LAND DEPARTMENT

LANDMAN

LYNDA F. TOWNSEND, CPLIESA

P.O. BOX 18496 OKLAHOMA CITY, OKLAHOMA 73154-0496 405/879-9414 405/879-9535 FAX

Itownsend@chesapeake-energy.com

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' FWI 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.

	Teegue 1-22						Lea, New Mexico February 18, 200
AFE &: Specing Unit: DOE 3400 3401	Chesapeaks Op	erating, Inc.				Total Depth:	
DOE 3400 3401	100073	-					Ower Mississippi
3400 3401							· · · · · · · · · · · · · · · · · · ·
1401		INTANGIBLE COSTS Location:	WORK DESCRIPTION Roads, Location, Pital			DRY HOLE	PRODUCE
		Cocadore	Demages			\$35,000.00 \$5,000.00	\$36,000.0 \$5,000.0
			Governmental Filings			\$1,000.00	\$1,000.0
403			Title Opinions			\$5,000.00	\$5,000.0
104			Seismic Costs			\$0.00	40,000.9
105			Reclamation			\$12,000.00	\$12,000.0
106		Orffling:	Top Orive			\$0.00	\$0.0
106		·	Pipeline Construction			\$0.00	80.0
110			Oriting Contractor: 36 days @ \$6,100/day			\$220,000,00	\$220,000.0
111			Directional Services			\$18,000.00	\$18,000.0
113			Rig Mobilization/Demobilization			\$25,000.00	\$25,000.0
614			Contract Labor			\$20,000.00	\$30,000.0
115			Bits			\$55,000.00	\$55,000.0
416			Supplies and Utilities			\$2,000.00	\$3,000.0
426			Cement Conductor			\$0.00	80.0
417			Coment Surface Casing			\$5,000.00	\$5,000.00
120			Coment Intermediate Casing			\$15,000.00	\$15,000.00
124			Cement Production Casing			\$0.00	\$25,000.0
125	•		Cement Orlling Liner			\$0,00	\$0.0
152			Cement Production Liner			\$0.00	\$0.0
118			Mud Logging			\$12,000,00	\$12,000.0
110			Drilling Fluids, Mud, Chem.			\$35,000.00	\$35,000.0
121		4	Orill String Inspection	- * *	•	\$3,000.00	\$3,000,0
123			Open Hole Logging			\$30,000.00	\$30,000.00
127			Fishing			\$0.00	\$0.0
126			Downhole Rental Equipment			\$35,000.00	\$35,000.0
130		Completion:	Completion Unit			\$0.00	\$25,000.0
131			Cased Hole Logging/Perforating			\$0.00	\$15,000.0
133			Jetting			\$0.00	\$0.0
134		C	Formation Stimulation			\$0.00	\$75,000.0
137		Generat	Surface Equipment Rental			\$36,000.00 \$3,000.00	\$46,000.0
138			Transportation Frac Fluid Hautoff			\$3,000.00	\$5,000.0
141 142			Frac Fluid Hausott Blowout/Emergencies		~	\$0.00 \$0,00	\$0.0 \$0. 0
			Company Supervision/Engineering			\$25,000.00	\$30,000 <u>,0</u>
44 44			Consultants			\$22,000.00	\$22,000.0
448			Company Overhead			\$15,000.00	\$20,000.0
447			Insurance			\$5,000.00	\$6,000.0
449			Major Construction Overhead			\$0.00	\$2,000.0
449 450			Plug to Abandon			\$0.00	\$0.0
			20% Contingency			\$128,000.00	\$163,000.0
							
TAL	INTANGIBLES		Total Intangible Costs			\$768,000 00	\$978,000.0
O€		TANGIBLE COSTS	WORK DESCRIPTION				
108		Tubulars:	Conductor:		40.000	\$0.00	\$0.0
100			Surface Casing:	475'	13 3/8"	\$8,000.00	\$8,000.0
101			Intermediate Casing:	4,300	9 5/8"	\$56,000.00	\$56,000.0
102			Production Casing:	12,650	5 1/2*	\$0.00	\$76,000.0
103			Drilling Liner:			\$0.00	\$0.0
109			Production Liner:			\$0.00	\$0.0
104			Float Equipment	42.350	2.7/8*	\$2,000.00	\$3,000.0
105			Tubing:	12,250	2 7/8*	\$0.00	\$43,000.0
106		Lease Equipment:	Weithead Equipment			\$0.00	\$7,000.0
107			Downhole Equipment			\$0.00	\$5,000.0
111			Artificial Lift-Pumping Unit			\$0.00 \$0.00	\$0.0 \$30,000,0
113			Production Equipment			\$0.00	
115			Compressor/Compression			\$0.00	\$0.0 \$0.0
116			Pipeline Equipment Non-Controllable Equipment			\$0.00	\$0.0 \$0.0
120			20% Contingency			\$13,000.00	\$46,000.0
	TANGIBLES		Total Tangible Costs			\$79,000.00	\$274,000.0
TAL							

Area Code: 915 Phone: 682-6686 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,

ldd Idd

Enclosure

MAR 0 6 2000

PARTIAL ASSIGNMENT OF OIL AND GAS LEASE

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

THAT, David H. Arrington Oil & Gas, Inc., whose mailing address is PO Box 2071, Midland, Texas 79702 (hereinafter referred to as "ASSIGNOR"), for and in consideration of the sum of Ten Dollars (\$10.00), cash in hand paid, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has transferred and assigned and by these presents does hereby grant, transfer, assign and convey unto Ocean Energy Resources, Inc. (an undivided 50.0%) whose mailing address is 1001 Fannin, Suite 1600, Houston, Texas 77002, David H. Arrington, a married man, (an undivided 37.5%) whose mailing address is PO Box 2071, Midland, Texas 79702, and Steve L. Holifield, Sr., a married man, (an undivided 12.5%) whose mailing address is PO Box 60910, Midland, Texas 79711, their successors and assigns (hereinafter referred to as "ASSIGNEE" whether one or more), with warranty of title by, through and under ASSIGNOR only, but not otherwise, that percentage set forth next to their respective names, of all ASSIGNOR's interest in and to the Oil, Gas and Mineral Leases (hereinafter referred to as "Subject Leases" whether one or more) covering the lands described thereon (hereinafter referred to as "Subject Lands") set forth on Exhibit "A" attached hereto and made a part hereof for all purposes.

ASSIGNOR excepts and reserves unto himself from this assignment, an overriding royalty interest equal to the difference between all existing leasehold burdens as of the effective date of this assignment and 22% of 8/8ths of all oil and gas produced, saved and marketed from the Subject Leases. The overriding royalty interest herein retained shall be free and clear of all costs of development and operation, but said interest shall bear and pay its portion of gross production taxes, severance taxes, pipeline taxes and all other taxes assessed against said overriding royalty interest, and said overriding royalty interest shall be subject to its proportionate part of all transportation charges and other charges reasonably incurred to render marketable such production. If the Subject Leases covers less than the entire mineral estate in the Subject Lands or in lands included in a spacing unit therewith, or if ASSIGNOR owns less than the entire leasehold estate created by the Subject Leases, and the Subject Lands covered thereby, then the overriding royalty interest herein retained shall be proportionately reduced.

This assignment shall not imply or require any leasehold preservation, drilling or development obligation on the part of ASSIGNEE. Its is agreed however that the overriding royalty interest herein retained shall be applicable to any renewal, extension or new lease taken, acquired, or caused to be acquired by ASSIGNEE within a period of twelve (12) months from the termination of the Subject Leases as to the Subject Lands and minerals covered and affected by said renewal, extension or new lease.

As to the interest being assigned to David H. Arrington herein, this assignment is granted and accepted pursuant to the terms and conditions of (i) that certain Exploration Agreement (Roberts Project) dated effective November 1, 1998 by and between David H. Arrington Oil & Gas, Inc. and Steve L. Holifield, (ii) that certain Exploration Agreement (Roberts Project) dated effective November 1, 1998 by and between David H. Arrington Oil & Gas, Inc. and Ocean Energy Resources, Inc.

As to the interest being assigned to Steve L. Holifield, Sr. herein, this assignment is granted and accepted pursuant to the terms and conditions of that certain Exploration Agreement (Roberts Project) dated effective November 1, 1998 by and between David H. Arrington Oil & Gas, Inc. and Steve L. Holifield.

This assignment shall be binding upon each of the parties hereto, their respective heirs, administrators, executors, devisees, trustees, personal representatives, successors, and assigns.

IN WITNESS WHEREOF, this instrument is executed as of the date set forth in the acknowledgment below, but EFFECTIVE for all purposes as of December 3, 2000.

ASSIGNOR:

DAVID H. ARRINGTON OIL & GAS, INC.

David H. Arrington, President

MIR

ACKNOWLEDGMENTS
STATE OF TEXAS

\$
COUNTY OF MIDLAND

\$

This instrument was acknowledged before me, a Notary Public, this 4 day of <u>Feb</u>, 2000, by David H. Arrington, President of David H. Arrington Oil & Gas, Inc, a Texas corporation, on behalf of said corporation.

Notary Public in and for the State of Texas

raci

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

LAND DEPARTMENT

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

LYNDA F. TOWNSEND, CPLYESA 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.

Townsend

Very truly yours,

Lynda F. Townsend

006	Teegue 1-22 Chesepeake Oper 100073	-				Date: Total Depth:	Les, New Mados February 18, 2000 12,650' Lower Mississippi
	W/2 Section 22-10						
		ITANGIBLE COSTS	WORK DESCRIPTION			DRY HOLE \$35,000,00	PRODUCER \$34,000.60
3400	U	ocation:	Roads, Location, Pits			35,000.00	
3401		•	Demages			\$1,000.00	\$5,000,00 \$1,000,00
3402			Governmental Filings			\$5,000.00	85,000.60
3403			Title Opinions Seismic Costs			\$0.00	20.00
3404						\$12,000.00	\$12,000.00
3405	_		Reclamation Top Orive			\$12,000.00	\$0.00
3406	U	r ill ing:				80.00	20.00
3408			Pipeline Construction	Mau		\$220,000.00	\$220,000,00
3410			Drilling Contractor: 36 days @ \$6,100 Directional Services	- Cay		\$18,000.00	\$18,000.00
3411			Rig Mobilization/Demobilization			\$25,000.00	\$25,000,00
3413			Contract Labor			\$20,000.00	\$30,000,00
13414			B4s			\$55,000.00	\$55,000,00
13415 13416			Supplies and Utilities			\$2,000.00	\$3,000,00
			Cement Conductor			\$0.00	\$0.00
13426			Cement Surface Casing			\$5,000.00	\$5,000,00
13417			Coment Intermediate Casing			\$15,000.00	\$15,000,00
13420						\$0.00	\$25,000.00
13424			Coment Production Casing			\$0,00	
33425	•		Coment Drilling Unor			\$0,00	\$0.00
13452			Cornent Production Liner				\$0.00
13418			Mud Logging			\$12,000.00	\$12,000.00
13418			Drilling Fluids, Mud, Chem.		-	\$35,000.00	\$35,000.00
13421			Or# String Inspection	- :		\$3,000.00	\$3,000.00
13423			Open Hole Lagging			\$30,000.00	\$30,000,00
33427			Fishing			\$0.00	\$0.00
3428			Downhole Rental Equipment			\$35,000,00	\$35,000,00
3430	C	Completion:	Completion Unit			\$0.00	\$25,000.00
13431		•	Cased Hole Logging/Perforating			\$0.00	\$15,000.00
33433			Jetting			\$0.00	\$0.00
33434			Formation Stimulation			\$0.00	\$75,000.00
33437		Generat	Surface Equipment Rentel			\$36,000.00	\$46,000,00
33438			Transportation		•	\$3,000.00	\$5,000,00
33441			Frec Fluid Hauloff			\$0.00	\$0-20
33442			Blowout/Emergencies			\$0.00	\$0.00
33443			Company Supervision/Engineering			\$25,000.00	\$30,000,00
33444			Consultants			\$22,000.00	\$22,000.00
33448			Company Overhead			\$15,000.00	\$20,000.00
33447			Insurance			\$6,000.00	
233449			Major Construction Overhead			\$0.00	\$2,000.00
			Pice to Abandon			\$0.00	\$0.00
33450			20% Contingency			\$128,000.00	
						\$758,000 00	\$975,000.00
OTAL	INTANG:BLES		Total Intangible Costs				
COD€		TANGIBLE COSTS	WORK DESCRIPTION				
30108		Tubulars.	Canductor:			\$0.30	
30100			Surface Casing:	475'	13 3.8"	\$8,000.00	
30101			Intermediate Casing:	4,300	9 5/8"	\$56,000.00	
30102			Production Casing:	12,850	5 1/2"	\$0.00	
30103			Onling Liner:			\$0.00	
30109			Production Liner:			\$0.00	\$0.00
30104			Float Equipment			\$2,000 00	
30105			Tubing:	12,250	2 7/8"	\$0.00	\$43,000.00
30105		Lease Equipment	Wellhead Equipment			\$0.00	
		CC030 C4C61 4:1	Comphole Equipment			\$0.00	
			Aminical Lift-Pumping Unit			\$0.00	
20107			Production Equipment			\$2.00	
230111			Compressor/Compression			\$0.00	
30111						\$2.30	
230111 230113 230115			Pipeane Equipment			\$0.50 \$0.50	
230111 230113 230115 230116			Non-Controllable Equipment				
230111 230113 230115 230116						** 1 Year **	
230111 230113 230115 230116			20% Contingency			\$13,000 00	
130111 130113	TANGIBLES		Total Tangible Costs			\$13,000 00 \$79,000 00	

LAND DEPARTMENT

LANDMAN

LYNDA F. TOWNSEND, CPL/ESA

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

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.

4/busend

Very truly yours,

Lynda F. Townsend

Teague 1-22 Chesapesta O: 100073	perating, Inc.		Date: Total Depth:	t,es, New Mexico February 18, 2000 12,650' Lower Mississippi
W/2 Section 22	-165-36E			
	INTANGIBLE COSTS	WORK DESCRIPTION	DRYHOLE	PRODUCER
	Location:	Roads, Location, Pits	\$35,000.00	\$34,000.00
		Demeges	\$5,000.00	\$5,000.00
		Governmental Filings	\$1,000.00	81,000.00
				\$5,000.00 30.40
				\$12,000,00
	Driffings			89.00
	·		\$0.00	\$0.00
		Drilling Contractor: 36 days @ 96,100/day	\$220,000.00	\$220,000.00
		Directional Services	\$18,000.00	\$14,000.00
				\$25,000.00
				00.000,003 00.000,228
				\$3,000.00
				30.00
		Cement Surface Casing	\$5,000.00	\$5,000,00
		Cornert Intermediate Casing	\$15,000.00	\$15,000,00
		Corneral Production Casing		\$25,000.00
•		Cement Drilling Liner	\$0.00	\$0.00
				\$0.00
				\$12,000.00 \$35,000.00
	•			\$35,000.00
•				\$30,000,00
		Fishing	\$0.00	\$0,00
		Downhole Rental Equipment	\$35,000.00	\$35,000,00
	Completion:	Completion Unit	\$0.00	\$25,000.00
	•	Cased Hole Logging/Perforating	\$0.00	\$15,000.00
		Jetting		\$0.00
				\$75,000.00 \$46,000.00
	General			\$5,000.00
	~			\$0.00
				\$30,000,00
		Consultants	\$22,000.00	\$22,000.00
		Company Overhead		\$20,000.00
		Insurance		\$8,000.00
		Major Construction Overhead		\$2,000.00
		-		\$0,00
		20% Contagency		
INTANGIBLE		Total Intançible Costs	\$768,000 00	\$978,000.00
			*0.00	\$0.00
	rebuters:			
			\$0.00	\$0.0
		Production Liner:	\$0.00	
		Figat Equipment		
	Lease Equipment	Wedhead Equipment		
		• • • • • • • • •		
		Production Equipment Compressor/Compression	\$0.00 \$0.00	
		Pipeline Equipment	\$3.30	
		Non-Controlable Equipment	\$0.00	
		20% Contingency	\$13,000 00	\$46,000.0
TANG:BLES		Total Tangible Costs	\$79,000 0	3274,000.0
	INT ANG ISLE	INTANGIBLES TANGIBLE COSTS Tubulais:	This Ophilons Selembt Costs Rectametion Top Drive Pipsine Construction Drilling Contractor: 36 days @ \$9,100/day Diversional Services Rig Mobilization/Demobilization Contract Labor Bus Supplies and Utilities Cement Gonductor Cement Strates Casing Cement Intermediate Casing Cement Prilling Liner Cement Production Liner Must Legging Drilling Flabs, Must, Chem. Drill String Inspection Open Hole Legging Plahing Downhole Rental Equipment Completion Unit Cased Hole Legging Prinning Jesting Finite Plant House Completion Unit Cased Hole Legging Prinning Jesting Formation Stimulation Completion Unit Cased Hole Legging Prinning Jesting Formation Stimulation Finic Plant House Finic Plant House Company Supervision/Engineering Consultants Company Openhead Insurance Major Construction Overhead Pring Construction Overhead Pring Construction Conference Surface Casing: 475' 13 3/8' Intermediate Casing: 475' 13	Title Opinions \$8,000.00 \$0,000 \$0,000 \$12,000.

LAND DEPARTMENT

LANDMAN

LYNDA F. TOWNSEND, CPL/ESA

P.O. BOX 18496 OKLAHOMA CITY, OKLAHOMA 73154-0496 405/879-9414 405/879-9535 FAX

Itownsend@chesapeake-energy.com

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.

1. oursend

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 HINGER

JML Prospect
GSD LsRec
LFT Other D

Z 303 927 638

22 to Operating, Inc. In 22-168-366 INTANCIBLE COSTS Location: Drilling: Completion:	WORK DESCRIPTION Roads, Location, Pits Demages Governmental Filings Tills Opinions Selamic Costs Reclamation Top Drive Pipelins Construction Drilling Contractor: 38 days @ \$5,100/day Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cement Conductor Cement Surface Cealing Cement Internaction Casing Cement Production Casing Cement Production Liner Mud Legging Drilling Fishing Drilling Fishing Downhole Rental Equipment Completion Unit Completion Unit Cased Hole Logging Fishing Downhole Rental Equipment Completion Unit Cased Hole Logging Fishing Cased Hole Logging Fishing Cased Hole Logging Fishing Cased Hole Logging Cased Hole		Total Depti: 1: Formation: Li DRY HOLE 335,000.00 35,000.00 35,000.00 35,000.00 30.00 30.00 30.00 30.00 30.00 30.00 30.00 30.00 30.00 30.00 30.00 315,000.00 325,000.00 355,000.00 355,000.00 355,000.00 355,000.00 355,000.00 355,000.00 355,000.00 355,000.00 355,000.00 355,000.00 355,000.00 355,000.00 355,000.00 355,000.00 355,000.00	ebruery 1 6, 2000 2,650°
INTANGELE COSTS Location: Driffing:	Roads, Location, Pits Demages Governmental Filings Title Opinions 8-leunic Costs Reclamation Top Drive Pipeline Construction Drilling Contractor: 38 days @ 36,100/day Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Comment Surface Cealing Cornect intermediate Casing Cornect Intermediate Casing Cornect Production Cealing Cornect Production Cornect Production Cornect Cealing Cornect Production Cornect Cealing Cornect Production Cornect Cealing Cornect Ce	· · · ·	Pormation: L. DRY HOLE \$35,000.00 \$1,000.00 \$1,000.00 \$3,000.00 \$20,000 \$20,000 \$220,000.00 \$18,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00	PROCUCER \$1,000.00 \$1,000.00 \$1,000.00 \$1,000.00 \$1,000.00 \$1,000.00 \$10,000.
INTANGIBLE COSTS Location: Driffing:	Roads, Location, Pits Demages Governmental Filings Title Opinions 8-leunic Costs Reclamation Top Drive Pipeline Construction Drilling Contractor: 38 days @ 36,100/day Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Comment Surface Cealing Cornect intermediate Casing Cornect Intermediate Casing Cornect Production Cealing Cornect Production Cornect Production Cornect Cealing Cornect Production Cornect Cealing Cornect Production Cornect Cealing Cornect Ce		DRY HOLE \$35,000.00 \$8,000.00 \$1,000.00 \$1,000.00 \$2,000.00 \$20,000.00 \$25,000.00 \$25,000.00 \$2,000.00 \$35,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$30,000.00 \$30,000.00 \$30,000.00 \$30,000.00 \$30,000.00 \$30,000.00	PRODUCER \$14,980.00 \$1,980.00 \$1,980.00 \$1,980.00 \$2,980.00 \$2,980.00 \$2,980.00 \$2,980.00 \$3,080.00 \$1,080.00 \$1,080.00 \$1,080.00 \$1,080.00 \$1,080.00 \$1,080.00 \$1,080.00 \$1,080.00 \$1,080.00 \$1,080.00 \$1,080.00 \$1,080.00
INTANGIBLE COSTS Location: Driffing:	Roads, Location, Pits Demages Governmental Filings Title Opinions 8-leunic Costs Reclamation Top Drive Pipeline Construction Drilling Contractor: 38 days @ 36,100/day Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Comment Surface Cealing Cornect intermediate Casing Cornect Intermediate Casing Cornect Production Cealing Cornect Production Cornect Production Cornect Cealing Cornect Production Cornect Cealing Cornect Production Cornect Cealing Cornect Ce		\$35,000.00 \$1,000.00 \$1,000.00 \$3,000.00 \$12,000.00 \$20.00 \$20.00 \$18,000.00 \$25,000.00 \$2,000.00 \$35,000.00 \$35,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00	PRODUCER \$14,980.00 \$1,980.00 \$1,980.00 \$2,980.00 \$2,980.00 \$2,980.00 \$12,980.00 \$2,980.00 \$3,080.00 \$4,080.00 \$15,980.00 \$15,980.00 \$15,980.00 \$15,980.00 \$15,980.00 \$15,980.00 \$15,980.00 \$15,980.00 \$15,980.00 \$15,980.00
Location: Drilling:	Roads, Location, Pits Demages Governmental Filings Title Opinions 8-leunic Costs Reclamation Top Drive Pipeline Construction Drilling Contractor: 38 days @ 36,100/day Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Comment Surface Cealing Cornect intermediate Casing Cornect Intermediate Casing Cornect Production Cealing Cornect Production Cornect Production Cornect Cealing Cornect Production Cornect Cealing Cornect Production Cornect Cealing Cornect Ce		\$35,000.00 \$1,000.00 \$1,000.00 \$3,000.00 \$12,000.00 \$20.00 \$20.00 \$18,000.00 \$25,000.00 \$2,000.00 \$35,000.00 \$35,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00	\$34,000.00 \$1,000.00 \$1,000.00 \$2,000.00 \$2,000.00 \$10,000.00 \$10,000.00 \$3,000.00 \$4,000.00 \$4,000.00 \$1,
Driffings	Demages Governmental Filings Title Ophione Selamic Costs Rectamation Top Drive Pipeline Construction Drifting Contractor: 38 days @ \$5,100/day Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Comment Conductor Cerment Surface Cealing Cerment Production Casing Cerment Production Casing Cerment Production Casing Cerment Production Casing Cerment Production Liner Mud Lagging Drifting Flatin, Mard, Chees. Drift String Inspection Open Hole Logging Fishing Downhole Rental Equipment Completion Unit	, ,	\$5,000.00 \$1,000.00 \$5,000.00 \$12,000.00 \$20,000 \$220,000.00 \$220,000.00 \$220,000.00 \$25,000.00 \$25,000.00 \$35,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$35,000.00 \$35,000.00 \$35,000.00	94,090,00 \$1,000,00 \$1,000,00 \$12,000,00 \$2,000,00 \$10,000,00 \$25,000,00 \$50,000,00 \$16,000,00 \$16,000,00 \$16,000,00 \$16,000,00 \$16,000,00 \$16,000,00 \$12,000,00 \$14,
	Governmental Filings Title Opinions Selemic Costs Reclamation Top Drive Pipoline Construction Drifting Contractor: 38 days @ 38,100/day Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cement Conductor Cement Surface Cooling Cement Internaciate Casing Cement Drifting Liner Cement Production Cooling Cement Drifting Liner Cement Production Liner Mud Lagging Drifting Fluids, Mud, Chess. Drift String Inspection Open Hole Logging Fixing Downhole Rental Equipment Completion Unit	· · ·	\$1,000.00 \$3,000.00 \$0,00 \$12,000.00 \$0,00 \$20,000.00 \$18,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$3,000.00 \$3,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$3,000.00 \$3,000.00 \$35,000.00 \$35,000.00	\$1,000.00 \$2,000.00 \$12,000.00 \$22,000.00 \$12,000.00 \$12,000.00 \$54,000.00 \$54,000.00 \$54,000.00 \$14,000.00 \$14,000.00 \$14,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00
	Selamic Costs Rectamation Top Drive Pipeline Construction Drilling Contractor: 38 days @ \$5,100/day Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Comment Conductor Comment Surface Cealing Comment Production Cealing Comment Production Cealing Comment Production Cealing Comment Production Liner Mud Legging Drilling Flatin, Mard, Chees. Drill String Inspection Open Hole Legging Flating Downhole Rental Equipment Completion Unit	· · · -	\$12,000.00 \$0.00 \$220,000.00 \$18,000.00 \$18,000.00 \$25,000.00 \$25,000.00 \$2,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$35,000.00 \$35,000.00 \$35,000.00	\$12,000,00 \$12,000,00 \$8,00 \$10,000,00 \$10,000,00 \$50,000,00 \$50,000,00 \$10,0
	Reclamation Top Drive Pipeline Construction Drilling Contractor: 38 days @ \$5,100/day Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cement Conductor Cement Surface Cesting Cement Intermediate Casting Cement Production Casting Cement Drilling Liner Cement Production Liner Mud Legging Drilling Flutte, Mud, Chem. Orill String Inspection Open Hole Legging Fishing Downhole Rental Equipment Completion Unit	. · · · · ·	\$12,000.00 \$0.00 \$20,000.00 \$18,000.00 \$25,000.00 \$25,000.00 \$35,000.00 \$3,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$12,000.00 \$33,000.00 \$33,000.00	780.00 \$12,500.00 \$8.00 \$10,000.00 \$10,000.00 \$25,000.00 \$45,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$15,000.00
	Top Drive Pipoline Construction Drilling Contractor: 38 days @ 36,100/day Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Coment Conductor Coment Surface Cealing Coment Intermediate Casing Coment Production Cealing Coment Production Cealing Coment Production Liner Must Logging Drilling Flakts, Abud, Chees. Drill String Inspection Open Hole Logging Fishing Downhole Rental Equipment Completion Unit	· · ·	\$0.00 \$2.00 \$18,000.00 \$18,000.00 \$25,000.00 \$2,000.00 \$55,000.00 \$2,000.00 \$3,000.00 \$15,000.00 \$0.00 \$0.00 \$0.00 \$12,000.00 \$35,000.00 \$35,000.00	\$2,00,00,00 \$18,000,00 \$18,000,00 \$22,000,00 \$23,000,00 \$54,000,00 \$4,000,00 \$14,000,00 \$24,000,00 \$12,000,00 \$12,000,00 \$12,000,00
	Pipeline Construction Offling Contractor: 38 days @ 35,100/day Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cement Conductor Cement Surface Cealing Cement Surface Cealing Cement Intermediate Cealing Cement Production Cealing Cement Production Cealing Cement Production Liner Mud Legging Drilling Fluths, Mud, Chees. Drill String Inspection Open Hole Legging Fluthing Downhole Rental Equipment Completion Unit	. · .	\$0.00 \$220,000.00 \$18,000.00 \$25,000.00 \$25,000.00 \$2,000.00 \$2,000.00 \$3,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$35,000.00 \$35,000.00	\$2,000,00 \$10,000,00 \$25,000,00 \$50,000,00 \$50,000,00 \$10,000,00 \$10,000,00 \$11,000,00 \$10,000,00 \$12,000,00 \$12,000,00 \$12,000,00 \$12,000,00 \$12,000,00 \$12,000,00 \$13,000,00
Completion:	Drilling Contractor: 38 days @ 35,100/day Directional Services Rig Mobilization/Commobilization Contract Labor Bits Supplies and Utilities Cement Conductor Cement Surface Ceeing Cement Intermediate Ceeing Cement Intermediate Ceeing Cement Drilling Liner Cement Production Ceeing Cement Drilling Liner Cement Production Liner Mud Legging Drilling Flakts, Mad, Chees. Drill String Inspection Open Hole Legging Fishing Downhole Rental Equipment Completion Unit	e *	\$220,000.00 \$18,000.00 \$25,000.00 \$25,000.00 \$35,000.00 \$2,000.00 \$3,000.00 \$15,000.00 \$0.00 \$0.00 \$0.00 \$12,000.00 \$33,000.00	\$220,000,00 \$18,000,00 \$22,000,00 \$50,000,00 \$50,000,00 \$6,000 \$15,000,00 \$15,000,00 \$15,000,00 \$15,000,00 \$15,000,00 \$15,000,00
Completion:	Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Coment Surface Cealing Cornect Intermediate Casing Cornect Intermediate Casing Cornect Production Cealing Cornect Production Cealing Cornect Production Cealing Cornect Production Liner Must Logging Diffing Flakin, Abud, Chees. Drill String Inspection Open Hole Logging Flaking Downhole Rental Equipment Completion Unit	· · ·	\$18,000.00 \$25,000.00 \$25,000.00 \$55,000.00 \$2,000.00 \$3,000.00 \$15,000.00 \$0.00 \$0.00 \$10,00 \$12,000.00 \$35,000.00 \$35,000.00	\$18,000,00 \$25,000,00 \$50,000,00 \$56,000,00 \$5,000,00 \$6,000,00 \$15,000,00 \$6,00 \$6,00 \$6,00 \$12,000,00 \$12,000,00
Completion:	Rig Mobilization/Demobilization Contract Labor Bills Supplies and Utilities Cerneri Conductor Cerneri Surface Ceeing Cerneri Surface Ceeing Cerneri Internaciate Ceeing Cerneri Production Ceeing Cerneri Production Ceeing Cerneri Production Liher Mud Legging Dvilling Flutde, Mud, Cheen. Drill String Inspection Open Hote Legging Flutde, Deep Ceeing Flutde, Flutde, Ceeing Flutde, Flutde, Ceeing Flutde,	. · · ·	\$25,000.00 \$20,000.00 \$35,000.00 \$2,000.00 \$3,000.00 \$15,000.00 \$0.00 \$0.00 \$12,000.00 \$35,000.00 \$35,000.00	\$25,000,00 \$50,000,00 \$5,000,00 \$0,000 \$1,000,00 \$15,000,00 \$22,000,00 \$12,000,00 \$12,000,00 \$12,000,00
Completion:	Contract Labor Bits Supplies and Utilities Cerneri. Conductor Cerneri. Surface Ceeing Cerneri. Intermediate Casing Cerneri. Intermediate Casing Cerneri. Production Casing Cerneri. Production Liner Mud Legging Drilling Flukts, Mud, Chem. Orill String Inspection Open Hole Legging Fishing Downhole Rental Equipment Completion Unit	. · · · ·	\$20,000,00 \$35,000,00 \$2,000,00 \$15,000,00 \$15,000,00 \$0,00 \$0,00 \$12,000,00 \$35,000,00 \$3,000,00 \$30,000,00	\$10,000.00 \$56,000.00 \$3,000.00 \$0,000 \$15,000.00 \$24,000.00 \$0,00 \$12,000.00 \$12,000.00
Completion:	Supplies and Utilities Cernert Conductor Cernert Surface Ceeing Cernert Intermediate Ceeing Cernert Production Ceeing Cernert Production Ceeing Cernert Production Liner Mud Legging Drilling Fluids, Mud, Chem. Drill String Inspection Open Hole Legging Fishing Downhole Rental Equipment Completion Unit	e •	\$2,600,00 \$8,000,00 \$15,000,00 \$15,000,00 \$0,00 \$12,000,00 \$35,000,00 \$30,000,00	\$3,000.00 \$0,000.00 \$16,000.00 \$25,000.00 \$0,00 \$0,00 \$12,000.00 \$15,000.00
Correlation:	Cernent Conductor Cernent Surface Ceeing Cernent Intermediate Casing Cernent Intermediate Casing Cernent Drilling Liner Cernent Production Ceeing Cernent Production Liner Mud Legging Drilling Flukts, Mud, Chees. Drill String Inspection Open Hole Legging Fluking Downhole Rental Equipment Completion Unit	· · · ·	\$0,00 \$15,000.00 \$15,000.00 \$0.00 \$0.00 \$0.00 \$12,000.00 \$35,000.00 \$30,000.00	\$0.00 \$6,000.00 \$16,000.00 \$25,000.00 \$0.00 \$12,000.00 \$12,000.00
Completion:	Cernent Surface Ceeing Cernent Internaciate Cesting* Cernent Production Cesting Cernent Production Cesting Cernent Production Liner Mud Logging Drilling Fluths, Mud, Chees. Drill String Inspection Open Hole Logging Fluthing Downhole Rental Equipment Completion Unit	. · · .	\$5,000.00 \$15,000.00 \$0.00 \$0.00 \$12,000.00 \$35,000.00 \$30,000.00	\$6,000.00 \$15,000.00 \$25,000.00 \$6,00 \$12,000.00 \$35,000.00
Completion:	Cement Intermediate Casing* Cement Production Casing Cement Production Liner Cement Production Liner Must Legging Drilling Fluids, Must, Class. Drill String Inspection Open Hole Legging Fishing Downhole Rental Equipment Completion Unit	. · · · · ·	\$15,000.00 \$0.00 \$0.00 \$0.00 \$12,000.00 \$35,000.00 \$30,000.00	\$15,000,00 \$25,000,00 \$0,00 \$12,000,00 \$35,000,00
Completion:	Cernent Production Casing Cernent Drilling Liner Cernent Production Liner Mud Legging Drilling Flatin, Mud, Chem. Drill String Inspection Open Hole Legging Fishing Downhole Rental Equipment Completion Unit	· · ·	\$0.00 \$0.00 \$0.00 \$12,000.00 \$35,000.00 \$3,000.00	\$25,000,00 \$0,00 \$0,00 \$12,000,00 \$35,000,00
Completion:	Cornent Drilling Liner Cornent Production Liner Mud Lagging Drilling Fluths, Mud, Chees. Drill String Inspection Open Hole Lagging Fluthing Downhole Rental Equipment Completion Unit	·· ·	\$0.00 \$0.00 \$12,000.00 \$35,000.00 \$3,000.00 \$30,000.00	\$6.00 \$0.00 \$12,000.00 \$35,000.00
Completion:	Cement Production Liner Must Legging Drilling Fluids, Must, Chem. Drill String Inspection Open Hole Legging Fluing Downhole Rental Equipment Completion Unit	· · · ·	\$0,00 \$12,000.00 \$36,000.00 \$3,000.00 \$30,000.00	\$12,000,00 \$15,000,00
Completion:	Drilling Fluids, Abud, Chees. Orili String Inspection Open Hole Logging Fluing Downhole Rental Equipment Completion Unit	. · · · · · · ·	\$35,000.00 \$3,000.00 \$30,000.00	\$12,000.00 \$35,000.00
Completion:	Orili String Inspection Open Hote Legging Fishing Downhote Rental Equipment Completion Unit		\$3,000.00 \$30,000.00	
Completion:	Open Hole Legging Fishing Downhole Rental Equipment Completion Unit	• • •	\$30,000.00	\$3,000,00
Completion:	Fishing Downhole Rental Equipment Completion Unit			
Completion:	Downhole Rental Equipment Completion Unit			\$30,000.00
Completion:	Completion Unit		\$0.00 \$35,000.00	\$0.00 835,000.00
Continuent.			\$35,000.00	\$25,000,00
			\$0.00	\$15,000.00
	Jetting		\$0.00	\$0.00
	Formation Stimulation		\$0.00	\$75,000.00
General:	Surface Equipment Rental		\$36,000.00	\$46,000.00
	Transportation	•	\$3,000.00	\$5,000.00
	Frac Fluid Hauloff		\$0.00	\$0.00
	Slowout/Emergencies		\$0.00 \$25,000.00	\$0.00
	Company Supervision/Engineering Consultants		\$22,000.00	\$30,000.00 \$22,000.00
				\$20,000.00
	Insurance		\$6,000.00	\$6,000.00
	Major Construction Overhead		\$0.00	\$2,000.00
	Plug to Abandon		\$0.00	\$0.00
	20% Contingency		\$128,000.00	\$163,000,00
BLES	Total intangible Costs		\$768,000.00	\$978,000.00
TANCIBLE COSTS	WARK DESCRIPTION			
Tubulars:			\$0.00	\$0.00
		'5' 13 3/8"	\$8,000.00	\$8,000.00
		xx' 9 5/8°	\$58,000.00	\$55,000.00
	Production Casing: 12,65	50" 5 1/2"	\$0.00	\$76,000.00
	Orilling Liner:		•	\$0.00
				\$0.00
				\$3,000.00
(page Environment		~ 2110		\$43,000,00 \$7,000.00
Cease Equipment:				\$5,000.00
	• • • • • • • • • • • • • • • • • • • •			\$0.00
	Production Equipment		\$0.00	\$30,000.00
	Compressor/Compression		\$0.00	\$0.00
	Pipeline Equipment		\$0.00	\$0.00
	Non-Controllable Equipment		\$0.00	\$0.00
	20% Contingency		\$13,000.00	\$46,000.00
ES	Total Tangible Costs		\$79,000.00	\$274,000.00
	Total Costs		\$847,000.00	
	TANGIBLE COSTS Tubulars: Lease Equipment:	Company Overhead Insurance Major Construction Overhead Plug to Abandon 20% Contingency Total Intangible Costs TANGIBLE COSTS WORK DESCRIPTION Tubulars: Conductor: Surface Casing: 430 Intermediate Casing: 430 Production Casing: 12,86 Drilling Liner: Production Liner: Float Equipment Tubing: 12,25 Lease Equipment: Wellhead Equipment Artificial Lith-pumping Unit Production Equipment Compression Pipeline Equipment Compression Pipeline Equipment Non-Controllable Equipment Non-Controllable Equipment	Company Overhead Insurance Major Construction Overhead Plug to Abandon 20% Contingency BLES Total Intengible Costs TANGIBLE COSTS Tubulars: VORK DESCRIPTION Conductor: Surface Casing: 4.75' 13.3/8" Intermediate Casing: 4,300' 9.5/8" Production Cesling: 12,050' 5.1/2" Drilling Liner: Production Liner: Float Equipment Tubing: 12,250' 2.7/8" Lease Equipment: Weithead Equipment Artificial Lift-Pumping Unit Production Equipment Compressor/Compression Pipeline Equipment Non-Controllable Equipment Non-Controllable Equipment 20% Contingency	Company Overhead \$15,000.00 Insurance

LAND DEPARTMENT

LANDMAN

LYNDA F. TOWNSEND, CPL/ESA

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

March 1, 2000

VIA CERTIFIED MAIL

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

Chesapeake's Proposed Teague 1-22 Re:

> 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 dryhole 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.

NEW MEXICO DISTRIBUTION AKM / RH IV CAH -TLW -SCD Gea Dav JML Prospect GSD -LsRec Other Danuant LFT /

Operating, Inc. 22-166-36E BYTANGIBLE COSTS Location: Drilling: Completion: General:	WORK DESCRIPTION Roads, Lecalion, Pils Demages Governmental Filings Title Opinions Selevitic Coats Reclamation Top Drive Pipeline Construction Drifting Contractor: 36 days @ 36,100 ktey Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utities Cement Conductor Cement Services Ceiting Cement Intermediate Ceating Cement Production Ceating Cement Production Ceating Cement Production Liber Mud Logging Drifting Liber Cement Production Liber Mud Logging Drifting Platins, Mud. Chem. Drift Skring Inspection Open Hole Logging Fashing Downhole Rental Equipment Completion Unit Cased Hole Logging/Perforsting Jetting Formation Stimulation Surface Equipment Rental	Total Depth: Formation: Pormation: DRY HOLE \$34,000.00 \$1,000.00 \$1,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$220,000.00 \$25,000.00	PROCNICE \$36,090.0 \$1,000.0 \$1,000.0 \$1,000.0 \$1,000.0 \$12,000.0 \$220,000.0 \$25,000.0 \$30,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0
22-168-36E RYTANGIBLE COSTS Location: Drilling: Completion:	Roads, Lecation, Pits Damages Governmental Filings Title Opinions Selartic Costs Rectamention Top Orive Plyeithe Censtruction Oriffing Contractor: 36 days @ 36,100ktey Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cernent Surface Casing Cernent Heremodiale Casing Cernent Production Liner Must Logging Cernent Production Liner Must Logging Diffing Finiting Diffing Phidis, Must, Cherk. Drill String Inspection Open Hole Logging Faining Completion Util Cased Hole Logging/Perforeting Jetting Formation Stimulation Surface Equipment Rental	Formation: DRY HOLE \$35,000.00 \$3,000.00 \$1,000.00 \$5,000.00 \$12,000.00 \$22,000.00 \$22,000.00 \$22,000.00 \$22,000.00 \$23,000.00 \$23,000.00 \$23,000.00 \$23,000.00 \$31,000.00	PROCNICE \$36,090.0 \$1,000.0 \$1,000.0 \$1,000.0 \$1,000.0 \$12,000.0 \$220,000.0 \$25,000.0 \$30,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0
BYTANGIBLE COSTS Location; Drilling: Completion:	Roads, Lecation, Pits Damages Governmental Filings Title Opinions Selartic Costs Rectamention Top Orive Plyeithe Censtruction Oriffing Contractor: 36 days @ 36,100ktey Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cernent Surface Casing Cernent Heremodiale Casing Cernent Production Liner Must Logging Cernent Production Liner Must Logging Diffing Finiting Diffing Phidis, Must, Cherk. Drill String Inspection Open Hole Logging Faining Completion Util Cased Hole Logging/Perforeting Jetting Formation Stimulation Surface Equipment Rental	\$36,000.00 \$8,000.00 \$1,000.00 \$2,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$15,000.00	PROCNICE \$34,000.0 \$5,000.0 \$1,000.0 \$12,000.0 \$14,000.0 \$14,000.0 \$25,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0
Location: Drilling: Completion:	Roads, Lecation, Pits Damages Governmental Filings Title Opinions Selartic Costs Rectamention Top Orive Plyeithe Censtruction Oriffing Contractor: 36 days @ 36,100ktey Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cernent Surface Casing Cernent Heremodiale Casing Cernent Production Liner Must Logging Cernent Production Liner Must Logging Diffing Finiting Diffing Phidis, Must, Cherk. Drill String Inspection Open Hole Logging Faining Completion Util Cased Hole Logging/Perforeting Jetting Formation Stimulation Surface Equipment Rental	\$36,000.00 \$8,000.00 \$1,000.00 \$2,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$15,000.00	\$36,000,0 \$1,000,0 \$1,000,0 \$6,000,0 \$12,000,0 \$14,000,0 \$14,000,0 \$350,000,0 \$55,000,0 \$15,000,0 \$15,000,0 \$15,000,0 \$15,000,0 \$15,000,0 \$15,000,0 \$15,000,0 \$15,000,0 \$15,000,0 \$15,000,0 \$15,000,0 \$15,000,0 \$15,000,0
Drilling: Completion:	Derreges Governmental Filings Title Opinions Selamic Costs Rectamation Top Drive Pipeline Censtruction Driffing Contractor: 38 days @ 38,100/day Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cernent Conductor Cernent Surface Ceiling Cernent Production Cealing Cernent Production Cealing Cernent Production Cealing Cernent Production Liber Mud Logging Driffing Flatins, Mud, Chem. Driff Skring Inspection Open Hole Logging Fashing Covenhole Rental Equipment Completion Unit Cased Hole Logging/Perforeting Jetting Formation Stimulation Surface Equipment Rental	\$5,000.00 \$1,000.00 \$2,000.00 \$12,000.00 \$20,000.00 \$12,000.00 \$25,000.00 \$25,000.00 \$35,000.00 \$5,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00	\$6,000.0 \$1,000.4 \$1,000.4 \$12,000.0 \$12,000.0 \$14,000.0 \$25,000.0 \$3,000.0 \$3,000.0 \$15,000.0 \$15,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0
Completion:	Governmental Filings Title Opinions Solumic Cests Reclamation Top Ortho Pipeline Construction Driting Contractor: 38 days @ 36,100/day Directional Services Rig Mobilization/Cemobilization Contract Labor Bits Supplies and Utilities Cement Conductor Cement Surface Cesting Cement Intermediate Cesting Cement Intermediate Cesting Cement Production Cesting Cement Production Liber Must Logging Driting Falds, Must, Chem. Driting Liber Cement Production Cesting Coment Opining Liber Must Logging Driting Falds, Must, Chem. Driting Liber Completion Util Cased Hole Logging/Perforating Jetting Formation Stimulation Surface Equipment Rental	\$1,000.00 \$8,000.00 \$1,2,000.00 \$1,2,000.00 \$1,2,000.00 \$1,2,000.00 \$25,000.00 \$25,000.00 \$35,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$1,000.00 \$1,000.00 \$3	\$1,000.0 \$8,082.0 \$12,000.0 \$12,000.0 \$10,000.0 \$25,000.0 \$50,000.0 \$5,000.0 \$18,000.0 \$18,000.0 \$19,000.0 \$35,000.0 \$35,000.0 \$35,000.0 \$35,000.0 \$35,000.0 \$35,000.0
Completion:	Title Opinions Selardic Costs Rectamention Top Orive Plyeithe Censtruction Oriffing Contractor: 36 days @ 35,100ktey Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Centent Conductor Centent Conductor Centent Heremodiate Cesting Centent Intermediate Cesting Centent Production Liter Must Logging Drilling Phidis, Must, Cherk. Drill String Inspection Open Hole Logging Faiting Downhole Rental Equipment Completion Util Cased Hole Logging/Perforeting Jetting Formation Stimulation Surfaces Equipment Rental	\$5,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$25,000.00 \$25,000.00 \$55,000.00 \$15,000.00 \$15,000.00 \$15,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00	\$5,009,4 \$12,009,6 \$12,009,6 \$14,009,6 \$25,009,6 \$3,009,6 \$5,009,6 \$5,009,6 \$1,009,6 \$1,009,6 \$3
Completion:	Selamic Costs Rectamation Top Chive Pipeline Censtruction Drifting Contractor: 36 days @ 38,100ktey Directional Services Rig Mobilization/Demobilization Contract Labor Bills Supplies and Utilities Cernent Conductor Cernent Surface Cesting Cernent Production Cesting Cernent Production Cesting Cernent Production Cesting Cernent Production Liber Mud Logging Drifting Flatis, Mud, Chem. Drift Skring Inspection Open Hole Logging Fashing Coverhole Rental Equipment Completion Unit Cased Hole Logging/Perforating Jetting Formation Stimulation Surface Equipment Rental	\$0.00 \$12,000.00 \$0.00 \$12,000.00 \$17,000.00 \$25,000.00 \$25,000.00 \$55,000.00 \$55,000.00 \$15,000.00 \$12,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00	\$12,000.0 \$12,000.0 \$14,000.0 \$14,000.0 \$25,000.0 \$35,000.0 \$1,000.0 \$1,000.0 \$1,000.0 \$1,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0
Completion:	Reclamation Top Drive Pipeline Construction Drilling Confractor: 38 days @ \$5,100kisy Drivectional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cement Condustor Cement Surface Cealing Cement Intermediate Cealing Cement Production Cealing Cement Production Cealing Cement Production Liner Must Logging Drilling Finder Cement Production Liner Must Logging Drilling Finder Connect Drilling Liner Connect Drilling Liner Cement Production Liner Must Logging Drilling Fishing Downhole Rental Equipment Completion Unit Cased Hole Logging/Perforeting Jetting Formation Stimulation Surface Equipment Rental	\$12,000.00 \$0.00 \$0.00 \$0.00 \$12,000.00 \$12,000.00 \$22,000.00 \$25,000.00 \$20,000.00 \$30,000 \$5,000.00 \$5,000.00 \$15,000.00 \$15,000.00 \$12,000.00 \$30,000 \$30,000 \$30,000 \$30,000 \$30,000 \$30,000 \$30,000 \$30,000 \$30,000 \$30,000 \$30,000 \$30,000 \$30,000 \$30,000	\$12,000.0 \$220,000.0 \$14,000.6 \$25,000.6 \$30,000.0 \$56,000.0 \$3,000.6 \$18,000.0 \$25,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$35,000.0
Completion:	Top Orive Pipeline Construction Drilling Contractor: 36 deys @ \$6,100ktey Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cernent Conductor Cernent Surface Casing Cernent Intermediate Casing Cernent Intermediate Casing Cernent Production Casing Cernent Production Liber Must Logging Drilling Flaids, Must, Chem. Drill String Inspection Open Hole Logging Flaining Downhole Rental Equipment Completion Unit Cased Hole Logging/Perforeting Jetting Formation Stimulistion Surface Equipment Rental	\$0.00 \$220,000.00 \$12,000.00 \$25,000.00 \$25,000.00 \$35,000.00 \$3,000.00 \$1,000.00 \$1,000.00 \$10,000 \$10,000 \$10,000 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00	\$9.0 \$12,000.0 \$14,000.0 \$25,000.0 \$55,000.0 \$5,000.0 \$1,000.0 \$15,000.0 \$25,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$35,000.0
Completion:	Pipeline Cenetruction Drifting Contractor: 36 days @ 36,100ktey Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utities Cernert Conductor Cernert Surface Ceeing Cernert Production Ceeing Cernert Production Ceeing Cernert Production Ceeing Cernert Production Liber Must Logging Drifting Flatis, Must, Chem. Drift String Inspection Open Hole Logging Fashing Owenhole Rental Equipment Completion Unit Cased Hole Logging/Perforating Jetting Formation Stimulation Surface Equipment Rental	\$0.00 \$220,000.00 \$18,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$2,000.00 \$2,000.00 \$2,000.00 \$30,000 \$30,000 \$312,000.00 \$312,000.00 \$312,000.00 \$312,000.00 \$312,000.00 \$312,000.00 \$312,000.00 \$312,000.00 \$312,000.00 \$312,000.00 \$312,000.00 \$312,000.00 \$312,000.00 \$312,000.00 \$312,000.00 \$312,000.00 \$312,000.00 \$312,000.00	\$220,000.0 \$14,000.0 \$25,000.0 \$30,000.0 \$35,000.0 \$4,000.0 \$15,000.0 \$25,000.0 \$35,000.0 \$35,000.0 \$35,000.0 \$35,000.0
•	Drilling Confractor: 38 days @ \$5,100klay Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Coment Conductor Cernest Surface Cealing Cornent Information Cealing Cornent Production Cealing Cornent Production Cealing Cornent Production Liber Must Logging Drilling Findes, Must, Chem. Drilling String Inspection Coon Hole Logging Facing Downhole Rental Equipment Completion Unit Cased Hole Logging/Perforeting Jetting Formation Stimulation Surface Equipment Rental	\$220,000.00 \$12,000.00 \$25,000.00 \$25,000.00 \$35,000.00 \$3,000.00 \$5,000.00 \$15,000.00 \$12,000.00 \$30,000 \$30,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00	\$220,000.0 \$14,000.0 \$25,000.0 \$56,000.0 \$5,000.0 \$5,000.0 \$15,000.0 \$25,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0 \$3,000.0
•	Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cornert Conductor Cornert Surface Ceiling Cornert Production Ceiling Cornert Production Ceiling Cornert Production Ceiling Cornert Production Liber Must Logging Diffing Platis, Must, Chiers. Diffi String Inspection Open Hole Logging Fasting Covenhole Rental Equipment Completion Unit Cased Hole Logging/Perforeting Jetting Formation Stimulation Surface Equipment Rental	\$25,000.00 \$20,000.00 \$2,000.00 \$2,000.00 \$1,000.00 \$1,000.00 \$1,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00	\$25,000.0 \$30,000.0 \$55,000.0 \$3,000.0 \$15,000.0 \$25,000.0 \$30,000.0 \$3,000.0 \$30,000.0 \$35,000.0 \$35,000.0
•	Contract Labor Bits Supplies and Utilities Cement Conductor Cernent Surface Cealing Cement Intermediate Cealing Cement Production Cealing Cement Production Liner Must Logging Drilling Flaids, Must, Chern. Drill String Inspection Open Hole Logging Flaining Downhole Rental Equipment Completion Unit Cased Hole Logging/Perforeting Jetting Formation Stimulation Surface Equipment Rental	\$20,000.00 \$35,000.00 \$2,000.00 \$15,000.00 \$15,000.00 \$0.00 \$12,000.00 \$135,000.00 \$30,000.00 \$30,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00	\$30,000,0 \$56,000,0 \$3,000,0 \$6,0 \$5,000,0 \$25,000,0 \$25,000,0 \$39,000,0 \$3,000,0 \$30,000,0 \$35,000,0 \$35,000,0
•	Bits Supplies and Utilities Coment Conductor Cornent Surface Casing Coment Intermediate Casing Coment Production Casing Coment Production Casing Coment Production Liner Med Logging Drilling Fluids, Must, Chem. Drill String Inspection Open Hole Logging Fathing Downhole Rental Equipment Competion Unit Cased Hole Logging/Perforating Jetting Formation Stimulation Surface Equipment Rental	\$55,000.00 \$2,000.00 \$2,000.00 \$5,000.00 \$15,000.00 \$2,00 \$3,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00	\$55,000.0 \$3,000.0 \$6,000.0 \$15,000.0 \$25,000.0 \$25,000.0 \$35,000.0 \$35,000.0 \$35,000.0 \$25,000.0
•	Supplies and Utilities Corment Condustor Corment Surface Cosing Corment Intermediate Cosing Corment Production Cosing Corment Drilling Liner Corment Production Liner Must Logging Diffing Platis, Must, Chem. Drill String Inspection Open Hole Logging Fasting Downhole Rental Equipment Completion Unit Cossed Hole Logging/Perforating Jetting Formation Stimulation Surface Equipment Rental	\$2,000.00 \$2,000.00 \$15,000.00 \$0.00 \$0.00 \$12,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$35,000.00 \$0.00 \$0.00	\$3,000.0 \$0.00.0 \$15,000.0 \$25,000.0 \$0.0 \$12,000.0 \$3,000.0 \$35,000.0 \$35,000.0 \$25,000.0
•	Cernert Conductor Cernert Surface Ceeling Cernert Intermediate Ceeling Cernert Production Ceeling Cernert Production Liner Must Logging Drilling Philds, Must, Chern. Drill String Inspection Open Hole Logging Flating Downhole Rental Equipment Completion Unit Cased Hole Logging/Perforeting Jetting Formation Stimulation Surface Equipment Rental	\$0,00 \$15,000.00 \$15,000.00 \$0.00 \$0.00 \$12,000.00 \$135,000.00 \$300.000 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00	\$6.6 \$5,000.0 \$15,000.0 \$25,000.0 \$12,000.0 \$39,000.0 \$3,000.0 \$30,000.0 \$30,000.0 \$35,000.0 \$35,000.0
•	Cernent Surface Ceeing Cernent Intermediate Ceeing Cernent Production Ceeing Cernent Production Ceeing Cernent Production Ceeing Cernent Production Liner Must Logging Drilling Fluids, Must, Chem. Drill Saring Inspection Open Hole Logging Fishing Downhole Rental Equipment Completion Unit Cased Hole Logging/Perforating Jetting Formation Stimulation Surface Equipment Rental	85,000.00 \$15,000.00 \$0.00 \$0.00 \$12,000.00 \$13,000.00 \$35,000.00 \$0.00 \$3,000.00 \$0.00 \$0.00 \$0.00 \$0.00	\$5,000.6 \$15,000.0 \$25,000.0 \$0.0 \$12,000.0 \$35,000.0 \$30,000.0 \$35,000.0 \$35,000.0
•	Cement Intermediate Casing Cement Production Casing Cement Drilling Liner Cement Production Liner Must Logging Drilling Platis, Must, Chem. Drill String Inspection Open Hole Logging Fasting Owwhole Rental Equipment Completion Unit Cased Hole Logging/Perforeting Jetting Formation Stimulation Surface Equipment Rental	\$15,000.00 \$0.00 \$0.00 \$12,000.00 \$35,000.00 \$30,000.00 \$0.00 \$0.00 \$0.00 \$0.00	\$15,000,0 \$25,000,0 \$0,0 \$12,000,0 \$12,000,0 \$30,000,0 \$30,000,0 \$50,000,0 \$25,000,0
•	Cement Drilling Liner Cement Production Liner Must Logging Drilling Fluids, Must, Chem. Drill String Inspection Open Hole Logging Fishing Downhole Rental Equipment Completion Unit Cased Hole Logging/Perforating Jetting Formation Stimulation Surface Equipment Rental	\$0.00 \$12,000.00 \$13,000.00 \$35,000.00 \$30,000.00 \$30,000 \$0.00 \$0.00 \$0.00	\$0.0 \$12,000.0 \$39,000.0 \$3,000.0 \$30,000.0 \$0.0 \$35,000.0 \$25,000.0
•	Cement Production Liner Must Logging Drilling Flatids, Must, Chem. Drill String Inspection Open Hole Logging Flating Oownhole Rental Equipment Completion Unit Cased Hole Logging/Perforsting Jetting Formation Stimulation Surface Equipment Rental	\$2.00 \$12,000.00 \$35,000.00 \$30,000.00 \$30,000.00 \$35,000.00 \$3,000 \$0,00 \$0,00	\$0.0 \$12,000.0 \$38,000.0 \$30,000.0 \$30,000.0 \$35,000.0 \$25,000.0
•	Mud Logging Drilling Flakts, Mud, Chem. Drill String Inspection Open Hole Logging Fishing Downhole Rental Equipment Completion Unit Cased Hole Logging/Perforating Jetting Formation Stimulation Surface Equipment Rental	\$12,000.00 \$335,000.00 - \$3,000.00 \$30,000.00 \$0.00 \$3,000.00 \$0.00 \$0.00 \$0.00	\$12,000,0 \$35,000,0 \$3,000,0 \$30,000,0 \$0.0 \$35,000,0 \$25,000,0
•	Drilling Fluids, Murit, Chem. Drill String Inspection Open Hole Logging Fishing Downhole Rental Equipment Completion Unit Cased Hole Logging/Perforating Jetting Formation Stimulation Surface Equipment Rental	\$35,000.00 \$3,000.00 \$0.00 \$0.00 \$35,000.00 \$0.00 \$0.00	\$35,000.0 \$3,000.0 \$30,000.0 \$0.0 \$35,000.0 \$25,000.0
•	Orill Saring Inspection Open Hole Logging Faching Oownhole Rental Equipment Completion Life Cased Hole Logging/Perforating Jetting Formation Stimulation Surface Equipment Rental	\$3,000.00 \$30,000.00 \$6,000 \$5,000.00 \$0,00 \$0.00	\$3,000.0 \$30,000.0 \$0.0 \$35,000.0 \$25,000.0
•	Open Hole Logging Fishing Downhole Rental Equipment Completion Unit Cased Hole Logging/Perforating Jetting Formation Stimulation Surface Equipment Rental	\$39,000.00 \$0.00 \$35,000.00 \$0.00 \$0.00	\$30,000.0 \$0.0 \$35,000.0 \$25,000.0
•	Fishing Downhole Rentat Equipment Completion Unit Cased Hole Logging/Perforating Jetting Formation Stimulation Surface Equipment Rental	\$0.00 \$35,000,00 \$0.00 \$0.00 \$0.00	\$0.0 \$35,000.0 \$25,000.0
•	Ocumbote Rental Equipment Completion Unit Cased Hole Logging/Perforeting Jetting Formation Stimulation Surface Equipment Rental	\$35,000.00 \$0.00 \$0.00 \$0.00	\$35,000.0 \$25,000.0
•	Completion Unit Cased Hole Logging/Perforeting Jetting Formation Stimulation Surface Equipment Rental	\$0.00 \$0.00 \$0.00	\$25,000.0
General:	Jetting Formation Stimulation Surface Equipment Rental	\$0.00	*4 * ***
Generat:	Formation Stimulation Surface Equipment Rental		\$15,000.0
Generat:	Surface Equipment Rental		\$0.0
General:		\$0,00	\$75,000.0
~		\$36,000.00	\$46,000.0
•	Transportation Frac Fluid Hauloff	\$3,000.00	\$5,000.0
	Procus/Emercencies	\$0.00 \$0.00	\$0.0 \$0.0
	Company Supervision/Engineering	\$25,000.00	\$30,000,0
	Consultants	\$22,000.00	\$22,000.0
	Company Overhead	\$15,000.00	\$20,000.0
	Insurance	\$6,000.00	\$6,000.0
	Major Construction Overhead	\$0.00	\$2,000.0
	Plug to Abandon	\$0.00	\$0.0
	20% Contingency	\$128,000.00	\$163,000.0
Es	Total Intangible Costs	\$768,000.00	\$978,000.0
TANGIBLE COSTS	WORK DESCRIPTION		
Tubulars:	Conductor:	\$0.00	\$0.0
		• • • • • • • • • • • • • • • • • • • •	
	Intermediate Casing: 4,300' 9 5/8"	\$58,000.00	\$56,000.0
	Production Casing: 12,650' 5 1/2"		
	Dritting Liner:		•
I and a Courte mante			
resse Ednibuseut:			
		·	
	Compressor/Compression	•	,
	Pipeline Equipment		
	Non-Controllable Equipment		
	20% Contingency	\$13,000.00	\$46,000.0
3	Total Tangible Costs	\$79,000.00	\$274,000.0
	Total Costs		
	TANGIBLE COSTS Tubulars: Lease Equipment:	20% Contingency Total Intangible Costs TANGIBLE COSTS WORK DESCRIPTION Tubulars: Conductor: Surface Casing: 475' 13 3/8" Intermediate Casing: 4,300' 9 5/8" Production Casing: 12,650' 5 1/2" Drilling Liner: Production Liner: Float Equipment Tubing: 12,250' 2 7/8" Lease Equipment: Wellthead Equipment Downhole Equipment Artificial Lift-Pumping Unit Production Equipment Compressor/Compression Pipeline Equipment Non-Controllable Equipment Non-Controllable Equipment 20% Contingency	20% Contingency \$128,000.00

LAND DEPARTMENT

LANDMAN

LYNDA F. TOWNSEND, CPL/ESA

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

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,

_vnda F. Townsend

NEW MEXICO DISTRIBUTION AKM RH IV -TLW CAH -

SCD RGG /
HJH / Ken Dana
JML / Prospect
GSD / LsRec

LFT

Other Data (1919

Z 303 927 637

1-22 sette Operating, Inc. sites 22-168-36E INTANGIBLE COSTS Location: Drilling:	WORK DESCRIPTION Roads, Location, Pits Damages Governmental Filings Title Opinions Selurito Costs Reclamation Top Drive Pipeline Construction Drilling Confractor: 38 days @ \$6,100ktry Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cement Conductor	Total Depth: Formution: DRY HOLE \$34,000.00 \$5,000.00 \$1,000.00 \$1,000.00 \$20,000.00 \$22,000.00 \$22,000.00 \$22,000.00 \$22,000.00 \$22,000.00 \$22,000.00	PRODUCES \$36,000,00 \$1,000,00 \$1,000,00 \$1,000,00 \$12,000,00 \$12,000,00 \$10,000,00 \$25,000,00 \$25,000,00 \$35,000,00
INTANGIBLE COSTS Location:	Roads, Location, Pits Demages Governmental Filings Title Opinions Selemic Coats Reclammation Top Drive Pipoline Contraction Drilling Contraction: 38 days @ 38,100/day Cirectional Services Rip Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cement Conductor	Formetion: DRY HOLE \$34,000.00 \$5,000.00 \$1,000.00 \$5,000.00 \$12,000.00 \$0.00 \$220,000.00 \$18,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00	PRODUCES \$36,000,00 \$1,000,00 \$1,000,00 \$1,000,00 \$12,000,00 \$12,000,00 \$10,000,00 \$25,000,00 \$25,000,00 \$35,000,00
INTANGIBLE COSTS Location:	Roads, Location, Pits Demages Governmental Filings Title Opinions Selemic Coats Reclammation Top Drive Pipoline Contraction Drilling Contraction: 38 days @ 38,100/day Cirectional Services Rip Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cement Conductor	\$34,000.00 \$1,000.00 \$5,000.00 \$5,000.00 \$1,2,000.00 \$0,00 \$0,00 \$2,000.00 \$14,000.00 \$25,000.00 \$25,000.00 \$25,000.00	PRODUCES \$36,080,00 \$1,080,00 \$1,080,00 \$1,080,00 \$12,080,00 \$12,080,00 \$14,080,00 \$35,080,00 \$35,080,00 \$35,080,00
Location:	Roads, Location, Pits Demages Governmental Filings Title Opinions Selemic Coats Reclammation Top Drive Pipoline Contraction Drilling Contraction: 38 days @ 38,100/day Cirectional Services Rip Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cement Conductor	\$34,000.00 \$1,000.00 \$5,000.00 \$5,000.00 \$1,2,000.00 \$0,00 \$0,00 \$2,000.00 \$14,000.00 \$25,000.00 \$25,000.00 \$25,000.00	\$36,080,0 \$1,090,0 \$1,090,0 \$1,090,0 \$12,090,0 \$12,090,0 \$18,090,0 \$18,090,0 \$30,090,0 \$55,090,0 \$55,090,0
Drilling:	Governmental Filings Title Opinions Selamic Cests Rectamation Top Drive Pipeline Construction Drilling Confractor: 36 days @ \$6,100ktry Directional Services Rig Mobilization/Comobilization Contract Labor Bits Supplies and Utilities Commet Conductor	\$1,000.00 \$5,000.00 \$0.00 \$12,000.00 \$0.00 \$220,000.00 \$15,000.00 \$25,000.00 \$55,000.00 \$2,000.00	96,000.01 \$1,000.01 \$1,000.01 \$12,000.01 \$12,000.01 \$12,000.01 \$18,000.01 \$25,000.01 \$35,000.01
Driffing:	Title Opinions Selemic Cests Reclamation Top Drive Pipoline Construction Drilling Contractor: 36 days @ \$6,100/day Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cement Conductor	\$5,000.00 \$0.00 \$12,000.00 \$0.00 \$0.00 \$220,000.00 \$25,000.00 \$55,000.00 \$55,000.00	\$6,000,00 \$12,000,00 \$0,00 \$0,00 \$14,000,00 \$125,000,00 \$30,000,00 \$55,000,00
Dr ill ing:	Selamic Costs Rectamation Top Drive Pipeline Construction Drilling Contractor: 36 days @ \$6,100/day Directional Sendices Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Connect Conductor	\$0.00 \$12,000.00 \$0.00 \$20,000.00 \$14,000.00 \$25,000.00 \$50,000.00 \$2,000.00	\$12,000,00 \$10,000,00 \$80,00 \$18,000,00 \$18,000,00 \$25,000,00 \$55,000,00
Drilling:	Rectemation Top Drive Pipeline Construction Drilling Confescion: 36 days @ \$6,100/day Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cement Conductor	\$12,000.00 \$0.00 \$2.00 \$220,000.00 \$18,000.00 \$25,000.00 \$25,000.00 \$55,000.00	\$12,000,00 \$10,000,00 \$80,00 \$18,000,00 \$18,000,00 \$25,000,00 \$55,000,00
Driffing:	Top Drive Pipoline Construction Drilling Contractor: 38 days @ 38,100/day Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cement Conductor	\$0.00 \$2.00 \$12,000,00 \$14,000,00 \$25,000,00 \$25,000,00 \$25,000,00	\$8,0 \$0,0 \$12,000,0 \$18,000,0 \$25,000,0 \$56,000,0
Drilling:	Pipeline Construction Drilling Contractor: 36 days @ 36,100/day Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Connect Conductor	\$0.00 \$220,000,00 \$18,000,00 \$25,000,00 \$20,000,00 \$55,000,00 \$52,000,00	\$2,000,00 \$220,000,00 \$18,000,00 \$25,000,00 \$30,000,00
	Drilling Contractor: 36 days @ \$6,100/day Directional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cement Conductor	\$220,000.00 \$18,000.00 \$25,000.00 \$20,000.00 \$55,000.00	\$220,000,00 \$18,000,00 \$25,000,00 \$30,000,00 \$55,000,00
	Cirectional Services Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cement Conductor	\$18,000.00 \$25,000.00 \$20,000.00 \$55,000.00 \$2,000.00	\$18,000.00 \$25,000.00 \$30,000.00 \$55,000.00
	Rig Mobilization/Demobilization Contract Labor Bits Supplies and Utilities Cement Conductor	\$25,000.00 \$20,000.00 \$55,000.00 \$2,000.00	\$25,000.00 \$30,000.00 \$55,000.00
	Contract Labor Bits Supplies and Utilities Cennert Conductor	\$20,000,00 \$55,000,00 \$2,000,00	\$30,000.00 \$55,000.00
	Bits Supplies and Utilities Cement Conductor	\$55,000.00 \$2,000.00	\$55,000.0
	Supplies and Utilities Cement Conductor	\$2,000.00	
	Cernerá Conductor		
	Comment Standard Contra	\$0.00	\$0.0
	Comert Surface Casing	\$5,000.00 \$15,000.00	\$5,000.0
	Compet Intermediate Casing	\$15,000.00	\$15,000,00
	Cement Production Casing Cement Drilling Liner	\$0,00	\$25,000.80
	Cornert Production Liner	\$0.00	
	Mud Logging	\$12,000.00	\$0,0 \$12,000.0
			\$35,000.p
		**********	\$3,000.0
. •		230,000.00	\$30,000,0
•		*********	\$0.0
4.2			235,000,0
Complettoo:			\$25,000.0
00.			\$15,000,0
			\$0.0
			\$75,000.0
Generalt		\$36,000.00	\$46,000,0
		\$3,000.00	\$5,000,0
	Frac Fluid Hautoff	\$0.00	\$0.0
	Blowout/Emergencies	\$0.00	\$0.0
	Company Supervision/Engineering	\$25,000.00	\$30,000,0
	Consultants	\$22,000.00	\$22,000.0
	Company Overhead	\$15,000.00	\$20,000.0
	Insurance	\$6,000.00	\$6,000,0
	Major Construction Overhead	\$0.00	\$2,000,0
	Plug to Abandon	\$0.00	\$0.0
	20% Contingency	\$128,000.00	\$163,000.0
SIBLES	Total Intangible Costs	\$768,000.00	\$978,000.0
TANGIBLE COSTS	WORK DESCRIPTION		
Tubulars:			
	Float Equipment		
Lease Equipment:	Welthead Equipment		
	Artificial Lift-Pumping Unit		
	20% Contingency	\$13,000.00	\$46,000.0
BLES	Total Tangible Costs	\$79,000.00	\$274,000.0
	Tubulars:	General: General: General: General: Burface Equipment Rental: Transportation Finc: Fluid Healoff Blowout/Emargencies Company Supervision/Engineering Consultants Company Overhead Insurance Major Construction Overhead Plug to Abandon 20% Contingency Total Intangible Costs TANGIBLE COSTS Tubulars: Conductor: Surface Casing: Intermediate Casing: Production Casing: Intermediate Casing: Production Casing: Offing Liner: Production Liner: Fluit Equipment Tubular: Lease Equipment: Wellhead Equipment Artificial Lin-Pumping Unit Production Equipment Covernose Equipment Covernose Equipment Covernose Equipment Artificial Lin-Pumping Unit Production Equipment Covernose Equipment Covernose Equipment Covernose Equipment Non-Controlable Equipment Non-Controlable Equipment Non-Controlable Equipment Non-Contingency	Dritt String Inspection

Project Area:	Lovington		AUTHORIZATION FOR EXPEN		County, State: L	es. New March
Well Name:	Teague 1-22					obruery 18, 2000
	Chesapeake O	persing, inc.			Total Depth: 1	2,650
APE & Specing Unit:	100073 W/2 Section 22	-168-36E			Formation: U	
			<u>`</u>			
OE 1400		INTANGIBLE COSTS	WORK DESCRIPTION		DRY HOLE	PRODUCER
401		Location:	Roads, Location, Pits		\$35,000.00	\$34,000.00
402		•	Demages Governmental Filings		\$5,000.00 \$1,000.00	\$6,000.00 \$1,000.00
403			Title Opinions		\$1,000.00 \$5,000.00	\$6,000.00
404			Selamic Costs		\$5,000.00	20.00
405			Reclamation		\$12,000.00	\$12,000.00
408		Drilling:	Top Drive		\$0.00	82.00
406			Pipeline Construction		\$0.00	
410			Drilling Contractor: 36 days @ \$8,100/d		\$220,000,00	\$220,000.00
611			Directional Services	•	\$18,000.00	\$18,000.00
413			Rig Mobilization/Demobilization		\$25,000.00	\$25,000.00
414			Contract Labor		\$20,000.00	\$30,000.00
415			Bits		\$55,000.00	\$55,000.00
416			Supplies and Utilities		\$2,000,00	\$2,000.00
426			Coment Conductor		\$0.00	\$0.00
417			Coment Surface Casing		\$5,000.00	85,000.00
120			Coment Intermediate Casing		\$15,000.00	\$15,000.00
134			Coment Production Cooling		\$0.00	\$25,000.00
125	•		Coment Drilling Liner		\$0,00	\$0.00
162 (18			Coment Production Liner		\$0,00	\$2.00
618 619			Mud Logging Drilling Fluids, Mud. Chem.		\$12,000.00 \$35,000.00	\$12,000.00
119 121		•	Orli String Inspection	• •	\$35,000.00 \$3,000.00	\$35,000.00
121 123		•	Open Hole Logging		\$30,000.00	4-4
123 127			Open more Lagging Flishing		\$30,000.00	\$30,000,00 \$0,00
128			Downhole Rental Equipment		\$35,000.00	\$35,000,00
130		Completion:	Completion Unit		\$0.00	\$25,000,00
131			Cased Hole Logging/Perforating		\$0.00	\$15,000,00
133			Jetting		\$0.00	\$0.00
134			Formation Stimulation		\$0.00	\$75,000,00
137		Generat	Surface Equipment Rental		\$36,000,00	\$46,000,00
138			Transportation	• •	\$3,000.00	\$5,000.00
641			Frac Fluid Hauloff		\$0.00	\$0.00
442			Blowout/Ernergencies		\$0.00	\$0.00
443			Company Supervision/Engineering		\$25,000.00	\$30,000.00
444			Consultants		\$22,000.00	\$22,000.00
446			Company Overhead		\$15,000.00	\$20,000.00
447			Insurance		\$6,000.00	\$6,000.00
448			Major Construction Overhead		\$0.00	\$2,000.00
450			Plug to Abandon		\$0.00	\$0.00
			20% Contingency		\$128,000.00	\$163,000.00
TAL.	INTANGIBLES	•	Total Intangible Costs		\$768,000.00	\$978,000.00
OE .		TANGIBLE COSTS	WORK DESCRIPTION			
108		Tubulars:	Conductor:		\$0.00	\$0.00
100			Surface Casing:	475" 13 3/8"	\$8,000.00	\$8,000.00
101			Intermediate Casing:	4,300' 9.5/8"	\$56,000.00	\$56,000.00
102			Production Casing:	12,650" 5 1/2"	\$0.00	\$76,000.00
103			Oriting Liner:		\$0.00	\$0.00
109			Production Liner:		\$0.00	\$0.00
104			Figet Equipment		\$2,000.00	\$3,000.00
105			Tubing:	12,250* 2 7/8*	\$0.00	\$43,000.00
106		Lease Equipment:	Wellhead Equipment		\$0.00	\$7,000.00
107			Downhole Equipment		\$0.00	\$5,000.00
111			Artificial Lift-Pumping Unit		\$0.00	\$0.00
113			Production Equipment		\$0.00	\$30,000.00
115			Compressor/Compression		\$0.00	\$0.00
116			Pipeline Equipment		\$0.00	\$0.00
120			Non-Controllable Equipment		\$0.00	\$0,00
			20% Contingency		\$13,000.00	\$46,000.00
TAL,	TANGIBLES		Total Tangible Costs		\$79,000.00	\$274,000.00
			Total Costs		\$847,000.00	\$1,252,000.00
		· 	Total Costs			\$1,252,000.00
	Prepared by	rDWA		Approved by: JML		
						, /
ERATOR'S AI	B880VAL	A	1 X .		DATE: 2	1/18/00
	PPROVAL		Opentions/Geology	/	/	7
					,	2/18/02
					OATE:	*
PERATOR'S A	PPROVAL	. /	Land/Accounting			
	PPROVAL	_0-1	Cand Accounting			
ERATOR'S AI	PPROVAL	\$14.	Cand/Accounting Control of the Contr	708		3-10-2C

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.

LAND DEPARTMENT

LANDMAN

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

LYNDA F. TOWNSEND, CPL/ESA

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.

2//bunsend

Very truly yours,

Lvnda F. Townsend

NACIBLE COSTS WCRK DESCRIPTION DRY HOLE PROCUCER Alon: Roads, Location, Pas 33,000.00	Well Name: T Operation: 0 AFE #: 1 Specing Unit: V OOE 33400 33402 33403	Chesapeeks Op 100073 N/2 Section 22-	erating, inc.		Charles.	
MACIBLE COSTS WORK DESCRIPTION DRY HOLE PRODUCER Roads, Location, Pita 33,000.00 334,000.00 34,000.00 354,000.00 36,00	Specing Unit: V DOE 3400 3401 3402	N/2 Section 22-				
March Roads Location Pâs 35,000.00 35,000.	3400 3401 3402		168-36E			
March Rods Location Pila S34,000.00 S34,000.00 Governmental Pilings S1,000.00 S1,000	3400 3401 3402					
Damages	3401 3402		INTANGIBLE COSTS			
Governmental Fillings \$1,000.00 \$1,000.00 \$2,0	3402	'	Cocasok			
Title Ophishors \$3,000.00			*			
Selsmit Coats \$0.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$13,0	3403					
Reclamation 312,000.00 \$12,000.00 \$0						
Ing:	3404 3405				-	
Pipeline Construction \$0.000 \$20.000 \$	3408		Orffing:			
Criting Contractor: 36 days @ 38,100/day \$220,000.00 \$220,000.00 \$10,000.00 \$10,000.00 \$10,000.00 \$25,000.00	3406		U		•	•
Directional Services \$18,000.00 \$12,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$35,00	3410					
Rig Mobilization/Demobilization \$25,000.00 \$25,000.	M11					
Contract Labor \$20,000.00 \$30,000.00	M13					
B45 SA5,000.00	3414					
Supplies and Utilities	3415					
Carment Surface Cashing	3416			Supplies and Utilities		
Cernert Intermediate Casing \$15,000.00 \$15,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$20,000	3426					
Cernert Intermediate Casing \$15,000.00 \$15,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$25,000.00 \$20,000	3417			Cement Surface Casing	\$5,000.00	
Cement Dritting Liner	1420					
Cement Dritting Liner	1424					
Cement Production Liner \$0.00 \$0.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$12,000.00 \$13,000.00 \$15,000.00	1425				\$0.00	
Mult Logging \$12,000.00 \$12,000.00 \$35,000.00 \$	1452					
Drilling Flatfas, Mud. Chem. \$33,000.00 \$33,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$3,000.00 \$30	M18					*
Drill String Inspection \$3,000.00 \$3,000.00 \$30,000.00 \$30,000.00 \$30,000.00 \$30,000.00 \$30,000.00 \$30,000.00 \$30,000.00 \$30,000.00 \$30,000.00 \$30,000.00 \$30,000.00 \$30,000.00 \$30,000.00 \$30,000.00 \$35,0	1419					
Cipen Hole Logging	H21					
Fishing 30.00 30	H23					
Downhole Rental Equipment \$35,000.00 \$35,000.00 \$25,000.00 \$	M27					
Compeletion: Compeletion Unit Cased Hole Logging/Perforating 30.00 \$25,000.00 Jetting 30.00 \$15,000.00 Formation Stimulation 30.00 \$75,000.00 Formation Stimulation \$30.00 \$75,000.00 Transportation \$30,00 \$46,000.00 Transportation \$30,00 \$5,000.00 Frac Fluid Heutoff \$0.00 \$0.00 Blowout/Emergencies \$0.00 \$0.00 Blowout/Emergencies \$0.00 \$30,000.00 Consultants \$22,000.00 \$22,000.00 Consultants \$22,000.00 \$22,000.00 Company Overhead \$15,000.00 \$20,000.00 Insurance \$36,000.00 \$36,000.00 Major Construction Overhead \$0.00 \$20,000.00 Plug to Abandon \$0.00 \$20,000.00 Plug to Abandon \$0.00 \$30.00 20% Contingency \$128,000.00 \$3183,000.00 Total Intangible Costs \$768,900.00 \$3183,000.00 Total Intermediate Casing: \$4.75' \$13.3/8" \$36,000.00 Surface Casing: \$4.300' \$9.58" \$36,000.00 \$36,000.00 Production Casing: \$4.300' \$9.58" \$36,000.00 \$36,000.00 Production Casing: \$12,650' \$17.2" \$0.00 \$37,000.00 Dnilling Liner: \$0.00 \$37,000.00 Production Liner: \$0.00 \$37,000.00 Tubing: \$12,250' \$2.78" \$0.00 \$37,000.00 Tubing: \$12,250' \$2.78" \$0.00 \$37,000.00 Arificial Lift-Pumping Unit \$0.00 \$30.00 Production Equipment \$0.00 \$30.00 Production Equipment \$0.00 \$30.00 Arificial Lift-Pumping Unit \$0.00 \$30.00 Production Equipment \$0.00 \$30.	M28					
Cased Hole Logging/Perforating \$0.00 \$15,000.00 Jetting \$0.00 \$0.00 Formation Stimulation \$0.00 \$75,000.00 Frac Fluid Hearted \$3,000.00 \$46,000.00 Transportation \$3,000.00 \$5,000.00 Frac Fluid Hearted \$0.00 \$5,000.00 Blowout/Emergencies \$0.00 \$0.00 Company Super-kion/Engineering \$25,000.00 \$30,000.00 Company Overhead \$15,000.00 \$22,000.00 Company Overhead \$15,000.00 \$22,000.00 Insurance \$6,000.00 \$22,000.00 Major Construction Overhead \$0.00 \$20,000.00 Phig to Abandon \$0.00 \$20,000.00 Phig to Abandon \$128,000.00 \$100.00 Total Imangible Costs \$768,000.00 \$163,000.00 Total Imangible Costs \$768,000.00 \$163,000.00 Intermediate Casing: 475 13 3/8" \$8,000.00 \$36,000.00 Production Casing: 475 13 3/8" \$8,000.00 \$36,000.00 Production Casing: 475 13 3/8" \$36,000.00 \$36,000.00 Production Liner: \$0.00 \$36,000.00 Production Liner: \$0.00 \$30.00 Float Equipment \$2,000.00 \$30.00 Tubing: 12,250' 2 7/8" \$0.00 \$31,000.00 Tubing: 12,250' 2 7/8" \$0.00 \$31,000.00 Artificial Lift-Pumping Unit \$0.00 \$30.00 Production Equipment \$0.00 \$30.00 Compressor/Compression \$0.00 \$30.00 Compressor/Compression \$0.00 \$30.00 Compressor/Compression \$0.00 \$30.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00	M30		Completion:			
Jetting \$0.00 \$0.00	M30 M31					
Formation Stimulation \$30,00 \$75,000,0	M33					
Surface Equipment Rental \$36,000,00 \$46,000,00 \$46,000,00 \$7 ransportation \$3,000,00 \$5,	M34					
Transportation \$3,000.00 \$5,000.00 \$7,000.00 \$	1437		Generat			
Frac Fluid Hautoff \$0.00 \$0.00	M36					
Blowout/Emergencies \$0.00 \$0.00	M41					
Company Super-Netion/Engineering \$25,000.00 \$30,000.00 \$30,000.00 \$22,000.00 \$22,000.00 \$22,000.00 \$22,000.00 \$315,000.00 \$20,000.00 \$30,00	M42			***************************************		
Consultants \$22,000.00 \$22,000.00 \$22,000.00 \$22,000.00 \$22,000.00 \$22,000.00 \$22,000.00 \$20,000.00 \$2	3443					
Company Overhead \$15,000.00 \$20,000.00 Insurance \$8,000.00 \$8,000.00 Major Construction Overhead \$0.00 \$2,000.00 Plug to Abandon \$0.00 \$2,000.00 Plug to Abandon \$0.00 \$0.00 \$0.00 \$163,000.00	3444					
Insurance	3446					
Major Construction Overhead \$0.00 \$2,000.00 Plug to Abandon \$0.00 \$2,000.00 \$0.0						
Plug to Abandon 30.00 30.00 30.00 20% Contingency \$128,000.00 \$163,000.0	3447					
20% Contingency \$128,000.00 \$163,000.00 Total Intangible Costs \$768,000.00 \$978,000.00 GIBLE COSTS WORK DESCRIPTION	3449			·		
Total Imangible Costs \$768,000 0 \$978,000.00 **CIBLE COSTS WORK DESCRIPTION Conductor: \$0.00 \$0.00 Surface Casing: 475' 13 3/8" \$8,000.00 \$8,000.00 Intermediate Casing: 4.300' 9 5/8" \$58,000.00 \$58,000.00 Production Casing: 12,650' 5 1/2" \$0.00 \$76,000.00 Dolling Liner: \$0.00 \$0.00 Production Liner: \$0.00 \$0.00 Float Equipment \$0.00 \$0.00 Tubing: 12,250' 2 7/8" \$0.00 \$33,000.00 Tubing: 12,250' 2 7/8" \$0.00 \$43,000.00 Downhole Equipment \$0.00 \$7,000.00 Downhole Equipment \$0.00 \$30.00 Artificial Lift-Pumping Unit \$0.00 \$50.00 Production Equipment \$0.00 \$50.00 Artificial Lift-Pumping Unit \$0.00 \$50.00 Compressor/Compression \$0.00 \$30.00 Solution \$0.00 \$50.00 Solution	3450					
AGIBLE COSTS WORK DESCRIPTION				20% Contingency	\$128,000.00	\$163,000.00
wilars: Conductor: \$0.00 \$0.00 Surface Casing: 475' 13 3/8" \$8,000.00 \$8,000.00 \$8,000.00 \$8,000.00 \$8,000.00 \$8,000.00 \$8,000.00 \$8,000.00 \$8,000.00 \$8,000.00 \$8,000.00 \$8,000.00 \$8,000.00 \$1,000.00	TAL I	INTANGIBLES		Total Intangible Costs	\$768,900.00	\$978,000.00
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Surface Casing: 475' 13 3/8' \$8,000.00 Intermediate Casing: 4.300' 9.5/8' \$56,000.00 Production Casing: 4.300' 9.5/8' \$56,000.00 Production Casing: 12,650' 5.1/2' \$0.00 Production Liner: 30.00	DOE				** **	
Intermediate Casing: 4.300' 9.5/8" \$56,000.00 \$55,000.00 Production Casing: 12,650' 5.1/2" \$0.00 \$76,000.00 Dnilling Liner: 30.00 \$76,000.00 Production Liner: 30.00 \$30.00 Float Equipment \$2,250' 2.7/8" \$0.00 \$33,000.00 Tubing: 12,250' 2.7/8" \$0.00 \$33,000.00 Sae Equipment: \$0.00 \$34,000.00 Downhole Equipment \$0.00 \$37,000.00 Artificial Lift-Pumping Unit \$0.00 \$30.00 \$30.00 Production Equipment \$0.00 \$30.00 \$	0108		Tubulars:			
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Tubing: 12,250 2 7/8" \$0.00 \$43,000,00	0109					
See Equipment Welficead Equipment \$0.00 \$7,000.00	0104					
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Production Equipment \$0.00 \$30,000.0 Compressor/Compression \$0.00 \$0.00						
Compressor/Compression \$0.00 \$0.0	0111			Artificial Lift-Pumping Unit		
	G113					
Ministra Produces	0115					
· · · · · · · · · · · · · · · · · · ·	Q116			Pipetine Equipment	\$0.00	
Non-Controllable Equipment \$0.00 \$0.00				Non-Controllable Equipment		
20% Contingency \$13,000.00 \$46,000.00				20% Contingency	\$13,000.00	\$46,000.0
						
	OTAL	TANGIBLES		Total Tangible Costs	\$79,000.00	\$274,000.0
Total Tangible Costs \$79,000.00 \$274,000.00				Total Costs	\$847,000.00	\$1,252,000.00
Non-Controllable Equipment \$0.00	230105 230106 230107 230111 230113 230115 230116 230120	TANGIBLES	Lease Equipment	Wellhead Equipment Downhole Equipment Anificial Lift-Pumping Unit Production Equipment Compressor/Compression Pipeline Equipment Non-Controllable Equipment 20% Contingency Total Tangible Costs	\$0 00 \$0,00 \$0 00 \$0,00 \$0,00 \$0,00 \$13,000.00	
	TAL	TANGIBLES		Total Tangible Costs		
Total Tangible Costs \$79,000.00 \$274,000.00				Total Costs	\$847,000.00	\$1,252,000.0



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FYI

22-MU-

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