

Tex-Ok Energy/Cody Energy Contacts
Chase 11 Fed Com #2
W/2 Section 11-T22S-R27E
Eddy County, New Mexico

May 4, 2004 Well Proposal

June 2, 2004 Non-consent election under 11/4/68 JOA

June 23, 2004 response to non-consent election

August 2, 2004 telephone conversation w/Bob Snyder advising of pooling status

Magnum Hunter Contacts
Chase 11 Fed Com #2
W/2 Section 11-T22S-R27E
Eddy County, New Mexico

May 4, 2004 Well Proposal

June 21, 2004 telephone conversation with Toni Wood at Magnum Hunter advising they would not participate.

July 1, 2004 e-mail to Toni Wood inquiring as to status.

July 9, 2004 voice mail message to Toni Wood advising of plans to file for compulsory pooling.

July 26, 2004 voice mail message to Toni Wood inquiring as to status.

July 29, 2004 telephone conversation with Toni Wood advising we would proceed with pooling in absence of support agreement

August 3, 2004 telephone conversation with Toni Wood advising of "split election" as to the interest of Tom Brown, Inc. and Magnum Hunter.

GIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT NUMBER

3



Devon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260
Fax 405-552-8113

May 6, 2004

Working Interest Owners
Address List Attached

Re: Chase 11 Fed Com #2
660' FNL & 1480' FWL
Section 11-T22S-R27E
Eddy County, New Mexico

Ladies and Gentlemen:

By letter dated June 16, 2003 Devon Energy Production Company, L.P., ("Devon"), as Operator, proposed to drill the referenced well as a vertical Morrow test well expected to require drilling to a depth of approximately 12,000'. Such well was never drilled and Devon now re-proposes to drill the Chase 11 Fed Com #2 as a 12,250' Morrow test. Enclosed you will find two (2) copies of Devon's Authority for Expenditure ("AFE") estimating a dry hole cost of \$887,315 with a completed well cost of \$1,474,581. The W/2 of Section 11 will be dedicated as the spacing unit for the proposed well.

The W/2 of said Section 11 is currently communitized for the production of gas from the Wolfcamp formation by virtue of the completion of the Chase 11 Fed Com #1, located 1980' FNL & 1730' FWL of Section 11. Additionally, the W/2 of Section 11 is subject to that certain Joint Operating Agreement ("JOA") dated September 15, 1988. The JOA, however, is limited to a contract depth from the surface to the stratigraphic equivalent of 100' below the total depth drilled in the initial test well (the Chase 11 Fed Com #1), yielding a contract depth of 10,145'. In accordance with our prior proposal, approximately 80% of the working interest owners have either amended the JOA or ratified the amended JOA to include rights from the surface to the base of the Morrow formation. Devon's records reflect that the following parties or their predecessors in interest have not agreed to amend the JOA as previously proposed:

Tom Brown, Inc.
Magnum Hunter Production, Inc.
Carolyn Ann Nunnally

Devon's records further reflect that the following parties or their predecessors in interest either elected, or were deemed to have elected, to be a non-consenting party in the drilling and completion of the Chase 11 Fed Com #1 pursuant to Compulsory Pooling Order No. R-8761 issued by the New Mexico Oil Conservation Division under Case No. 9480 and such parties are not subject to the JOA and have not otherwise agreed to ratify the JOA, as amended:

Cody Energy, Inc.
Marbob Energy Corporation
Pitch Energy Corporation
Tex-OK Energy Ltd. Partnership

All of the above listed parties' ("the non-operators") interest in the referenced well proposal is a contractual interest as derived from that certain Joint Operating Agreement dated November 4, 1968 creating the Carlsbad Drilling Block Working Interest Unit which covers, among other lands, the E/2 SW/4 of Section 11. The contractual interests of the non-operators in said working interest unit, as well as their working interest in the spacing unit associated with drilling of the referenced well are reflected on Exhibit A attached hereto.

In lieu of submitting and negotiating a new operating agreement, Devon again proposes that the non-operators currently subject to the existing JOA who have not already done so, agree to amend the contract depth to cover depths from the surface to the base of the Morrow formation. Likewise, Devon again proposes that the non-operators that are not subject to the existing JOA and who have not already done so, agree to ratify and adopt the JOA, as amended, in order to facilitate the drilling of the proposed well.

Please make your election to either (1) participate in the drilling of the proposed well or (2) be a non-consenting party pursuant to Article VI B.2. of the JOA. An election to participate should be accompanied by a fully executed AFE as well as one (1) executed copy of this letter agreement. Please return your election and/or executed AFE, including well requirement sheet, to the undersigned at the earliest possible time. Upon receipt of all elections, I will forward a revised Exhibit A to the JOA reflecting the current working interests in the contract area. Devon expects to drill this well in the next thirty (30) days so your immediate attention will be greatly appreciated.

If there are any questions or if additional information is required, feel free to call me at (405) 552-4633.

Yours very truly,

DEVON ENERGY PRODUCTION COMPANY, L.P.



Ken Gray
Senior Land Advisor

_____The undersigned hereby agrees to amend and extend the contract depth as covered by that certain Joint Operating Agreement dated September 15, 1988 to include depths from the surface to the base of the Morrow formation and further elects to participate in the drilling of the Chase 11 Fed Com #2 with the interest as reflected on Exhibit A.

_____The undersigned hereby agrees to amend and extend the contract depth as covered by that certain Joint Operating Agreement dated September 15, 1988 to include depths from the surface to the base of the Morrow formation and further elects not to participate in the drilling of the Chase 11 Fed Com #2, thereby electing to be a non-consenting party pursuant to Article VI.B.2.

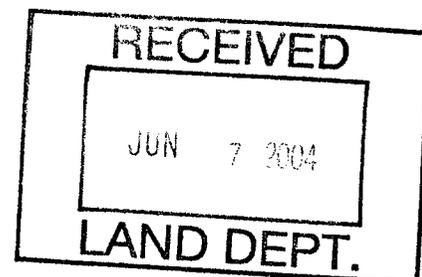
Company/Individual: _____

By: _____

Title: _____

Date: _____

**Tex-Ok Energy, LTD Partnership
Cody Energy, Inc
P.O. Box 3010
Cody, Wyoming 82414
307-587-4291**



June 2, 2004

Mr. Ken Gray
Devon Energy Corporation
20 North Broadway
Oklahoma City, OK 73102-8260

Re: Chase 11 Fed Com #2
Sec 11, T22S-R27E
Eddy County, NM

Dear Mr. Gray:

Please be advised that Cody Energy, Inc. and Tex-Ok Energy, LTD Partnership have decided to non-consent, under the terms of the JOA dated November 4, 1968, the drilling of the referenced well.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. Blaine Snyder".

R. Blaine Snyder



Devon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260
Fax 405-552-8113

June 23, 2004

Cody Energy, Inc.
Tex-Ok Energy Ltd. Partnership
P. O. Box 3010
Cody, Wyoming 82414-5915

Attn: R. Blaine Snyder

Re: Chase 11 Fed Com # 2
W/2 Section 11-T22S-R27E
Eddy County, New Mexico
DEC # 102580-002

Gentlemen:

In response to Devon's May 6, 2004 proposal to drill and complete the referenced well as a 12,250' Morrow well, you have responded that you wish to be a non-consenting party under the terms of the Carlsbad Drilling Block Joint Operating Agreement dated November 4, 1968 ("1968 JOA"). Please be advised that Devon is not a party to such JOA but is the Operator under that certain Joint Operating Agreement dated September 15, 1988 ("1988 JOA") which has been executed by approximately 92% of the working interest owners (including most of the interest owners under the 1968 JOA) and which currently governs operations in the designated spacing unit. Consequently, an election to non-consent our proposal under the 1968 JOA is not an option.

Devon would invite you to become a party to the 1988 JOA, a copy of which is enclosed, by executing the enclosed Ratification of Operating Agreement and making your election with regard to our proposal under same. In the alternative, Devon would be willing to farm in your working interest in support of the drilling of the referenced well under mutually acceptable terms.

I look forward to your response at the earliest possible time as we intend to commence the well in the next thirty (30) days.

Feel free to contact me at (405) 552-4633 if there are any questions or if additional information is required.

Yours very truly,

DEVON ENERGY PRODUCTION COMPANY, L.P.

Ken Gray
Senior Land Advisor

RATIFICATION OF OPERATING AGREEMENT

State of New Mexico

County of Eddy

Working Interest Owner: **Cody Energy, Inc. & Tex-Ok Energy Ltd. Partnership**

Working Interest Owner's Address: **P.O. Box 3010, Cody, Wyoming 82414-5915**

Operator: **Devon Energy Production Company, L.P.**

Operator's Address: **20 North Broadway, Suite 1500, Oklahoma City, Oklahoma 73102**

Date Executed: **June 23, 2004**

Effective Date: **June 1, 2004**

Working Interest Owner, named above, is the owner of an undivided interest in the leasehold estate in oil and gas leases covering the following land in the County and State named above:

Township 22 South, Range 27 East
Section 11: E/2 SW/4

These lands, and the oil and gas leases covering them, are subject to an Operating Agreement (the "Operating Agreement") dated September 15, 1988, naming the Operator, named above, as Operator of the Contract Area identified as the W/2 Section 11-T22S-R27E, which includes the lands described above.

For adequate consideration, the Working Interest Owner ratifies, affirms and adopts the terms of the Operating Agreement as to all formations from the surface to the base of the Morrow formation and agrees that the interest the Working Interest Owner owns in the lands and leasehold estate that is described in the Operating Agreement shall be subject to all of its terms and provisions.

Gray, Ken (OKC)

From: Gray, Ken (OKC)
Sent: Thursday, July 01, 2004 8:59 AM
To: 'twood@grapevine.magnumhunter.com'
Subject: Chase 11 #2

Toni, have you been able to pry anything out of HC on MH's decision not to participate in the Chase 11 #2? If we had a commitment from MH we could start the well in the next two weeks. We hope to move a rig to this location then. Appreciate your help.