RioBlanco Pros File

Robert E. Landreth

505 N. BIG SPRING, SUITE 507

MIDLAND, TEXAS 79701

(915) 684-4781

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FAX# (915) 684 4783

May 11, 2001

Devon Energy Production Co., LP 20 North Broadway, Suite 1500 Oklahoma City, OK 73102-8260 Attn: Mr. Ken Gray

Re:

Rio Blanco Devonian Prospect

Section 4, T-23-S, R-34-E Lea County, New Mexico

Dear Ken,

Enclosed herewith is our prospect brochure for the captioned prospect. Per our conversations, it is probably best that Devon review this material, following which we can schedule a meeting if necessary.

You will note that the Devonian objective for this prospect can be pursued either by reentry of the Rio Blanco Fed Com Well #1, which will require a whipstocking and sidetracking operation from a depth of approximately 11,500', or drilling a new well approximately 1000' southwest of the former well. If a new well is drilled, a complication may arise with different ownership of Morrow rights as opposed to rights below the Morrow, since the Morrow may become a viable objective in a newly drilled well. This is something we can discuss if Devon is interested in the prospect.

You will note in the Land Summary that I have not specified terms of trade on any farmouts which I may acquire on interests such as First Roswell Corporation. If First Roswell makes a term assignment on terms similar to its prior trade with Santa Fe, it would be my intent to farmout that interest to Devon on the same terms as I would be farming out my non-participating interest.

Please note that we are also returning herewith a log which Steve Hulke had furnished us on the Bell Lake Unit Well #21.

Sincerely,

Robert E. Landreth

REL/tk

APRIL 10, 2003
EGL/LANDRETH
EXHIBIT NO.



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

3/15/0	2	
Ken G	iray n SFS Operating, Inc.	Enciso 22 White graterations
20 No	rth Broadway, Šuite 1500	No. Ocusisia d Maril
Oklan	oma City, OK 73102	Via Certified Mail
n-	mt mt - 44	
RE:	Rio Blanco #4 well T23S, R34E, NMPM	
	Section 4: All Eddy County, NM	
Dear I	Ken:	
R34E Exper	to test the Devonian For nditure (AFE), a wellbore sed participation. Since ding the depths and own	to deepen the captioned well and form a Unit covering All Section 4, T23S mation at a depth of approximately 15,000 feet. Attached is an Authority for diagram, the well procedure, a list of the working interest owners with the there is an operating agreement in place, we would propose to use it ership as attached. Also we propose EGL Resources, Inc. would be named
Pleas farmo	e review this information, ut your interest we can d	sign the AFE and return at your earliest convenience. If your preference is to scuss mutually agreeable terms.
Thanl	k you for your consideration	on and should you have any questions, please call 915.686.4360. I am,
Very	truly yours,	
un	de	
	eslev Perry denv	
The u	undersigned agrees to this	proposal, signed this the day of, 2002.
		4/8
Devo	on SFS Operating, Inc.	Richard Windhalter in material looking & Servinic
		= will know southing by April 23, built
by:		Sud a copy of the 10A.
Name	e:	` •
Title:		

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%	İ
	Robert E. Landreth	SW/4	160	50.0000%	80.00	12.4975%	İ
REL	Devon Energy Corp.	N/2 NW/4	80.16	75.0000%	60.12	9.3918%	Ĭ
	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%	Ĭ
	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%	
ું (કરા	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	Sum - 2 - 19	this is the	Grand 1/1	640.13	100.0000%	
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	RECAPITULATIO	N FOR UNIT OW		102N F1		* · · · ·	
			Proposed [∿]		,		
			Working Interest				ļ
			for Unit				
	EGL Resources, Inc.		24.99258%	4 Sec.	novegor and	<u></u>	
	Robert E. Landreth		28.12319%		りのゴナド	25 - 12	Ι.
	Devon Energy Corp.	15.63	28.13803%		50	Zanina	1
	Occidental Permian, Ltd.	,	12.49746 %	L	Jan 192		
	First Roswell Company		6.24873%	<u> </u>			
			100.00000%		5.	Ala y to	

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AUTHORIZATION - FOR - EY ENDITURE

	Origin X			Drill & Complete	, Inc.		AFE No.	Rio Bianco 4
	Supplemental No.			Date:	03/07/20	02		200 2011100 1
esse/Well Name:	Revision No. Rlo Blanco 4 Federal #1		D 14 P		New Well: County/Parish:	Despening: Les	xxx	Workover:
ocation: iskl/Prospect	1980' FNL & 1980' FW Antelope Ridge	L, 58C 4, 1-23-5,	K-34-B		State:	NM		
bjective For:	Devonina				Proposed TD:	15,000'		
ther Potential For	•				Acres in Unit	•		
	INTANGIBLE COSTS						DRILLING	COMPLETIO
	Permit/Survey/Damages.						1,000	1,0
	Location & Road: Bldg/			· · · · · · · · · · · · · · · · · · ·			2,000	5
	Con. Drilling:		\$/foot				0	
	Con. Drill-Daywork		35 days @	\$7,800 per day			273,000	
	Completion Rig - Pulling	Unit:	10 days @	\$2,000 per day			0	20,0
	MI/RU/RD						20,000	
	Mud & Chemical		•••••		• • • • • • • • • • • • • • • • • • • •		32,000	
	Fuel	• • • • • • • • • • • • • • • • • • • •					25,090 26,000	2,5
	Bits				• • • • • • • • • • • • • • • • • • • •		48,000	-,~
	Cement & Cement Service						0	16,0
	Casing Crew, Tongs & T	· · · · · · · · · · · · · · · · · · ·					8	2,0
	Mud Log	35	daya @ \$	600			21,000	
	Open Hole Logs						15,000	
	Casedhole Logs & Perfor				• • • • • • • • • • • • • • • • • • • •		. 0	15,0
	Frac & Formation Treatis	_					0	15,0
	Squeezing/Plugging Baol Rental Tools & Equipmen						9 40,000	8,0
	Consulting Services						21,000	6,ú
	Co. Labor (Time, Exp. &						0	-1-
	Welding, Trucking, Rous	•					2,000	5,0
	Special Ser/Testing/DST	& Coring		a			10,000	
	Overhead						6,000	3,0
	P & A. Costs						5,000	(5,0
	Well Ins				• • • • • • • • • • • • • • • • • • • •	····	4,000	
	Miscellaneous					• • • • • • • • • • • • •	2,000	2,0
	Subtotal				***	17	547,000	91,6
	Contingencies and Taxes.	TAL INTANGI	RLE COSTS		10.00	76 (54,700 601,700	9,1 100,7
	TANGIBLE COSTS						DRILLING	COMPLETIO
•			Si	te Footage	\$/fo	ot		
	Conductor Pipe:						0	
	Surf Cas:		13 3/8	0	\$17.5	0	0	
	Int Cas:		8 5/8	0	\$17.5 \$10.0			
	Int Cas: Other:		8 5/8 4 1/2 Liner	0 3,700	\$10.0 \$8.5	o o	0	31,4
	Int Cas: Other: Prod Csg:		8 5/8 4 1/2 Liner 5 1/2	0 3,700 0	\$10.0 \$8.5 \$7.5	0 0 0	0	
	Int Cas: Other: Prod Csg: Tubing:		8 5/8 4 1/2 Liner	0 3,700	\$10.0 \$8.5	0 0 0	0	55,5
	Int Cas: Other: Prod Csg. Tubing: Float Equip. & Liner Han	-	8 5/8 4 1/2 Liner 5 1/2 2 3/8	0 3,700 0 15,000	\$10.0 \$8.5 \$7.5 \$3.7	0 0 0 0	0	55,5 20,0
	Int Cas: Other. Prod Csg. Tubing: Float Equip. & Liner Han Valves & Fittings.	- 	8 5/8 4 1/2 Liner 5 1/2 2 3/8	0 3,700 0 15,000	\$10.0 \$8.5 \$7.5 \$3.7	0 0 0 0	0 0 500	55,5 20,0 3,5
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AUTHORIZATION - FOR - EY TNDITURE

Supplemental No. Date: NoVI/LINES Revision No. Novi Novi No. Novi Novi No. Novi Novi No. Novi Novi No. Novi Novi No. Novi Novi No. Novi Novi No. Novi Novi No. Novi Novi Novi No. Novi Novi No. Novi Novi Novi No. Novi Novi Novi Novi No. Novi Novi Novi No. Novi Novi Novi No. Novi Novi No. Novi No. Novi Novi No. Novi No. Novi No. Novi No. Novi No. No.		Origin X	E.G.L. Resources Drill & Complete	·		AFE No.	Rio Bianco 4.
Section Sect		Supplemental No.	-		i		
Section Sect	ase/Well Name:	Rio Bianco 4 Federal #1		New Well:	Despening: J	COX .	Workover:
Protestic Permission	oution:		3, R-34-E	County/Parish:	Les		
Proposed TDE Prop	d/Prospect	Antslope Ridge		State:	NM		
Intancible Costs	ective For:			Proposed TD:	15,000'		
Permit/Survey/Damages				Acres in Unit			
Permit/Survey/Damages		INTANGIBLE COSTS	······································			DRILLING	COMPLETIO
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Mud Log 35 days @ \$ 600 21,000 Open Role Logs 15,000 Casedhole Logs 0 15,000 Proc & Formation Treating 0 15,00 Squeszing/Prigging Back 0 15,00 Rental Took & Equipment 40,000 8,00 Consulting Services 45 days @ \$600 par day 21,000 6,00 Co. Labor (Time, Dry. & Benefils) 0 10,000 5,00 Welding, Trucking, Roustabout Labor 2,000 5,00 Special Ser./Testing/DST & Cozing 10,000 3,00 Overhead 6,000 3,00 P & A Costs 5,000 (5,00) Well Ins. 4,000 2,00 Miscollaneous 2,000 3,00 Subtotal 547,000 9,16 TOTAL INTANGIBLE COSTS DRILLING COMPLETION TARGIBLE COSTS DRILLING COMPLETION Surf Cas: 13 3/8 0 \$1,00 Surf Cas: 13 3/8 0 \$1,00 Other: 4				,			
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		Rods & Pump Pumping Unit & Primer Mover. Meter & Meter Run. Flowlines & Connections. Tanks, (Walkways, Stairways etc.). Heater/Dehyd/Compressor. Soparator/Heater-Treater				0 0 0	1,000 1,000 7,000
/		Rods & Pump Pumping Unit & Primer Mover. Meter & Meter Run. Flowlines & Connections. Tanks, (Walkways, Stairways etc.). Heater/Dehyd/Compressor. Soparator/Heater-Treater				0 0 0	1,000 1,000 7,000 0
·		Rods & Pump Pumping Unit & Primer Mover. Meter & Meter Run. Flowlines & Connections. Tanks, (Walkways, Stairways etc.). Heater/D chyd/Compressor. Soparator/Heater-Treater Installation Costs				0 0 0 0 0 0	0 1,000 1,000 7,000 0 10,000 7,500
Subtotal 2,500 150,950		Rods & Pump Pumping Unit & Primer Mover. Meter & Meter Run. Flowlines & Connections. Tanks, (Walkways, Stairways etc.). Heater/Dehyd/Compressor Separator/Heater-Treater Installation Costs. Subtotal				0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	1,000 1,000 7,000 10,000 7,500 0
Subtotal 2,500 150,950 Contingencies and Taxes. 10.00% 250 15,095		Rods & Pump Pumping Unit & Primer Mover. Meter & Meter Run. Flowlines & Connections. Tanks, (Walkways, Stairways etc.). Heater/Dehyd/Compressor Soparator/Heater-Treater Installation Costs Subtotal Contingencies and Taxes.				0 0 0 0 0 0 0 0	1,000 1,000 7,000 0 10,000 7,500 0
Subtotal 2,500 150,950		Rods & Pump Pumping Unit & Primer Mover. Meter & Meter Run. Flowlines & Connections. Tanks, (Walkways, Stairways etc.). Heater/Dehyd/Compressor Separator/Heater-Treater Installation Costs Subtotal Contingencies and Taxes. TOTAL TANGIBI	JE COSTS			0 0 0 0 0 0 0 0 0 250 2,750	1,000 1,000 7,000 0 10,000 7,500 0 150,950 15,095
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Subtotal 2,500 150,950 Contingencies and Taxes. 10.00% 250 15,095		Rods & Pump Pumping Unit & Primer Mover. Meter & Meter Run. Flowlines & Connections. Tanks, (Walkways, Stairways etc.). Heater/Dehyd/Compressor Soparator/Heater-Treater Installation Costs Subtotal Contingencies and Taxes.				0 0 0 0 0 0 0 0	1,000 1,000 7,000 10,000 7,500 (150,95(
Subtotal 2,500 150,956		Rods & Pump Pumping Unit & Primer Mover. Meter & Meter Run. Flowlines & Connections. Tanks, (Walkways, Stairways etc.). Heater/Dehyd/Compressor Separator/Heater-Treater Installation Costs Subtotal Contingencies and Taxes. TOTAL TANGIBI	JE COSTS			0 0 0 0 0 0 0 0 0 250 2,750	1,00 1,00 7,00 10,00 7,50 150,95 15,095
Subtotal 2,500 150,95		Rods & Pump Pumping Unit & Primer Mover. Meter & Meter Run. Flowlines & Connections. Tanks, (Walkways, Stairways etc.). Heater/Dehyd/Compressor Separator/Heater-Treater Installation Costs Subtotal Contingencies and Taxes. TOTAL TANGIBI	LE COSTS IBLE & TANGIBLE COSTS			0 0 0 0 0 0 0 0 0 250 2,750	1,00 1,00 7,00 10,00 7,50 150,95 15,09 165,04
Subtotal 2,500 150,9		Rods & Pump Pumping Unit & Primer Mover. Meter & Meter Run. Flowlines & Connections. Tanks, (Walkways, Stairways etc.). Heater/Dehyd/Compressor Separator/Heater-Treater Installation Costs Subtotal Contingencies and Taxes. TOTAL TANGIBI	JE COSTS			0 0 0 0 0 0 0 0 0 250 2,750	1,0 7,0 10,0 7,5 150,9 15,0
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Subtotal Contingencies and Taxes	peration specifi	Rods & Pump Pumping Unit & Frimer Mover. Meter & Meter Run. Flowlines & Connections. Flowlines & Connections. Tanks, (Walkways, Stairways etc.). Heater/Dehyd/Compressor. Soparator/Heater-Treater Installation Costs. Subtotal Contingencies and Taxes. TOTAL TANGIBH TOTAL INTANGIBH TOTAL WELL CO that the amounts herein are estimates only a ied, whether more or less than that harein a	LE COSTS BLE & TANGIBLE COSTS DSTS and approval of this authorization she out.	10.00%	s s	2,500 250 2,750 604,450	1,000 1,000 7,000 10,000 7,500 0 150,950 15,095 166,042 266,805 871,255
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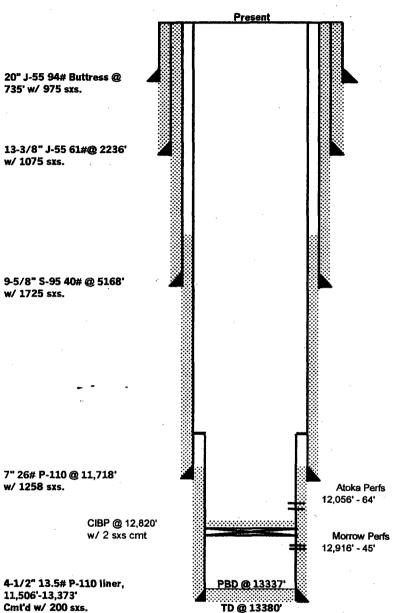
WELL DATA SHEET

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



Cmt'd w/ 200 sxs.
JAL 09-06-2000

Updated 03-07-2002 by Chipper Dippel

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. Elienburger @ 17000'

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.

Robert E. Landreth

505 N. BIG SPRING, SUITE 507

MIDLAND, TEXAS 79701

(915) 684-4781

FAX# (915) 684-4783

September 20, 2002

Devon Energy Production Company, LP P.O. Box 108838 Oklahoma City, OK 73101-8838 Attn: Mr. Richard Winchester

Re:

Rio Blanco Fed Com Well #4 Rio Blanco Devonian Prospect Section 4, T23S, R34E Lea County, New Mexico

Dear Richard,

We have been trying for three years to get the various companies who own leasehold in the captioned section to commit to drilling or farming out for the drilling of a 15,000' Devonian well, or a deepening operation in the Rio Blanco 4 Fed Com No. 1 well bore to test the Devonian. Devon has never been willing to give us a firm commitment as to its intent or interest in this proposal.

We are determined to get this project off center and drilling within the next 90-120 days. The plan is to form a 640-acre spacing unit for the proposed Devonian horizon. Our records indicate that the ownership of leasehold rights across all of Section 4, as to depths below the Morrow, is as follows: Landreth 62.5%, EGL Resources, Inc. 25%, First Roswell Company 6.25%, Devon Energy/Southwestern Energy 6.25%. We have received a farmout proposal on this section from Southwestern Energy, which has already reviewed the 3D survey. We have spoken recently with Wes Perry with EGL Resources here in Midland and have agreed to work together to accomplish either the drilling of a new well or the re-entry operation, with the only question being who will serve as operator.

Devon Energy has access to the recently completed 3D seismic survey across this section. We are willing to discuss with Devon a farmout of up to two-thirds of our 62.5% working interest on terms to be negotiated, in return for the opportunity to review and work the seismic data. This should not be a problem under your licensing agreement since we are jointly pursuing a specific prospect. We have one or two seismic lines which we can contribute to this effort. I discussed this idea with Steve Hulke this week.

10/9/02 Robord to character was have

September 20, 2002 Page Two

Devon has previously approached us on two or three prospect ideas where each of us owns leasehold in Lea County, and we are interested in pursuing those ideas with Devon. However, I want to emphasize that the Rio Blanco Prospect is a priority with us, and we want to move forward as soon as possible. I would therefore appreciate hearing from you with a firm plan as to when we can set up the requested seismic review.

Sincerely,

Bob howadors

Robert E. Landreth

REL/tk

XC: Wes Perry

EGL Resources, Inc.

Box 371

Midland, TX 79702

Steve Hulke

Devon Energy

P.O. Box 108838

Oklahoma City, OK 73101-8838



Davon Energy Corporation 20 North Broadway Okiahoma City, Okiahoma 73102-8260

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

Richard Winchester Senior Landman

November 4, 2002

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

Re:

Rio Blanco Devonian Prospect Lea County, New Mexico Via Facsimile (915) 684-4783

Called Desce to 1/20/02 to ld them. There formant terms were an insult.

Dear Bob:

Reference is made to your letter dated September 20, 2002, and our recent conversations regarding the Rio Blanco Devonian Prospect. Devon Energy Production Company, L.P. ("Devon"), has a strong interest in pursuing the Devonian formation potential in Section 4, T23S-R34E, Lea County, New Mexico, with the Section 4 working interest owners, being Robert E. Landreth ("Landreth"), EGL Resources, Inc., and Southwestern Energy Production Company. To achieve this end, Devon proposes the following terms for your consideration:

- The Section 4 working interest owners will form a 640-acre working interest unit
 covering depths below the base of the Morrow formation. Ownership will be
 determined on a net acre/ gross acre basis. Devon will be the designated Operator of
 the working interest unit.
- 2. Within 90 days from 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. Prior to commencement of the re-entry operations described above, Devon shall have the right to acquire 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 Section 4 at its office in Oklahoma City, Oklahoma, to the extent allowed under Devon's license agreement with Western Geophysical;
 - b. Devon shall pay Landreth \$100/net acre cash consideration;
 - 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.

- Operations shall be conducted under the provisions of an AAPL 1982 Model 610 Form
 Operating Agreement, containing mutually acceptable terms and provisions, naming
 Devon as Operator.
- 5. This proposal is subject to final approval by Devon's management, and execution of a formal agreement between Devon and Landreth containing mutually acceptable terms and provisions fully expressing the parties' intent in this proposal.

Your serious consideration of this proposal is appreciated. Please call me at (405) 228-4415 should you have any questions.

Sincerely,

Richard C. Winchester

Sr. Landman

Considerations

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505 N. BIG SPRING, SUITE 507

MIDLAND, TEXAS 79701

(915) 684-4781

FAX# (915) 684-4783

December 4, 2002

VIA FACSIMILE: 405-552-8113 Devon Energy Corporation 20 North Broadway Oklahoma City, OK 73101-8260 Attn: Richard Winchester

Re:

Rio Blanco Devonian Prospect

Lea County, New Mexico

Dear Richard,

Receipt of your letter of December 3, 2002, containing revised farmout terms for the captioned project, is acknowledged.

As I have stated to you previously, my main concern is getting this prospect drilled at an early date. Your letter contains no guarantee as to a commencement date, and the farmout offer is subject to final approval by Devon's management. As such, I cannot give it serious consideration. I am not willing to negotiate a trade which is subject to final management approval by Devon.

As I indicated in a recent telephone conversation, I have met with the EGL Resources people here in Midland recently in an effort to determine the best way to go forward on this prospect, to protect the combined 87.5% working interest which we own in Section 4. I believe we will come to some understanding in the near future as to how best to proceed, and I will be back in touch with you at that time.

Sincerely.

Robert E. Landreth

REL/tk

Richard Winchester

Land Acvisor

punch 4 File

Devon Energy Corporation 20 North Broadway Oklahoma City, Oklahoma 73102-5260

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

January 17,2003 (See FAX date above)

6-4533 Mr. Wes Perry EGI. Resources, Inc. F.O. Box 10886 Midland, Texas 79701 Via Facsimile (915) 682-5852

Mr. Bob Landreth 505 N. Big Spring Midland, Texas 79701 Via Facsimile (915) 684-4783

Re:

Rio Blanco Devonian Prospect Lea County, New Mexico

Gentlemen

Devon Energy Production Company, L.P. ("Devon"), is ready to move forward on this prospect immediately. However, there are two issues that must be resolved before Devon can finalize the proposed trades:

1. Devon will not agree to include any portion of Section 33 in the AMI. The purpose of the AMI is to address the acquisition of interests not held by the AMI parties on or after the date of the agreement. Since Section 33 is held entirely by Devon and Southwestern Energy, there are no outside interests to acquire.

2. Devon will not relinquish its interest in the S/2 NW/4 of Section 4 for failure to timely commence re-entry operations on the Rio Blanco "4" Federal #1 Well. By failing to timely commence operations, Devon will forfeit its right to earn interests from EGL and Landreth under the terms of the respective agreements.

Please call me at (405) 228-4415 to discuss this matter.

C. Willeton

Sincerely,

Richard C. Winchester

Land Advisor

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devon

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

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To: Mr. Bob Landreth

From: Danielle Rice

Fax:

915-684-4783

Date: 2/28/03

Phone:

Pages: 6 (including cover page)

F.e:

Rio Blanco 4 Fed #1

CC:

[] Ungent

☑ For Review

☐ Please Comment

☑ Please Reply

☐ Please Recycle

Comments:

This is the REVISED Proposal. The original will follow via certified mail today.

Should you have any problems receiving this fax, please contact Danielle Rice at (405) 228-7519.



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

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

Richard Worchester Land Advisor

February 28, 2003

Mr. Bob Landreth 505 N Big Spring Midland, Texas 79701 Certified Mail & Via Facsimile (915) 684-4783

EGL Resources, Inc. P.O. Box 10886 Midland, Texas 79701 Certified Mail & Via Facsimile (915) 682-5852

Mr. Wes Perry

Mr. Jody Crook Southwestern Energy Production Company 2350 N. Sam Houston Pkwy E., Suite 300 Houston, Texas 77032-3126 Certified Mail & Via Faesimile (281) 618-4879

Proposal to Re-enter and Deepen (Revised) Rio Blanco "4" Fed Com #1 Well Rio Blanco Devonian Prospect Lea County, New Mexico

Gentlemen:

Devon Energy Production Company, L.P., hereby proposes to re-enter and deepen the Rio Blanco "4" Fed Com #1 Well located 1980' FNL & 1980' FWL, T23S-R34E, in an attempt to test the Devonian formation at approximately 15,000°. Devon, as operator, has an approved Sundry Notice from the NMOCD, designating the N/2 of Section 4 as the proration unit. An AFE in the amount of \$1,348,500 is attached for your review. Should you elect to participate in these operations, please execute and return the attached AFE at your earliest convenience. An operating agreement will be forwarded for your signature upon receipt of the executed AFE. Should you elect not to participate, please advise Devon of the farmout/term assignment terms that may be acceptable. Devon is in communication with several drilling contractors in the area, and will secure a rig as soon as the parties respond. Your response is requested by no later than March 13, 2003. Please he advised that Devon will commence compulsory pooling procedures to secure the interest of any party that does not respond by such date.

Please call me at (405) 228-4415 should you have any questions.

C. Weishork. Richard C. Winchester

Land Advisor

Via Certified Mail

Receipt #70993400001717274265



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

2/27/2003

Richard Winchester Devon Energy Corporation 20 North Broadway, Suite 1500 Oklahoma City, OK 73102

RE:

Rio Blanco Federal 4-1 T23N, R34E, NMPM

Section 4

Lea County, New Mexico

Dear Richard:

Please find enclosed an Authority for Expenditure (AFE) to re-enter and re-complete the captioned well. There are also enclosed an Operating Agreement (JOA) and the proposed procedure for the operation.

If this is acceptable to Devon, please sign the AFE and the signature page of the JOA and return as soon as possible. It is our understanding that Devon and Southwestern are equal partners and have set that interest on the Exhibit "A" of the JOA. The Agreement between Devon and Southwestern is not public record and will change it if the Interest is incorrect. EGL has filed the APD and Sundry Notices with the NMOCD and BLM for this operation.

If Devon is not interested in participating EGL will agree to farm-in Devon's interest whereby Devon reserves a 25% eventiding royalty interest (ORI) absorbing all existing burdens, thus delivering a net revenue interest of 75%. Then at payout Devon may opt to convert its ORI to a 25% working interest. This reservation and optional conversion is subject to proportionate reduction.

Should you have any questions, please call, I am,

Very truly yours.

W. Wesley Perry President