





Devon Energy Corporation  
20 North Broadway  
Oklahoma City, Oklahoma 73102-8260

Richard Winchester  
Senior Landman

Phone: (405) 228-4415  
Fax: (405) 552-8113

December 17, 2002

Robert E. Landreth  
505 N. Big Spring, Suite 507  
Midland, Texas 79701

Via Facsimile  
(915) 684-4783

**Re: Rio Blanco Devonian Prospect  
Lea County, New Mexico**

Dear Bob:

After considering the items referenced in your letter dated December 11, 2002, regarding the Rio Blanco Devonian Prospect located in Section 4, T23S-R34E, Lea County, New Mexico, Devon Energy Production Company, L.P. ("Devon"), submits the following proposal for your review:

1. The Section 4 working interest owners will form a 640-acre working interest unit covering depths below the base of the Morrow formation. Devon will be the designated Operator of the working interest unit.
2. As soon as is reasonably practicable, following receipt of an approved BLM drilling permit, Devon shall commence re-entry and deepening operations on the Rio Blanco "4" Federal #1 Well. Devon will pursue such operations with due diligence in an effort to adequately test the Devonian formation.
3. Devon shall have the right to earn an assignment covering 2/3rds of Landreth's 62.5% working interest in Section 4 for the following consideration:
  - a. Devon shall provide Landreth with access to the 3D seismic data covering the prospect at its office in Oklahoma City, Oklahoma, to the extent allowed under Devon's license agreement with Western Geophysical;
  - b. Devon shall pay 100% of Landreth's costs for re-entering, deepening, completing and equipping the Rio Blanco "4" Federal #1 Well. Devon's commitment to carry Landreth's costs shall be limited to 110% of those costs detailed on the attached AFE.
  - c. Landreth may reserve in the assignment an overriding royalty interest equal to the difference between 23% and existing burdens of record, delivering to Devon no less than a proportionately reduced 77% net revenue interest in the assigned leasehold.

BEFORE THE  
OIL CONSERVATION EXAMINER  
Case No. 13048 Exhibit No. 8  
Submitted By:  
Devon Energy Production Co.  
Hearing Date: April 10, 2003

4. Operations shall be conducted under the provisions of an AAPL 1982 Model 610 Form Operating Agreement substantially similar to the Operating Agreement for the OW State #1 Well, naming Devon as Operator.
  - a. Initial overhead rates for drilling and monthly operations shall be \$5,000.00 and \$500.00 per month respectively.
  - b. Devon agrees, at Landreth's option, to market Landreth's share of gas production.
5. This proposal is subject to execution of a formal agreement between Devon and Landreth containing mutually acceptable terms and provisions fully expressing the parties' intent in this proposal.

Al Ledbetter (405-552-4719), Devon's gas marketing representative for this area, will contact you regarding your marketing questions. Your serious consideration of this proposal is appreciated. Please call me at (405) 228-4415 should you have any questions.

Sincerely,

A handwritten signature in cursive script, reading "Richard C. Winchester".

Richard C. Winchester  
Sr. Landman

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 DATE \_\_\_\_\_

# DEVON ENERGY CORPORATION

20 N. BROADWAY, SUITE 1500, OKLAHOMA CITY, OK 73102

12/17/2002

## AUTHORIZATION FOR EXPENDITURE EXPLORATION DRILLING/COMPLETION COST ESTIMATE

AFE No.:  
 Lease Name - Well #: Rio Blanco 4 Fed #1  
 Legal Description: Sec. 4-23S-34E  
 Footage: 1980FNL & 1980 FWL

County or Parish, State: Lea Co., NM  
 Field Group:  
 Field: North Bell Lake  
 Prepared By: Bill Dougherty & Bill Greenlees

Type 10 Exploration drilling  
 Category 2-Exploration  
 Reserve Assoc 3-New Reserves Exploration

AUTHORITY REQUESTED FOR:- 7" Casing Exit @ 10900' and Drill to 15000' TVD to test Devonian.

Account Number	Sub	Description	Estimated Costs
203	1	INTANGIBLE DRILL AND DEV COSTS - For AFE closure process only	\$0
204	1	EQUIPMENT - For AFE closure process only	\$0
206	11	LAND, LEGAL	\$1,000
206	12	SURFACE DAMAGES / RIGHT OF WAY	\$3,000
206	13	LOCATION,ROADS,PITS,FENCES	\$8,000
206	14	ARCHEOLOGICAL TESTING	\$0
206	19	OTHER SITE PREPARATION	\$2,000
206	41	TURNKEY DRILLING COSTS	\$0
206	42	FOOTAGE	\$0
206	43	DAYWORK - 36 days @ \$8000/day	\$288,000
206	44	MOBILIZATION/DEMOBILIZATION	\$35,000
206	45	DIRECTIONAL DRILLING - 8 days @ \$6000/day plus Gyro	\$54,500
206	49	OTHER CONTRACTOR SERVICES	\$0
206	55	TRAVEL	\$0
206	56	MEALS AND ENTERTAINMENT	\$0
206	101	DRILL BITS	\$72,600
206	102	DRILLING FLUIDS	\$30,000
206	103	SURFACE RENTAL TOOLS & EQUIPMENT	\$18,000
206	104	DOWNHOLE RENTAL TOOLS & EQUIPMENT	\$72,000
206	109	OTHER MATERIALS & SUPPLIES	\$0
206	201	WELDING, ROUSTABOUTS & OTHER SERVICES	\$5,000
206	202	DIRT WORK & HEAVY EQUIPMENT	\$0
206	203	TRUCKING & HOTSHOT	\$8,000
206	204	PIPELINE INSTALLATION - wellhead to LACT, CDP, etc only	\$0
206	251	CEMENT & CEMENTING SERVICES 5" liner	\$21,000
206	255	LOGGING	\$45,000
206	257	OPEN HOLE EVALUATION	\$18,000
206	259	CASING & TUBULAR SERVICES	\$10,000
206	263	FLUID DISPOSAL	\$0
206	266	HELICOPTER TRANSPORTATION	\$0
206	267	MARINE TRANSPORTATION	\$0
206	269	CONSULTANTS - 38 days @ 700/day	\$26,600
206	271	FISHING SERVICES	\$0
206	281	COMMUNICATIONS SERVICES	\$0
206	301	POWER & FUEL	\$28,800
206	302	WATER	\$20,000
206	303	INJECTED CO2	\$0
206	305	PTED DIESEL-TEXAS - Use only when coding for tax deduction	\$0
206	501	PULLING & SWABBING UNITS	\$0
206	502	SNOBBING UNIT & COILED TUBING	\$0
206	503	BACKFILL PITS/RESTORE LOCATION	\$5,000
206	552	SAFETY EQUIPMENT & TRAINING - H2S	\$2,500
206	559	ENVMT & SAFETY MISCELLANEOUS	\$0
206	711	COMPANY SUPERVISION	\$0
206	721	DRILLING OVERHEAD - 15%	\$114,000
206	741	WELL CONTROL INSURANCE	\$0
206	751	LOST & DAMAGED EQUIPMENT	\$0

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Account Number	Sub	Description	Estimated Costs
206	794	OBO IDC-AFE'D	\$0
206	801	FIELD LABOR	\$0
206	802	GENERAL LABOR	\$0
206	831	VEHICLE EXPENSE	\$0
206	861	FIELD OFC EXPENSE (SHOREBASE)	\$0
206	885	COMPANY BENEFITS	\$0
206	895	TAXES - OTHER	\$0
206	996	IDC ACCRUAL - For JIB use only	\$0
		<b>INTANGIBLE DRILLING COSTS</b>	<b>\$888,000</b>
207	794	OBO EQUIPMENT - AFE'D	\$0
207	895	TAXES - OTHER	\$0
207	901	SURFACE CASING	\$0
207	902	INTERMEDIATE CASING	\$0
207	904	CONDUCTOR CASING/DRIVE PIPE	\$0
207	911	LINER 5" 18# FJ	\$50,000
207	925	SUBSURFACE EQUIP - Whipstock + 5" liner hanger	\$47,000
207	931	WELLHEAD VALVES & EQUIPMENT - Repair	\$5,000
207	996	EQUIPMENT ACCRUAL - For JIB use only	\$0
601	1	OBO/DELETED INT COTBACK CLRG - For JIB use only	\$0
		<b>TANGIBLE DRILLING COSTS</b>	<b>\$102,000</b>
		<b>TOTAL DRILLING COSTS:</b>	<b>\$990,000</b>

**For Completion Purposes:**

216	11	LAND, LEGAL	\$0
216	19	OTHER SITE PREPARATION	\$0
216	41	TURNKEY COMPLETION COSTS	\$0
216	43	DAYWORK -3 days @ 8000/day	\$24,000
216	44	MOBILIZATION/DEMOBILIZATION	\$10,000
216	49	OTHER CONTRACTOR SERVICES	\$0
216	55	TRAVEL	\$0
216	56	MEALS AND ENTERTAINMENT	\$0
216	101	DRILL BITS	\$0
216	102	COMPLETION FLUIDS	\$0
216	103	SURFACE RENTAL TOOLS & EQUIPMENT	\$5,000
216	104	DOWNHOLE RENTAL TOOLS & EQUIPMENT	\$10,000
216	109	OTHER MATERIALS & SUPPLIES	\$0
216	201	WELDING, ROUTABOUTS & OTHER SERV	\$10,000
216	202	DIRT WORK & HEAVY EQUIPMENT	\$0
216	203	TRUCKING & HOTSHOT	\$10,000
216	204	PIPELINE INSTALLATION	\$0
216	251	CEMENT & CEMENTING SERVICES - 2 7/8" Liner	\$15,000
216	254	FLOWBACK EQUIPMENT-TESTING SERVICES	\$10,000
216	255	LOGGING	\$30,000
216	259	CASING & TUBULAR SERVICES	\$0
216	263	FLUID DISPOSAL	\$0
216	265	STIMULATION & GRAVEL PACK	\$115,000
216	266	HELICOPTER TRANSPORTATION	\$0

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Account Number	Sub	Description	Estimated Costs
216	267	MARINE TRANSPORTATION	\$0
216	269	CONSULTANTS	\$7,000
216	271	FISHING SERVICES	\$0
216	281	COMMUNICATIONS SERVICES	\$0
216	301	POWER & FUEL	\$4,000
216	302	WATER	\$5,000
216	305	DTED DIESEL-TEXAS - Use when coding for tax deduction	\$0
216	501	PULLING & SWABBING UNITS	\$18,000
216	502	SNUBBING UNIT & COILED TUBING	\$0
216	503	BACKFILL PITS/RESTORE LOCATION	\$3,000
216	552	SAFETY EQUIPMENT & TRAINING	\$500
216	559	ENVNMT & SAFETY MISCELLANEOUS	\$500
216	711	COMPANY SUPERVISION	\$2,000
216	721	DRILLING OVERHEAD	\$5,000
216	741	WELL CONTROL INSURANCE	\$0
216	751	LOST & DAMAGED EQUIPMENT	\$0
216	794	OBO ICC-AFE'D	\$0
216	801	FIELD LABOR	\$0
216	802	GENERAL LABOR (ENGINEER)	\$0
216	831	VEHICLE EXPENSE	\$0
216	861	FIELD OFC EXPENSE (SHOREBASE)	\$0
216	865	COMPANY BENEFITS	\$0
216	895	TAXES-OTHER	\$0
216	996	ICC ACCRUAL - For JIB use only	\$0
		INTANGIBLE COMPLETION COSTS	\$284,000
217	794	OBO-EQUIPMENT-AFE'D	\$0
217	895	TAXES-OTHER	\$0
217	903	PRODUCTION CASING	\$0
217	911	LINER - 800' of 2-7/8", 4.6#, P-110, FJ	\$7,500
217	915	TUBING	\$40,000
217	921	SUCKER RODS	\$0
217	925	SUBSURFACE EQUIPMENT - Liner Hanger	\$22,000
217	931	WELLHEAD VALVES & EQUIPMENT	\$5,000
217	935	ARTIFICIAL LIFT EQUIPMENT	\$0
217	941	TANKS	\$0
217	945	TREATING EQUIPMENT	\$0
217	951	COMPRESSORS	\$0
217	953	CATHODIC PROTECTION	\$0
217	955	WATER DISPOSAL PUMPS	\$0
217	961	LINE PIPE, METERS & FITTINGS	\$0
217	986	SURFACE-OTHER TANG EQUIP	\$0
217	996	EQUIPMENT ACCRUAL - For JIB use only	\$0
		TANGIBLE COMPLETION COSTS	\$74,500
		TOTAL COMPLETION COSTS:	\$358,500
For P&A Purposes Only:			
206	253	P&A COSTS	\$30,000

OIL

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DATE

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Account Number	Sub	Description	Estimated Costs
206	712	P&A COMPANY SUPERVISION	\$0
206	799	P&A OBO IDC	\$0
206	803	P&A GENERAL LABOR	\$0
206	832	P&A VEHICLE EXPENSE	\$0
206	866	P&A COMPANY BENEFITS	\$0
		INTANGIBLE P&A COSTS	\$30,000
207	799	P&A OBO TANGIBLE	\$0
207	905	P&A CASING	\$0
207	906	P&A LINER	\$0
207	907	P&A TUBING	\$0
207	908	P&A SUBSURFACE EQUIPMENT	\$0
207	909	P&A WELLHEAD	\$0
207	910	P&A SURFACE EQUIPMENT	\$0
		TANGIBLE P&A COSTS	\$0
		TOTAL P&A COSTS:	\$30,000

DRY HOLE INTANGIBLE COSTS (Drilling + P&amp;A)

\$918,000

DRY HOLE TANGIBLE COSTS (Drilling + P&amp;A)

\$102,000

COMPLETED WELL INTANGIBLE COSTS (Drilling + Completion)

\$1,172,000

COMPLETED WELL TANGIBLE COSTS (Drilling + Completion)

\$176,500

TOTAL ESTIMATED COSTS

\$1,348,500

Note: Costs and participations are generally estimates. Billings will be based on actual expenditures.

WORKING INTEREST OWNER APPROVAL

Company Name:

Signature:

Title:

Date: