

CHESAPEAKE OPERATING, INC.

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LAND DEPARTMENT

MIKE HAZLIP, CPL
LANDMAN

December 9, 1997

VIA FACSIMILE (505) 393-0720 & 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: Lorena 1-1 well - Unorthodox Location
2,927' FSL & 1,104' FEL Section 1-T16S-R36E
Lea County, New Mexico

Dear Chris:

Pursuant to my discussion with you this morning, enclosed is Chesapeake's Application for Permit to Drill, Forms C-101 and C-102 for our Lorena 1-1 well to be drilled at the captioned location. Based on 3-D seismic, in order to insure the highest probability of discovering productive Strawn reserves, it is essential that a well in this proration unit be drilled at the captioned location. Our location places the well 287 feet from the southern boundary of the proration unit. The Anderson 1-1 well, drilled in the adjacent proration unit south of the Lorena unit, was likewise drilled at an unorthodox location from the same lease line boundary.

The failed Strawn tests in the immediate area have encountered both tight and wet reservoir suggesting the necessity for locating wells at the optimum site. The attached isopach map of the Strawn formation exhibits the maximum thickness of the potential reservoir to be located in the SW/4 of Lot 16 near the requested location. Please note that the alternate legal location in Lot 15, which would provide maximum thickness of reservoir quality rock, is interpreted to be as much as 40 feet lower structurally (see Strawn Structure Map).

Without being granted the unorthodox location requested, Chesapeake's ability to establish production capable of preventing waste and protecting correlative rights in the 80 acre proration unit consisting of Lots 15 and 16 is lost.