

CHESAPEAKE OPERATING, INC.

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LAND DEPARTMENT

LYNDA F. TOWNSEND, CPL/ESA
LANDMAN

July 26, 2000

VIA FACSIMILE (505) 625-2620

Mr. Ken Barbe, Jr.
Manzano Oil Corporation
P. O. Box 2107
Roswell, NM 88202

Re: Warehouse 2-10
1096' FNL & 2444' FEL
Section 10-16S-36E
Lea County, New Mexico

Dear Ken:

As agreed to in our telephone conversation of this week, Manzano will receive well data on the captioned well commencing with actual spud date of the Warehouse 2-10 well. Also, Chesapeake will credit Manzano and its et als with their proportionate share of one-half of all charges related to the building and preparation of the surface location for the Warehouse 1-10 well that will be utilized by the Warehouse 2-10 well, including the chain link fencing surrounding the surface location.

In return, Manzano will notify, in writing, Mr. Michael Stogner with the New Mexico Oil Conservation Division of its withdrawal of protest of the unorthodox location application for the Warehouse 2-10 well. Upon Chesapeake's receipt of Manzano's withdrawal letter, Chesapeake will withdraw the application for hearing of same presently set for August 10, 2000.

Chesapeake would like to spud the Warehouse 2-10 well approximately August 15, 2000. I certainly want to thank you for the position you have expressed in not wanting to hold us up on our intended drilling date and also for your cooperation in this matter. I will forward a list of charges to be credited to Manzano within the following week, and will keep you advised as to the commencement of the well.

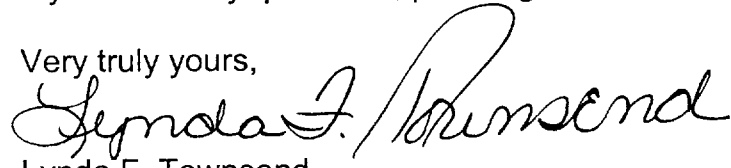
*Case
12464*

M. S.

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

Very truly yours,


Lynda F. Townsend

cc: Mr. Tom Kellahin
P. O. Box 2265
Santa Fe, NM 87504

Mr. Michael Stogner
2040 South Pacheco
Santa Fe, NM 87505