CHESAPEAKE OPERATING, INC.

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LAND DEPARTMENT
MIKE HAZLIP, CPL
LANDMAN

March 9, 1998

VIA FEDERAL EXPRESS

Mr. Chris Williams
New Mexico OCD
1000 West Broadway
Hobbs, New Mexico 88240

Mr. Michael Stogner
New Mexico OCD
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: Watson 1-6 well - Unorthodox Location - Approval to Transport
2,857' FSL & 1,417' FWL Section 6-T16S-R36E
Lea County, New Mexico

Dear Chris:

Pursuant to our previous discussion regarding the captioned well, enclosed is Chesapeake's amended C-102 and C-104, prepared as a result of a dry hole in the Strawn formation and subsequent plugging back to produce from the Wolfcamp formation of the Townsend Permo Upper Penn pool, requiring a 40 acre proration unit.

The OCD granted Chesapeake an unorthodox location for the Strawn formation in order to obtain the best opportunity for geologic success in an area where few alternatives were available due to proximity to commercial development. Replacing the 80 acre unit anticipated for the Strawn well with the new 40 acre unit, places the Watson 1-6 well approximately 217' FSL of the proration unit boundary and 207' FWL of said proration unit boundary. Chesapeake is the Operator of the proration unit directly to the south (Little 1-6 well) and directly to the west, (Lot 13), upon which we are encroaching. Additionally, Charles B. Gillespie is Operator of Lot 17, which lies southwest of the Watson 1-6 well. Chesapeake granted Gillespie a farmout of our interest in Lot 18 in order for Gillespie to form an 80 acre proration unit consisting of Lots 17 and 18. Enclosed is a land plat which was submitted to the OCD before drilling the Watson 1-6.

Chesapeake would appreciate your extension of the administrative approval for the unorthodox Strawn location to apply to the Wolfcamp formation and grant Authorization to Transport production from the Wolfcamp formation. Thank you for your assistance.

Most sincerely,

Mike Hazlip