



E. G. L. Resources, Inc. 508 West Wall Street, Suite 1250 P.O. Box 10886 Midland, Texas 79702 915.687.6560 telephone 915.682.5852 facsimile

3/15/02

Ken Gray
Devon SFS Operating, Inc.
20 North Broadway, Suite 1500
Oklahoma City, OK 73102

Via Certified Mail

RE: Rio Blanco #4 well
T23S, R34E, NMPM
Section 4: All
Eddy County, NM

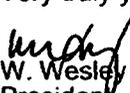
Dear Ken:

EGL Resources, Inc. proposes to deepen the captioned well and form a Unit covering All Section 4, T23S, R34E to test the Devonian Formation at a depth of approximately 15,000 feet. Attached is an Authority for Expenditure (AFE), a wellbore diagram, the well procedure, a list of the working interest owners with the proposed participation. Since there is an operating agreement in place, we would propose to use it, amending the depths and ownership as attached. Also we propose EGL Resources, Inc. would be named operator.

Please review this information, sign the AFE and return at your earliest convenience. If your preference is to farmout your interest we can discuss mutually agreeable terms.

Thank you for your consideration and should you have any questions, please call 915.686.4360. I am,

Very truly yours,


W. Wesley Perry
President

The undersigned agrees to this proposal, signed this the _____ day of _____, 2002.

Devon SFS Operating, Inc.

by: _____
Name: _____
Title: _____

BEFORE THE
OIL CONSERVATION EXAMINER
Case No. 13048 Exhibit No. 2
Submitted By:
Devon Energy Production Co.
Hearing Date: April 10, 2003

RECEIVED
MAR 20 2002
LAND DEPARTMENT

3/14/02

Ownership for Proposed Rio Blanco #4 Devonian Unit Rio Blanco #4 WIU
All Section 4-23S-34E

**Limited to depths from the base of the Morrow
to the base of the Devonian formations**

| Owner | Legal Description | Gross Acres | Leasehold Ownership | Net Acres | % of unit |
|--|-------------------|---|---------------------|---------------|------------------|
| EGL Resources, Inc. | SW/4 | 160 | 50.0000% | 80.00 | 12.4975% |
| Robert E. Landreth | SW/4 | 160 | 50.0000% | 80.00 | 12.4975% |
| Devon Energy Corp. | N/2 NW/4 | 80.16 | 75.0000% | 60.12 | 9.3918% |
| Robert W. Landreth | N/2 NW/4 | 80.16 | 25.0000% | 20.04 | 3.1306% |
| Devon Energy Corp. | S/2 NW/4 | 80 | 50.0000% | 40.00 | 6.2487% |
| First Roswell Company | S/2 NW/4 | 80 | 50.0000% | 40.00 | 6.2487% |
| EGL Resources, Inc. | NE/4 | 159.97 | 50.0000% | 79.99 | 12.4951% |
| Robert E. Landreth | NE/4 | 159.97 | 50.0000% | 79.99 | 12.4951% |
| Occidental Permian, Ltd. | SE/4 | 160 | 50.0000% | 80.00 | 12.4975% |
| Devon Energy Corp. | SE/4 | 160 | 50.0000% | 80.00 | 12.4975% |
| TOTAL | | | | 640.13 | 100.0000% |
| RECAPITULATION FOR UNIT OWNERSHIP | | | | | |
| | | Proposed Working Interest for Unit | | | |
| EGL Resources, Inc. | | 24.99258% | | | |
| Robert E. Landreth | | 28.12319% | | | |
| Devon Energy Corp. | | 28.13803% | | | |
| Occidental Permian, Ltd. | | 12.49746% | | | |
| First Roswell Company | | 6.24873% | | | |
| | | 100.00000% | | | |

AUTHORIZATION - FOR - EXPENDITURE

E.G.L. Resources, Inc.

| | | | | | |
|---|--|-----------------------|----------------|-----------|--------------|
| Original Supplemental No. Revisions No. | X | Drill & Complete Date | 03/07/2002 | AFE No. | Rio Blanco 4 |
| Lease/Well Name: | Rio Blanco 4 Federal #1 | New Well: | Deepening: XXX | Workover: | |
| Location: | 1980' FNL & 1980' FWL, Sec 4, T-23-S, R-34-E | County/Parish: | Lea | | |
| Field/Prospect: | Antelope Ridge | State: | NM | | |
| Objective Fac: | Devonian | Proposed TD: | 15,000' | | |
| Other Potential Formation: | | Acres in Unit | | | |

| INTANGIBLE COSTS | DRILLING | COMPLETION |
|--|-------------------|----------------|
| Permit/Survey/Damages | 1,000 | 1,000 |
| Location & Road Bldg./Restore | 2,000 | 500 |
| Con. Drilling: \$/foot | 0 | |
| Con. Drill - Daywork 35 days @ \$7,800 per day | 273,000 | 0 |
| Completion Rig - Pulling Unit: 10 days @ \$2,000 per day | 0 | 20,000 |
| M/R/U/R/D | 20,000 | 0 |
| Mud & Chemical | 32,000 | 0 |
| Fuel | 25,000 | 0 |
| Water | 20,000 | 2,500 |
| Bits | 48,000 | 600 |
| Cement & Cement Services | 0 | 16,000 |
| Casing Crew, Tongs & Tools | 0 | 2,000 |
| Mud Log 35 days @ \$ 600 | 21,000 | 0 |
| Open Hole Logs | 15,000 | 0 |
| Casedhole Logs & Perforation | 0 | 15,000 |
| Frac & Formation Treating Acid Treatment | 0 | 15,000 |
| Squeezing/Plugging Back | 0 | 0 |
| Rental Tools & Equipment | 48,000 | 8,000 |
| Consulting Services 45 days @ \$600 per day | 27,000 | 6,000 |
| Co. Labor (Time, Exp. & Benefits) | 0 | 0 |
| Welding, Trucking, Roundabout Labor | 2,000 | 5,000 |
| Special Ser./Testing/DST & Casing | 10,000 | 0 |
| Overhead | 6,000 | 3,000 |
| P & A Costs | 5,000 | (5,000) |
| Well Ins. | 4,000 | 0 |
| Miscellaneous | 2,000 | 2,000 |
| Subtotal | 547,000 | 91,600 |
| Contingencies and Taxes 10.00% | 54,700 | 9,160 |
| TOTAL INTANGIBLE COSTS | \$ 601,700 | 100,760 |

| TANGIBLE COSTS | DRILLING | COMPLETION | | | |
|--|-------------|------------|---------|-------------------|----------------|
| | Size | Footage | \$/foot | | |
| Conductor Pipe: | | | | 0 | |
| Surf Cas: | 13 3/8 | 0 | \$17.50 | 0 | |
| Int Cas: | 8 3/8 | 0 | \$10.00 | 0 | |
| Other: | 4 1/2 Liner | 3,700 | \$8.50 | | 31,450 |
| Prod Cag: | 5 1/2 | 0 | \$7.50 | | 0 |
| Tubing: | 2 3/8 | 15,000 | \$3.70 | | 55,500 |
| Float Equip. & Liner Hanger | | | | 0 | 20,000 |
| Valves & Fittings | | | | 500 | 3,500 |
| Wellhead Equipment | | | | 1,000 | 2,000 |
| Misc. Equipment | | | | 1,000 | 2,000 |
| Packer and Downhole Equip | | | | 0 | 10,000 |
| Rods & Pump | | | | 0 | 0 |
| Pumping Unit & Primer Motor | | | | 0 | 0 |
| Meter & Meter Rm. | | | | 0 | 1,000 |
| Flowlines & Connections | | | | 0 | 1,000 |
| Tanks, (Walkways, Stairways etc.) | | | | 0 | 7,000 |
| Heater/Dehyd./Compressor | | | | 0 | 0 |
| Separator/Heater-Treater | | | | 0 | 10,000 |
| Installation Costs | | | | 0 | 7,500 |
| Subtotal | | | | 2,500 | 150,950 |
| Contingencies and Taxes 10.00% | | | | 250 | 15,095 |
| TOTAL TANGIBLE COSTS | | | | \$ 2,750 | 166,045 |
| TOTAL INTANGIBLE & TANGIBLE COSTS | | | | \$ 604,450 | 166,805 |
| TOTAL WELL COSTS | | | | \$ | 871,255 |

It is recognized that the amounts herein are estimates only and approval of this authorization shall extend to the actual costs incurred in conducting the operation specified, whether more or less than that herein set out.

Prepared by: B. I. "Chipper" Dippel (March 7, 2002)

OPERATOR APPROVALS:

Approved By: [Signature]
 Title: na.

Date: 3/14/02

WI APPROVAL:

COMPANY _____

BY _____

DATE _____

TITLE _____

WELL DATA SHEET

FIELD: Antelope Ridge

WELL NAME: Rio Blanco 4 Federal

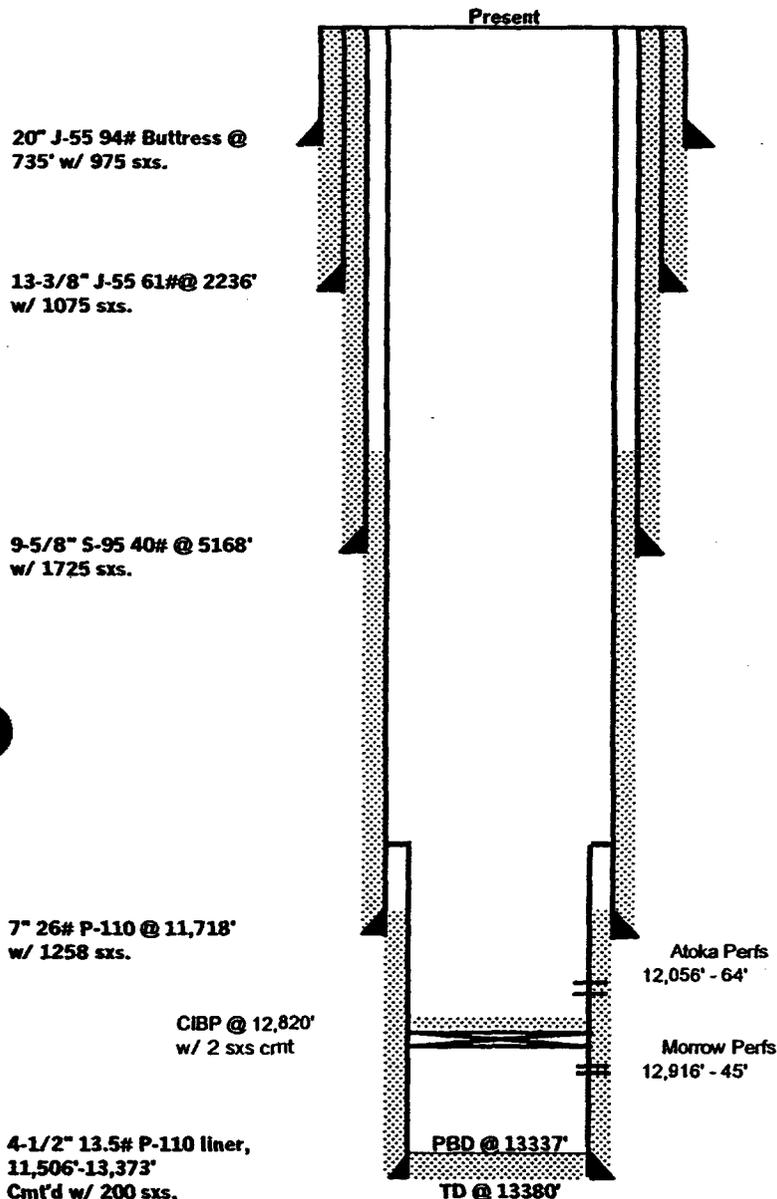
FORMATION: Morrow

LOC: 1980' FNL & 1980' FWL
SEC: 4 TWP: 23S RGE: 34E

COUNTY: LEA
STATE: NM

GL: 3432'
KB to GL: 22.5'

CURRENT STATUS: Producer
API NO: 30-025-34515



Date Completed: 2/26/1999
Initial Production: 5165 MCFPD, 66 BOPD & 2 BWPD W/ FTP=5700 psi.
Initial Formation: Morrow From: 12916' To: 12945'

Completion Data:
 Per 12,916'-22' & 12,932'-45'. Completed natural. AOF test showed rate of 25.2 MMCFGPD.

Wellbore History:
 Produced 1.163 BCF, 14 MBBL condensate & 64 MBW from the Morrow.

5/18/00 BHP @ 12,930' = 4078#. Set CIBP @ 12,820' & capped w/ 2 sxs cmt. Perf 12,056'-64' (Atoka). BHP @ 12,060' = 4923#. Acidized well. ISIP = 6100#, 15min SIP = 5350#. Swab well & rig down.

Additional Data:

- Delaware @ 5000'
- Bone Spring @ 8460'
- Wolfcamp @ 10940'
- Strawn @ 11870'
- Atoka @ 12160'
- Morrow @ 12210'
- Est. Devonian @ 14458'
- Est. Ellenburger @ 17000'

JAL 09-06-2000
 Updated 03-07-2002 by Chipper Dippel

**E.G.L. RESOURCES, INC.
P. O. BOX 10886
MIDLAND, TX 79702
(915) 687-6560**

**RIO BLANCO 4 FEDERAL #1
GENERAL PROCEDURE**

- 1. MI & RU PU. Kill well if necessary. NDWH. NUBOPE. POOH LD tubulars. NDBOPE. NUWH. RD & MO PU.**
- 2. MI & RU drilling rig. RIH w/ 7" whip stock and set above 4-1/2" liner @ +/- 11,400'. Cut 6-1/8" window. Drill 100'-200' away from original well bore.**
- 3. Drill new 6-1/8" hole to TD @ +/-15,000' using 10 ppg brine mud. Install rotating head and drill under balanced. If hole dictates, mud weight may have to be increased.**
- 4. Mud log while drilling 6-1/8" hole. DST Devonian if applicable. Log new 6-1/8" hole.**
- 5. Run 4-1/2" liner and cement.**
- 6. Complete Devonian pay.**