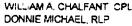
Ofc: (915) 684-9819 Fax: (915) 682-2601





April 25, 2001

Harkin Energy Corporation Attn: Mike Childers PO Box 843502 Houston, TX 77284

Via Certified Mail

RE:

Chesapeake's proposed Nellic 1-21 Well, N/2SE/4 of Section 21, T-16-S, R-37-E, Lea County, NM

Dear Mr. Childers:

Chesapeake Operating, Inc. hereby proposes to drill the captioned well to a total depth of 12,000 feet to test the Strawn Formation. The well will be drilled at a location in the N/2SE/4 of Section 21, T-16-S, R-37-E, Lea County, New Mexico.

Attached is Chesapeake's AFE reflecting dry-hole costs of \$1,119,000.00 and completed well costs of \$1,706,000.00. Harkin Energy Corporation is the record title owner of a working interest of 0.05859376% in the proposed 80-acre unit. Chesapeake offers Harkin Energy Corporation the opportunity to participate in the drilling of the Nellie 1-21 well with a working interest of 0.05859376% and a proportionate dryhole cost of \$655.67.

Should Harkin Energy Corporation elect to participate, please have the appropriate party(ies) sign the attached AFE and return it to me at your earliest convenience. Upon receipt, a Joint Operating Agreement will be forwarded for signature.

If you have any questions, please call the undersigned at the number listed or, alternatively, Ms. Lynda Townsend of Chesapeake Operating, Inc. at 405-879-9414.

Sincerely.

Muhael

Donnie Michael

DM/jkw Enclosures

> **BEFORE THE OIL CONSERVATION DIVISION** Case No.12660 Exhibit No. Submitted By: Chesapeake Inc. Hearing Date: May 31, 2001