTANGIBLES	Total Intangible Costs	\$758,000.00	\$975,000.00	
CODE	TANGIBLE COSTS	WORK DESCRIPTION			
230108	Tubulars:	Conductor:	\$0.00	\$0.00	
230100		Surface Casing: 475' 13 3/8"	\$8,300.00	\$8,000.00	
230101		Intermediate Casing: 4,300' 9 5/8"	\$56,000.00	\$56,000.00	
230102		Production Casing: 12,850' 5 1/2"	\$0.00	\$78,000.00	
230103		Drilling Liner:	\$0.00	\$0.00	
230109		Production Liner:	\$0.00	\$0.00	
230104		Floor Equipment	\$2,300.00	\$3,000.00	
230105		Tubing: 12,250' 2 7/8"	\$0.00	\$43,000.00	
230106	Lease Equipment	Wellhead Equipment	\$0.00	\$7,000.00	
230107		Downhole Equipment	\$0.00	\$5,000.00	
230111		Artificial Lift-Pumping Unit	\$0.00	\$0.00	
230113		Production Equipment	\$0.00	\$30,300.00	
230115		Compressor/Compression	\$0.00	\$0.00	
230116		Pipeless Equipment	\$0.00	\$0.00	
230120		Non-Controllable Equipment	\$0.00	\$0.00	
		20% Contingency	\$13,300.00	\$46,300.00	
TOTAL	TANGIBLES	Total Tangible Costs	\$79,300.00	\$274,300.00	
Total Costs			\$847,000.00	\$1,252,000.00	

Prepared by: DVA

Approved by: JML

OPERATOR'S APPROVAL

Operations/Geology

DATE 2/18/00

OPERATOR'S APPROVAL

Land/Accounting

DATE 2/18/00

NON-OPERATOR'S APPROVAL

DATE

THE COSTS ITEMIZED ON THIS AFE ARE ESTIMATES ONLY. BY EXECUTION OF THE AFE, THE NON-OPERATOR AGREES TO PAY ITS PROPORTIONATE SHARE OF ALL ACTUAL COSTS INCURRED IN THE REFERENCED OPERATION.

CHESAPEAKE OPERATING, INC.

P.O. BOX 18496
OKLAHOMA CITY, OKLAHOMA 73154-0496
405/879-9414
405/879-9535 FAX
ltownsend@chesapeake-energy.com

LAND DEPARTMENT

LYNDA F. TOWNSEND, CPL/ESA
LANDMAN

February 25, 2000

VIA CERTIFIED MAIL

Mr. Brad James
Pure Energy Group, Inc.
700 N. St. Mary's Street, Ste. 1925
San Antonio, TX 78205

Re: Chesapeake's Proposed Teague 1-22
W/2 Section 22-16S-36E
Lea County, New Mexico

Dear Mr. James:

Chesapeake Operating, Inc. hereby proposes to drill the captioned well to a total depth of 12,650' to test the Morrow formation. The well will be drilled at an unorthodox location 2274' FNL and 2134' FWL in the W/2 of Section 22-16S-36E.

Attached is Chesapeake's AFE reflecting dry-hole costs of \$847,000 and completed well costs of \$1,252,000. Pure Energy is the record title owner of 40 net mineral acres of the 320 acre unit. Chesapeake offers you the opportunity to participate in the drilling of the Teague 1-22 with a working interest of 12.5% and a proportionate dry-hole cost of \$105,875.

Should you elect to participate, please sign and return the AFE to my attention. A Joint Operating Agreement will then be forwarded for your signature.

As an alternative to your participation in the drilling of the Teague 1-22 well, Chesapeake offers to lease your acreage for the following terms; \$200.00/acre lease bonus, 1/4th royalty and a two (2) year term.

As time is of the essence, Chesapeake would appreciate receiving your election within 20 days of your receipt of this proposal. Should you have any questions, please give me a call.

Very truly yours,



Lynda F. Townsend

CHESAPEAKE OPERATING, INC.

AUTHORIZATION FOR EXPENDITURE				County, State: Lee, New Mexico	
Project Area: Lovington				Date: February 18, 2000	
Well Name: Teague 1-22				Total Depth: 12,657'	
Operator: Chesapeake Operating, Inc.				Formation: Lower Mississippi	
APE #: 100073					
Spacing Unit: W2 Section 22-168-30E					
CODE	INTANGIBLE COSTS	WORK DESCRIPTION	DRY HOLE	PRODUCER	
233400	Location:	Roads, Location, Pits	\$35,000.00	\$35,000.00	
233401		Damages	\$5,000.00	\$5,000.00	
233402		Governmental Filings	\$1,000.00	\$1,000.00	
233403		Title Opinions	\$5,000.00	\$5,000.00	
233404		Seismic Costs	\$0.00	\$0.00	
233405		Reclamation	\$12,000.00	\$12,000.00	
233406	Drilling:	Top Drive	\$0.00	\$0.00	
233408		Pipeline Construction	\$0.00	\$0.00	
233410		Drilling Contractor: 36 days @ \$6,100/day	\$220,000.00	\$220,000.00	
233411		Directional Services	\$18,000.00	\$18,000.00	
233413		Rig Mobilization/Demobilization	\$25,000.00	\$25,000.00	
233414		Contract Labor	\$20,000.00	\$20,000.00	
233415		Bits	\$55,000.00	\$55,000.00	
233416		Supplies and Utilities	\$2,000.00	\$3,000.00	
233428		Cement Conductor	\$0.00	\$0.00	
233417		Cement Surface Casing	\$3,000.00	\$3,000.00	
233420		Cement Intermediate Casing	\$15,000.00	\$15,000.00	
233424		Cement Production Casing	\$0.00	\$25,000.00	
233425		Cement Drilling Liner	\$0.00	\$0.00	
233452		Cement Production Liner	\$0.00	\$0.00	
233418		Mud Logging	\$12,000.00	\$12,000.00	
233419		Drilling Fluids, Mud, Chem.	\$35,000.00	\$35,000.00	
233421		Drill String Inspection	\$3,000.00	\$3,000.00	
233423		Open Hole Logging	\$30,000.00	\$30,000.00	
233427		Fishing	\$0.00	\$0.00	
233428		Downhole Rental Equipment	\$35,000.00	\$35,000.00	
233430	Completion:	Completion Unit	\$0.00	\$25,000.00	
233431		Cased Hole Logging/Perforating	\$0.00	\$15,000.00	
233433		Jetting	\$0.00	\$0.00	
233434		Formation Stimulation	\$0.00	\$75,000.00	
233437	General:	Surface Equipment Rental	\$36,000.00	\$46,000.00	
233438		Transportation	\$3,000.00	\$5,000.00	
233441		Frac Fluid Hauloff	\$0.00	\$0.00	
233442		Blowout/Emergencies	\$0.00	\$0.00	
233443		Company Supervision/Engineering	\$25,000.00	\$30,000.00	
233444		Consultants	\$22,000.00	\$22,000.00	
233446		Company Overhead	\$15,000.00	\$20,000.00	
233447		Insurance	\$8,000.00	\$8,000.00	
233448		Major Construction Overhead	\$0.00	\$2,000.00	
233449		Plug to Abandon	\$0.00	\$0.00	
233450		20% Contingency	\$128,000.00	\$183,000.00	
TOTAL	INTANGIBLES	Total Intangible Costs	\$768,000.00	\$978,000.00	
CODE	TANGIBLE COSTS	WORK DESCRIPTION			
230108	Tubulars:	Conductor	\$0.00	\$0.00	
230100		Surface Casing: 475' 13 3/8"	\$8,000.00	\$8,000.00	
230101		Intermediate Casing: 4,300' 9 5/8"	\$56,000.00	\$56,000.00	
230102		Production Casing: 12,850' 5 1/2"	\$0.00	\$78,000.00	
230103		Drilling Liner	\$0.00	\$0.00	
230109		Production Liner	\$0.00	\$0.00	
230104		Float Equipment	\$2,000.00	\$3,000.00	
230105		Tubing: 12,250' 2 7/8"	\$0.00	\$43,000.00	
230106	Lease Equipment	Wellhead Equipment	\$0.00	\$7,000.00	
230107		Downhole Equipment	\$0.00	\$5,000.00	
230111		Artificial Lift Pumping Unit	\$0.00	\$0.00	
230113		Production Equipment	\$0.00	\$30,000.00	
230115		Compressor/Compression	\$0.00	\$0.00	
230116		Pipeline Equipment	\$0.00	\$0.00	
230120		Non-Controllable Equipment	\$0.00	\$0.00	
		20% Contingency	\$13,000.00	\$46,000.00	
TOTAL	TANGIBLES	Total Tangible Costs	\$79,000.00	\$274,000.00	
Total Costs			\$847,000.00	\$1,252,000.00	

Prepared by: JHA

Approved by: JML

OPERATOR'S APPROVAL

Operations/Geology

DATE 2/18/00

OPERATOR'S APPROVAL

Capital Accounting

DATE 2/18/00

NON-OPERATOR'S APPROVAL

DATE

THE COSTS ITEMIZED ON THIS AFE ARE ESTIMATES ONLY. BY EXECUTION OF THE AFE, THE NON-OPERATOR AGREES TO PAY ITS PROPORTIONATE SHARE OF ALL ACTUAL COSTS INCURRED IN THE REFERENCED OPERATION.

CHESAPEAKE OPERATING, INC.

P.O. BOX 18496
OKLAHOMA CITY, OKLAHOMA 73154-0496
405/879-9414
405/879-9535 FAX
ltownsend@chesapeake-energy.com

LAND DEPARTMENT

LYNDA F. TOWNSEND, CPL/ESA
LANDMAN

March 1, 2000

VIA CERTIFIED MAIL

Mr. David H. Arrington
P. O. Box 2071
Midland, TX 79702

Re: Chesapeake's Proposed Teague 1-22
W/2 Section 22-16S-36E
Lea County, New Mexico

Dear Mr. Arrington:

Chesapeake Operating, Inc. hereby proposes to drill the captioned well to a total depth of 12,650' to test the Morrow formation. The well will be drilled at an unorthodox location 2274' FNL and 2134' FWL in the W/2 of Section 22-16S-36E.

Attached is Chesapeake's AFE reflecting dry-hole costs of \$847,000 and completed well costs of \$1,252,000. David H. Arrington, a married man, is the record title owner of 30 net mineral acres of the 320 acre unit. Chesapeake offers you the opportunity to participate in the drilling of the Teague 1-22 well with a working interest of 9.375% and a proportionate dry-hole cost of \$79,406.25.

Should you elect to participate, please sign the attached AFE and return to me at your earliest convenience. Upon receipt, a Joint Operating Agreement will be forwarded for your signature.

If you have any questions, please give me a call.

Very truly yours,



Lynda F. Townsend

Z 303 927 638

NEW MEXICO DISTRIBUTION	
AKM	RH IV
TLW	CAH
SCD	RGG
HJH	Headman
JML	Prospect
GSD	LsRec
LFT	Other Don Garvey

CHESAPEAKE OPERATING, INC.

Project Area: Lovington Well Name: Teague 1-22 Operator: Chesapeake Operating, Inc. API #: 100973 Spacing Unit: W2 Section 22-186-38E			County, State: Lea, New Mexico Date: February 18, 2000 Total Depth: 12,650' Formation: Lower Mississippi	
CODE	INTANGIBLE COSTS	WORK DESCRIPTION	DRY HOLE	PRODUCER
233400	Location:	Roads, Location, Pits	\$35,000.00	\$35,000.00
233401		Damages	\$5,000.00	\$5,000.00
233402		Governmental Filings	\$1,000.00	\$1,000.00
233403		Title Options	\$5,000.00	\$5,000.00
233404		Seismic Costs	\$0.00	\$0.00
233405		Reclamation	\$12,000.00	\$12,000.00
233406	Drilling:	Top Drive	\$0.00	\$0.00
233408		Pipeline Construction	\$0.00	\$0.00
233410		Drilling Contractor: 30 days @ \$6,100/day	\$220,000.00	\$220,000.00
233411		Directional Services	\$18,000.00	\$18,000.00
233413		Rig Mobilization/Demobilization	\$25,000.00	\$25,000.00
233414		Contract Labor	\$20,000.00	\$20,000.00
233415		Bits	\$55,000.00	\$55,000.00
233416		Supplies and Utilities	\$2,000.00	\$3,000.00
233426		Cement Conductor	\$0.00	\$0.00
233417		Cement Surface Casing	\$5,000.00	\$5,000.00
233420		Cement Intermediate Casing	\$15,000.00	\$15,000.00
233424		Cement Production Casing	\$0.00	\$25,000.00
233425		Cement Drilling Liner	\$0.00	\$0.00
233462		Cement Production Liner	\$0.00	\$0.00
233418		Mud Logging	\$12,000.00	\$12,000.00
233419		Drilling Fluids, Mud, Chem.	\$35,000.00	\$35,000.00
233421		Drill String Inspection	\$3,000.00	\$3,000.00
233423		Open Hole Logging	\$30,000.00	\$30,000.00
233427		Fishing	\$0.00	\$0.00
233428		Downhole Rental Equipment	\$35,000.00	\$35,000.00
233430	Completion:	Completion Unit	\$0.00	\$25,000.00
233431		Cased Hole Logging/Perforating	\$0.00	\$15,000.00
233433		Jetting	\$0.00	\$0.00
233434		Formation Stimulation	\$0.00	\$75,000.00
233437	General:	Surface Equipment Rental	\$36,000.00	\$46,000.00
233438		Transportation	\$3,000.00	\$5,000.00
233441		Frac Fluid Hauloff	\$0.00	\$0.00
233442		Blowout/Emergencies	\$0.00	\$0.00
233443		Company Supervision/Engineering	\$25,000.00	\$30,000.00
233444		Consultants	\$22,000.00	\$22,000.00
233446		Company Overhead	\$15,000.00	\$20,000.00
233447		Insurance	\$6,000.00	\$6,000.00
233448		Major Construction Overhead	\$0.00	\$2,000.00
233450		Plug to Abandon	\$0.00	\$0.00
		20% Contingency	\$128,000.00	\$163,000.00
TOTAL	INTANGIBLES	Total Intangible Costs	\$768,000.00	\$978,000.00
CODE	TANGIBLE COSTS	WORK DESCRIPTION		
230108	Tubulars:	Conductor:	\$0.00	\$0.00
230100		Surface Casing: 475' 13 3/8"	\$8,000.00	\$8,000.00
230101		Intermediate Casing: 4,300' 9 5/8"	\$58,000.00	\$58,000.00
230102		Production Casing: 12,650' 5 1/2"	\$0.00	\$78,000.00
230103		Drilling Liner:	\$0.00	\$0.00
230109		Production Liner:	\$0.00	\$0.00
230104		Float Equipment	\$2,000.00	\$3,000.00
230105		Tubing: 12,250' 2 7/8"	\$0.00	\$43,000.00
230106	Lease Equipment:	Wellhead Equipment	\$0.00	\$7,000.00
230107		Downhole Equipment	\$0.00	\$5,000.00
230111		Artificial Lift-Pumping Unit	\$0.00	\$0.00
230113		Production Equipment	\$0.00	\$30,000.00
230115		Compressor/Compression	\$0.00	\$0.00
230116		Pipeline Equipment	\$0.00	\$0.00
230120		Non-Controllable Equipment	\$0.00	\$0.00
		20% Contingency	\$13,000.00	\$46,000.00
TOTAL	TANGIBLES	Total Tangible Costs	\$79,000.00	\$274,000.00
Total Costs			\$847,000.00	\$1,252,000.00

Prepared by: DWA

Approved by: JML

OPERATOR'S APPROVAL:

Operations/Geology

DATE:

2/18/00

OPERATOR'S APPROVAL:

Land/Accounting

DATE:

2/18/00

NON-OPERATOR'S APPROVAL:

DATE:

THE COSTS ITEMIZED ON THIS AFE ARE ESTIMATES ONLY. BY EXECUTION OF THE AFE, THE NON-OPERATOR AGREES TO PAY ITS PROPORTIONATE SHARE OF ALL ACTUAL COSTS INCURRED IN THE REFERENCED OPERATION.

CHESAPEAKE OPERATING, INC.

P.O. BOX 18496
OKLAHOMA CITY, OKLAHOMA 73154-0496
405/879-9414
405/879-9535 FAX
ltownsend@chesapeake-energy.com

LAND DEPARTMENT

LYNDA F. TOWNSEND, CPL/ESA
LANDMAN

March 1, 2000

VIA CERTIFIED MAIL

Mr. Derold Maney
Ocean Energy Resources, Inc.
1001 Fannin, Suite 1600
Houston, TX 77002

Re: Chesapeake's Proposed Teague 1-22
W/2 Section 22-16S-36E
Lea County, New Mexico

Dear Mr. Maney:

Chesapeake Operating, Inc. hereby proposes to drill the captioned well to a total depth of 12,650' to test the Morrow formation. The well will be drilled at an unorthodox location 2274' FNL and 2134' FWL in the W/2 of Section 22-16S-36E.

Attached is Chesapeake's AFE reflecting dry-hole costs of \$847,000 and completed well costs of \$1,252,000. Ocean Energy is the record title owner of 40 net mineral acres of the 320 acre unit. Chesapeake offers you the opportunity to participate in the drilling of the Teague 1-22 well with a working interest of 12.5% and a proportionate dry-hole cost of \$105,875.

Should you elect to participate, please sign the attached AFE and return to me at your earliest convenience. Upon receipt, a Joint Operating Agreement will be forwarded for your signature.

If you have any questions, please give me a call.

Very truly yours,


Lynda F. Townsend

NEW MEXICO DISTRIBUTION	
AKM /	RH IV /
TLW /	CAH /
SCD /	RGG /
HJH /	Hea Derold /
JML /	Prospect
GSD /	LsRec
LFT /	Other: Day Gane

CHESAPEAKE OPERATING, INC.

AUTHORIZATION FOR EXPENDITURE				County, State:	Lea, New Mexico
Project Area: Lovington				Date:	February 18, 2000
Well Name: Teague 1-22				Total Depth:	12,850'
Operator: Chesapeake Operating, Inc.				Formation:	Lower Mississippi
AFE #: 160073					
Spacing Unit: W22 Section 22-168-30E					
CODE	INTANGIBLE COSTS	WORK DESCRIPTION	DRY HOLE	PRODUCER	
233400	Location:	Roads, Location, Pits	\$36,000.00	\$36,000.00	
233401		Damages	\$6,000.00	\$6,000.00	
233402		Governmental Filings	\$1,000.00	\$1,000.00	
233403		Title Opinions	\$5,000.00	\$5,000.00	
233404		Seismic Costs	\$0.00	\$0.00	
233405		Reclamation	\$12,000.00	\$12,000.00	
233406	Drilling:	Top Drive	\$0.00	\$0.00	
233406		Pipeline Construction	\$0.00	\$0.00	
233410		Drilling Contractor: 36 days @ \$6,100/day	\$220,000.00	\$220,000.00	
233411		Directional Services	\$18,000.00	\$18,000.00	
233413		Rig Mobilization/Demobilization	\$25,000.00	\$25,000.00	
233414		Contract Labor	\$20,000.00	\$20,000.00	
233415		Bits	\$55,000.00	\$55,000.00	
233416		Supplies and Utilities	\$2,000.00	\$3,000.00	
233426		Cement Conductor	\$0.00	\$0.00	
233417		Cement Surface Casing	\$5,000.00	\$5,000.00	
233420		Cement Intermediate Casing	\$15,000.00	\$15,000.00	
233424		Cement Production Casing	\$0.00	\$25,000.00	
233425		Cement Drilling Liner	\$0.00	\$0.00	
233462		Cement Production Liner	\$0.00	\$0.00	
233418		Mud Logging	\$12,000.00	\$12,000.00	
233419		Drilling Fluids, Mud, Chem.	\$35,000.00	\$38,000.00	
233421		Drill String Inspection	\$3,000.00	\$3,000.00	
233423		Open Hole Logging	\$30,000.00	\$30,000.00	
233427		Fishing	\$0.00	\$0.00	
233428		Downhole Rental Equipment	\$35,000.00	\$35,000.00	
233430	Completion:	Completion Unit	\$0.00	\$25,000.00	
233431		Cased Hole Logging/Perforating	\$0.00	\$15,000.00	
233433		Jetting	\$0.00	\$0.00	
233434		Formation Stimulation	\$0.00	\$75,000.00	
233437	General:	Surface Equipment Rental	\$36,000.00	\$46,000.00	
233438		Transportation	\$3,000.00	\$5,000.00	
233441		Frac Fluid Hauloff	\$0.00	\$0.00	
233442		Blowout/Emergencies	\$0.00	\$0.00	
233443		Company Supervision/Engineering	\$25,000.00	\$30,000.00	
233444		Consultants	\$22,000.00	\$22,000.00	
233446		Company Overhead	\$15,000.00	\$20,000.00	
233447		Insurance	\$6,000.00	\$6,000.00	
233448		Major Construction Overhead	\$0.00	\$2,000.00	
233450		Plug to Abandon	\$0.00	\$0.00	
		20% Contingency	\$128,000.00	\$163,000.00	
TOTAL	INTANGIBLES	Total Intangible Costs	\$768,000.00	\$978,000.00	
CODE	TANGIBLE COSTS	WORK DESCRIPTION			
230108	Tubulars:	Conductor:	\$0.00	\$0.00	
230100		Surface Casing: 475' 13 3/8"	\$8,000.00	\$8,000.00	
230101		Intermediate Casing: 4,300' 9 5/8"	\$56,000.00	\$56,000.00	
230102		Production Casing: 12,850' 5 1/2"	\$0.00	\$78,000.00	
230103		Drilling Liner:	\$0.00	\$0.00	
230109		Production Liner:	\$0.00	\$0.00	
230104		Float Equipment	\$2,000.00	\$3,000.00	
230105		Tubing: 12,250' 2 7/8"	\$0.00	\$43,000.00	
230108	Lease Equipment:	Wellhead Equipment	\$0.00	\$7,000.00	
230107		Downhole Equipment	\$0.00	\$5,000.00	
230111		Artificial Lift-Pumping Unit	\$0.00	\$0.00	
230113		Production Equipment	\$0.00	\$30,000.00	
230115		Compressor/Compression	\$0.00	\$0.00	
230116		Pipeline Equipment	\$0.00	\$0.00	
230120		Non-Controllable Equipment	\$0.00	\$0.00	
		20% Contingency	\$13,000.00	\$46,000.00	
TOTAL	TANGIBLES	Total Tangible Costs	\$79,000.00	\$274,000.00	
		Total Costs	\$847,000.00	\$1,252,000.00	

Prepared by: DWA

Approved by: JML

OPERATOR'S APPROVAL:

Operations/Geology

DATE:

2/18/00

OPERATOR'S APPROVAL:

Land/Accounting

DATE:

2/18/00

NON-OPERATOR'S APPROVAL:

DATE:

THE COSTS ITEMIZED ON THIS AFE ARE ESTIMATES ONLY. BY EXECUTION OF THE AFE, THE NON-OPERATOR AGREES TO PAY ITS PROPORTIONATE SHARE OF ALL ACTUAL COSTS INCURRED IN THE REFERENCED OPERATION.

CHESAPEAKE OPERATING, INC.

P.O. BOX 18496
OKLAHOMA CITY, OKLAHOMA 73154-0496
405/879-9414
405/879-9535 FAX
ltownsend@chesapeake-energy.com

LAND DEPARTMENT

LYNDA F. TOWNSEND, CPL/ESA
LANDMAN

March 1, 2000

VIA CERTIFIED MAIL

Mr. Steve L. Holifield
P. O. Box 60910
Midland, TX 79711

Re: Chesapeake's Proposed Teague 1-22
W/2 Section 22-16S-36E
Lea County, New Mexico

Dear Mr. Holifield:

Chesapeake Operating, Inc. hereby proposes to drill the captioned well to a total depth of 12,650' to test the Morrow formation. The well will be drilled at an unorthodox location 2274' FNL and 2134' FWL in the W/2 of Section 22-16S-36E.

Attached is Chesapeake's AFE reflecting dry-hole costs of \$847,000 and completed well costs of \$1,252,000. Steve L. Holifield, a married man, is the record title owner of 10 net mineral acres of the 320 acre unit. Chesapeake offers you the opportunity to participate in the drilling of the Teague 1-22 well with a working interest of 3.125% and a proportionate dry-hole cost of \$26,468.75.

Should you elect to participate, please sign the attached AFE and return to me at your earliest convenience. Upon receipt, a Joint Operating Agreement will be forwarded for your signature.

If you have any questions, please give me a call.

Very truly yours,


Lynda F. Townsend

Z 303 927 637

NEW MEXICO DISTRIBUTION	
AKM /	RH IV -
TLW /	CAH -
SCD /	RGG /
HJH /	Ben Davidson
JML /	Prospect
GSD /	IsRec
LFT /	Other Dan Gria

CHESAPEAKE OPERATING, INC.

AUTHORIZATION FOR EXPENDITURE

Project Area: Lexington Well Name: Tanager 1-32 Operator: Chesapeake Operating, Inc. APE #: 100573 Spacing Unit: W12 Section 22-188-38E			County, State: Lee, New Mexico Date: February 16, 2008 Total Depth: 12,650' Formation: Lower Mississippi		
CODE	INTANGIBLE COSTS	WORK DESCRIPTION	DRY HOLE	PRODUCER	
233400	Location:	Roads, Location, Pits	\$34,000.00	\$34,000.00	
233401		Damages	\$5,000.00	\$5,000.00	
233402	Drilling:	Governmental Filings	\$1,000.00	\$1,000.00	
233403		Title Opinions	\$5,000.00	\$5,000.00	
233404		Seismic Costs	\$0.00	\$0.00	
233405		Reclamation	\$12,000.00	\$12,000.00	
233406		Top Drive	\$0.00	\$0.00	
233408		Pipeline Construction	\$0.00	\$0.00	
233410		Drilling Contractor: 30 days @ \$6,100/day	\$220,000.00	\$220,000.00	
233411		Directional Services	\$18,000.00	\$18,000.00	
233413		Rig Mobilization/Demobilization	\$25,000.00	\$25,000.00	
233414		Contract Labor	\$20,000.00	\$30,000.00	
233415	Completion:	Bits	\$55,000.00	\$55,000.00	
233416		Supplies and Utilities	\$2,000.00	\$3,000.00	
233428		Cement Conductor	\$0.00	\$0.00	
233417		Cement Surface Casing	\$5,000.00	\$5,000.00	
233420		Cement Intermediate Casing	\$15,000.00	\$18,000.00	
233424		Cement Production Casing	\$0.00	\$25,000.00	
233425		Cement Drilling Liner	\$0.00	\$0.00	
233462		Cement Production Liner	\$0.00	\$0.00	
233418		Mud Logging	\$12,000.00	\$12,000.00	
233419		Drilling Fluids, Mud, Chem.	\$35,000.00	\$35,000.00	
233421	General:	Drill String Inspection	\$3,000.00	\$3,000.00	
233423		Open Hole Logging	\$30,000.00	\$30,000.00	
233427		Fishing	\$0.00	\$0.00	
233428		Downhole Rental Equipment	\$35,000.00	\$35,000.00	
233430		Completion Unit	\$0.00	\$25,000.00	
233431		Cased Hole Logging/Perforating	\$0.00	\$15,000.00	
233433		Jetting	\$0.00	\$0.00	
233434		Formation Stimulation	\$0.00	\$75,000.00	
233437		Surface Equipment Rental	\$36,000.00	\$46,000.00	
233438		Transportation	\$3,000.00	\$5,000.00	
233441	TOTAL	Frac Fluid Hauloff	\$0.00	\$0.00	
233442		Blowout/Emergencies	\$0.00	\$0.00	
233443		Company Supervision/Engineering	\$25,000.00	\$30,000.00	
233444		Consultants	\$22,000.00	\$22,000.00	
233446		Company Overhead	\$15,000.00	\$20,000.00	
233447		Insurance	\$0,000.00	\$0,000.00	
233448		Major Construction Overhead	\$0.00	\$2,000.00	
233450		Plug to Abandon	\$0.00	\$0.00	
		20% Contingency	\$128,000.00	\$163,000.00	
TOTAL		INTANGIBLES	Total Intangible Costs	\$768,000.00	\$978,000.00
CODE	TANGIBLE COSTS	WORK DESCRIPTION			
230108	Tubulars:	Conductor:	\$0.00	\$0.00	
230100		Surface Casing: 475' 13 3/8"	\$8,000.00	\$8,000.00	
230101	Lease Equipment:	Intermediate Casing: 4,300' 9 5/8"	\$56,000.00	\$56,000.00	
230102		Production Casing: 12,650' 5 1/2"	\$0.00	\$76,000.00	
230103		Drilling Liner:	\$0.00	\$0.00	
230109		Production Liner:	\$0.00	\$0.00	
230104		Float Equipment	\$2,000.00	\$3,000.00	
230105		Tubing: 12,250' 2 7/8"	\$0.00	\$43,000.00	
230106		Wellhead Equipment	\$0.00	\$7,000.00	
230107		Downhole Equipment	\$0.00	\$5,000.00	
230111		Artificial Lift-Pumping Unit	\$0.00	\$0.00	
230113		Production Equipment	\$0.00	\$30,000.00	
230115	TOTAL	Compressor/Compression	\$0.00	\$0.00	
230116		Pipeline Equipment	\$0.00	\$0.00	
230120		Non-Controllable Equipment	\$0.00	\$0.00	
		20% Contingency	\$13,000.00	\$48,000.00	
TOTAL		TANGIBLES	Total Tangible Costs	\$79,000.00	\$274,000.00
		Total Costs	\$847,000.00	\$1,252,000.00	

Prepared by: DWA

Approved by: JML

OPERATOR'S APPROVAL:

Operations/Geology

DATE:

2/18/08

OPERATOR'S APPROVAL:

Land/Accounting

DATE:

2/11/08

NON-OPERATOR'S APPROVAL:

DATE:

THE COSTS ITEMIZED ON THIS AFE ARE ESTIMATES ONLY. BY EXECUTION OF THE AFE, THE NON-OPERATOR AGREES TO PAY ITS PROPORTIONATE SHARE OF ALL ACTUAL COSTS INCURRED IN THE REFERENCED OPERATION.

CHESAPEAKE OPERATING, INC.

AUTHORIZATION FOR EXPENDITURE				
Project Area: Lovington		County, State: Lea, New Mexico		
Well Name: Teague 1-22		Date: February 18, 2000		
Operator: Chesapeake Operating, Inc.		Total Depth: 12,650'		
AFE #: 100073		Formation: Lower Mississippi		
Spacing Unit: W/2 Section 22-168-36E				
CODE	INTANGIBLE COSTS	WORK DESCRIPTION	DRY HOLE	PRODUCER
233400	Location:	Roads, Location, Pits	\$35,000.00	\$35,000.00
233401		Damages	\$5,000.00	\$5,000.00
233402		Governmental Filings	\$1,000.00	\$1,000.00
233403		Title Options	\$5,000.00	\$5,000.00
233404		Seismic Costs	\$0.00	\$0.00
233405		Reclamation	\$12,000.00	\$12,000.00
233406	Drilling:	Top Drive	\$0.00	\$0.00
233408		Pipeline Construction	\$0.00	\$0.00
233410		Drilling Contractor: 36 days @ \$6,100/day	\$220,000.00	\$220,000.00
233411		Directional Services	\$18,000.00	\$18,000.00
233413		Rig Mobilization/Demobilization	\$25,000.00	\$25,000.00
233414		Contract Labor	\$20,000.00	\$20,000.00
233415		Bits	\$55,000.00	\$55,000.00
233416		Supplies and Utilities	\$2,000.00	\$3,000.00
233420		Cement Conductor	\$0.00	\$0.00
233417		Cement Surface Casing	\$5,000.00	\$5,000.00
233420		Cement Intermediate Casing	\$15,000.00	\$15,000.00
233424		Cement Production Casing	\$0.00	\$25,000.00
233425		Cement Drilling Liner	\$0.00	\$0.00
233426		Cement Production Liner	\$0.00	\$0.00
233418		Mud Logging	\$12,000.00	\$12,000.00
233419		Drilling Fluids, Mud, Chem.	\$35,000.00	\$35,000.00
233421		Drill String Inspection	\$3,000.00	\$3,000.00
233423		Open Hole Logging	\$30,000.00	\$30,000.00
233427		Fishing	\$0.00	\$0.00
233428		Downhole Rental Equipment	\$35,000.00	\$35,000.00
233430	Completion:	Completion Unit	\$0.00	\$25,000.00
233431		Cased Hole Logging/Perforating	\$0.00	\$15,000.00
233433		Jetting	\$0.00	\$0.00
233434		Formation Stimulation	\$0.00	\$75,000.00
233437	General:	Surface Equipment Rental	\$36,000.00	\$46,000.00
233438		Transportation	\$3,000.00	\$5,000.00
233441		Frac Fluid Hauloff	\$0.00	\$0.00
233442		Blowout/Emergencies	\$0.00	\$0.00
233443		Company Supervision/Engineering	\$25,000.00	\$30,000.00
233444		Consultants	\$22,000.00	\$22,000.00
233446		Company Overhead	\$15,000.00	\$20,000.00
233447		Insurance	\$6,000.00	\$6,000.00
233448		Major Construction Overhead	\$0.00	\$2,000.00
233450		Plug to Abandon	\$0.00	\$0.00
		20% Contingency	\$128,000.00	\$163,000.00
TOTAL	INTANGIBLES	Total Intangible Costs	\$768,000.00	\$978,000.00
CODE	TANGIBLE COSTS	WORK DESCRIPTION		
230108	Tubulars:	Conductor:	\$0.00	\$0.00
230100		Surface Casing: 475' 13 3/8"	\$8,000.00	\$8,000.00
230101		Intermediate Casing: 4,300' 9 5/8"	\$56,000.00	\$56,000.00
230102		Production Casing: 12,850' 5 1/2"	\$0.00	\$76,000.00
230103		Drilling Liner:	\$0.00	\$0.00
230109		Production Liner:	\$0.00	\$0.00
230104		Fleet Equipment	\$2,000.00	\$3,000.00
230105		Tubing: 12,250' 2 7/8"	\$0.00	\$43,000.00
230106	Lease Equipment:	Wellhead Equipment	\$0.00	\$7,000.00
230107		Downhole Equipment	\$0.00	\$5,000.00
230111		Artificial Lift-Pumping Unit	\$0.00	\$0.00
230113		Production Equipment	\$0.00	\$30,000.00
230115		Compressor/Compression	\$0.00	\$0.00
230116		Pipeline Equipment	\$0.00	\$0.00
230120		Non-Controllable Equipment	\$0.00	\$0.00
		20% Contingency	\$13,000.00	\$46,000.00
TOTAL	TANGIBLES	Total Tangible Costs	\$79,000.00	\$274,000.00
Total Costs			\$847,000.00	\$1,252,000.00

Prepared by: DWA

Approved by: JML

OPERATOR'S APPROVAL:

Operations/Geology

DATE:

2/18/00

OPERATOR'S APPROVAL:

Land/Accounting

DATE:

2/18/00

NON-OPERATOR'S APPROVAL:

Steve L. Holifield

DATE:

3-10-2000

THE COSTS ITEMIZED ON THIS AFE ARE ESTIMATES ONLY. BY EXECUTION OF THE AFE, THE NON-OPERATOR AGREES TO PAY ITS PROPORTIONATE SHARE OF ALL ACTUAL COSTS INCURRED IN THE REFERENCED OPERATION.

MAR 15 2000

CHESAPEAKE OPERATING, INC.

P.O. BOX 18496
OKLAHOMA CITY, OKLAHOMA 73154-0496
405/879-9414
405/879-9535 FAX
ltownsend@chesapeake-energy.com

LAND DEPARTMENT

LYNDA F. TOWNSEND, CPL/ESA
LANDMAN

February 25, 2000

VIA CERTIFIED MAIL

Mr. Brad James
Pure Energy Group, Inc.
700 N. St. Mary's Street, Ste. 1925
San Antonio, TX 78205

Re: Chesapeake's Proposed Teague 1-22
W/2 Section 22-16S-36E
Lea County, New Mexico

Dear Mr. James:

Chesapeake Operating, Inc. hereby proposes to drill the captioned well to a total depth of 12,650' to test the Morrow formation. The well will be drilled at an unorthodox location 2274' FNL and 2134' FWL in the W/2 of Section 22-16S-36E.

Attached is Chesapeake's AFE reflecting dry-hole costs of \$847,000 and completed well costs of \$1,252,000. Pure Energy is the record title owner of 40 net mineral acres of the 320 acre unit. Chesapeake offers you the opportunity to participate in the drilling of the Teague 1-22 with a working interest of 12.5% and a proportionate dry-hole cost of \$105,875.

Should you elect to participate, please sign and return the AFE to my attention. A Joint Operating Agreement will then be forwarded for your signature.

As an alternative to your participation in the drilling of the Teague 1-22 well, Chesapeake offers to lease your acreage for the following terms; \$200.00/acre lease bonus, 1/4th royalty and a two (2) year term.

As time is of the essence, Chesapeake would appreciate receiving your election within 20 days of your receipt of this proposal. Should you have any questions, please give me a call.

Very truly yours,



Lynda F. Townsend

CHESAPEAKE OPERATING, INC.

AUTHORIZATION FOR EXPENDITURE				County, State: Lea, New Mexico	
Project Area: Lovington				Date: February 18, 2000	
Well Name: Teague 1-22				Total Depth: 12,650'	
Operator: Chesapeake Operating, Inc.				Formation: Lower Mississippi	
AFE #: 100073					
Spacing Unit: W/2 Section 22-168-36E					
CODE	INTANGIBLE COSTS	WORK DESCRIPTION	DRY HOLE	PRODUCER	
233400	Location:	Roads, Location, Pits	\$35,000.00	\$35,000.00	
233401		Damages	\$5,000.00	\$5,000.00	
233402		Governmental Filings	\$1,000.00	\$1,000.00	
233403		Title Opinions	\$5,000.00	\$5,000.00	
233404		Seismic Costs	\$0.00	\$0.00	
233405		Reclamation	\$12,000.00	\$12,000.00	
233406	Drilling:	Top Drive	\$0.00	\$0.00	
233408		Pipeline Construction	\$0.00	\$0.00	
233410		Drilling Contractor: 36 days @ \$6,100/day	\$220,000.00	\$220,000.00	
233411		Directional Services	\$18,000.00	\$18,000.00	
233413		Rig Mobilization/Demobilization	\$25,000.00	\$25,000.00	
233414		Contract Labor	\$20,000.00	\$20,000.00	
233415		Bbs	\$55,000.00	\$55,000.00	
233416		Supplies and Utilities	\$2,000.00	\$3,000.00	
233428		Cement Conductor	\$0.00	\$0.00	
233417		Cement Surface Casing	\$5,000.00	\$5,000.00	
233420		Cement Intermediate Casing	\$15,000.00	\$15,000.00	
233424		Cement Production Casing	\$0.00	\$25,000.00	
233425		Cement Drilling Liner	\$0.00	\$0.00	
233452		Cement Production Liner	\$0.00	\$0.00	
233418		Mud Logging	\$12,000.00	\$12,000.00	
233419		Drilling Fluids, Mud, Chem.	\$35,000.00	\$35,000.00	
233421		Drill String Inspection	\$3,000.00	\$3,000.00	
233423		Open Hole Logging	\$30,000.00	\$30,000.00	
233427		Fishing	\$0.00	\$0.00	
233428		Downhole Rental Equipment	\$35,000.00	\$35,000.00	
233430	Completion:	Completion Unit	\$0.00	\$25,000.00	
233431		Cased Hole Logging/Perforating	\$0.00	\$15,000.00	
233433		Jetting	\$0.00	\$0.00	
233434		Formation Stimulation	\$0.00	\$75,000.00	
233437	General:	Surface Equipment Rental	\$36,000.00	\$46,000.00	
233438		Transportation	\$3,000.00	\$5,000.00	
233441		Frac Fluid Hauloff	\$0.00	\$0.00	
233442		Blowout/Emergencies	\$0.00	\$0.00	
233443		Company Supervision/Engineering	\$25,000.00	\$30,000.00	
233444		Consultants	\$22,000.00	\$22,000.00	
233446		Company Overhead	\$15,000.00	\$20,000.00	
233447		Insurance	\$6,000.00	\$6,000.00	
233448		Major Construction Overhead	\$0.00	\$2,000.00	
233449		Plug to Abandon	\$0.00	\$0.00	
233450		20% Contingency	\$128,000.00	\$163,000.00	
TOTAL	INTANGIBLES	Total Intangible Costs	\$768,000.00	\$978,000.00	
CODE	TANGIBLE COSTS	WORK DESCRIPTION			
230108	Tubulars:	Conductor:	\$0.00	\$0.00	
230100		Surface Casing: 475' 13 3/8"	\$8,000.00	\$8,000.00	
230101		Intermediate Casing: 4,300' 9 5/8"	\$58,000.00	\$58,000.00	
230102		Production Casing: 12,650' 5 1/2"	\$0.00	\$76,000.00	
230103		Drilling Liner:	\$0.00	\$0.00	
230109		Production Liner:	\$0.00	\$0.00	
230104		Float Equipment	\$2,000.00	\$3,000.00	
230105		Tubing: 12,250' 2 7/8"	\$0.00	\$43,000.00	
230106	Lease Equipment:	Wellhead Equipment	\$0.00	\$7,000.00	
230107		Downhole Equipment	\$0.00	\$5,000.00	
230111		Artificial Lift Pumping Unit	\$0.00	\$0.00	
230113		Production Equipment	\$0.00	\$30,000.00	
230115		Compressor/Compression	\$0.00	\$0.00	
230116		Pipeline Equipment	\$0.00	\$0.00	
230120		Non-Controllable Equipment	\$0.00	\$0.00	
		20% Contingency	\$13,000.00	\$46,000.00	
TOTAL	TANGIBLES	Total Tangible Costs	\$79,000.00	\$274,000.00	
Total Costs			\$847,000.00	\$1,212,000.00	

Prepared by DWA

Approved by: JML

OPERATOR'S APPROVAL

Operations/Geology

DATE 2/18/00

OPERATOR'S APPROVAL

Land/Accounting

DATE 2/18/00

NON-OPERATOR'S APPROVAL

DATE 3/13/00

THE COSTS ITEMIZED ON THIS AFE ARE ESTIMATES ONLY. BY EXECUTION OF THE AFE, THE NON-OPERATOR AGREES TO PAY ITS PROPORTIONATE SHARE OF ALL ACTUAL COSTS INCURRED IN THE REFERENCED OPERATION.



PURE ENERGY GROUP

JMC
LT
CAH

FyI.

RJF

22-mml-c

March 14, 2000

Mr. Robert Heffner
Chesapeake Operating, Inc.
P.O. Box 18496
Oklahoma City, OK 73154-0496

RE: Chesapeake Proposal Tegue 1-22
W/2 Section 22-16s-36e
Lea County, New Mexico

Dear Mr. Heffner:

Pure Energy Group holds an interest in the above captioned land. Before signing and returning the AFE sent to me by Lynda Townsend, I would like to see the geology on said prospect.

Should you have any questions, please give me a call.

Yours Truly,

G. Bailey Woods, Jr.
Pure Energy Group

APB
Dyna
3-13-00