



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

June 20, 2003

Citation Oil & Gas Corp.  
8223 Willow Place Drive South  
Houston, Texas 77070-5623

Re: Joell #2  
1320' FNL & 1320' FEL  
Section 6-T23S-R27E  
Eddy County, New Mexico

Gentlemen:

Devon Energy Production Company, L.P. (Devon) proposes the drilling of the referenced well as a Morrow test well expected to require drilling to a depth of approximately 12,000'. Enclosed for your review, you will find two (2) copies of Devon's Authority for Expenditure (AFE) reflecting estimated dry hole costs of \$863,000 with estimated completed well costs of \$1,457,490.

Devon's records reflect that you own a leasehold interest only in those depths down to 11,766' and such ownership is subject to an existing Joint Operating Agreement dated February 4, 1970. Please make your election with regard to this well proposal within thirty (30) days of receipt of this proposal as provided for under Article 12 of the governing Joint Operating Agreement.

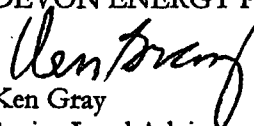
An election to participate in this well proposal should be accompanied by an executed copy of the AFE. In the event you elect not to participate and in lieu of being a non-consenting party to this proposal, Devon would be agreeable to acquire your interest either through farmout or term assignment under mutually acceptable terms.

Your prompt response will be greatly appreciated.

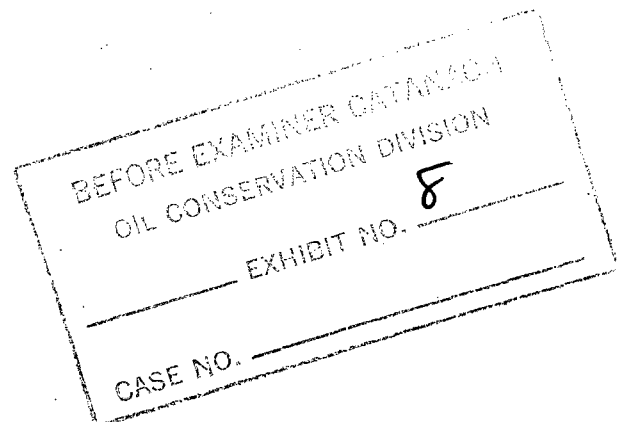
If there are any questions or if additional information is required feel free to call me at 405-552- 4633.

Yours very truly,

DEVON ENERGY PRODUCTION COMPANY, L.P.

  
Ken Gray  
Senior Land Advisor

Kg/  
Enclosure





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

July 24, 2003

Citation Oil & Gas Corp.  
8223 Willow Place Drive South  
Houston, Texas 77070-5623  
Attn: Stuart Scarborough

**Re: Joell #2  
1320' FNL & 1320' FEL  
Section 6-T23S-R27E  
Eddy County, New Mexico**

Gentlemen:

By letter dated June 20, 2003, a copy of which is attached, Devon Energy Production Company, L.P. proposed the drilling of the referenced well. To date, we have not received your response and/or election to said well proposal. In order to properly schedule this proposed well into our drilling plans for the remainder of the year, Devon respectfully requests your election at the earliest possible time.

If there are any questions or if additional information is required feel free to call me at 1-800-583-3866, extension 4633.

Yours very truly,

DEVON ENERGY PRODUCTION COMPANY, L.P.

  
Ken Gray  
Senior Land Advisor

Kg/  
Enclosure



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

October 21, 2003

Citation Oil & Gas Corporation  
8223 Willow Place Drive South  
Houston, TX 77070-5623

Attn: Stuart Scarborough

Re: Joell 6 #2  
1320' FNL & 1320' FEL  
Section 6-T23S-R27E  
Eddy County, New Mexico

Gentlemen:

By letter dated June 20, 2003 Devon Energy Production Company, L.P. ("Devon") proposed the drilling of the referenced well as a 12,000' Morrow test well with the E/2 of said Section 6 being dedicated as the drilling and spacing unit. During subsequent telephone conversations, you have advised Citation Oil & Gas Corporation ("Citation") has elected not to participate in the drilling of the Joell 6 #2 as proposed and would prefer to enter into a farmout agreement in lieu of a non-consent election under the governing Joint Operating Agreement. Enclosed you will find our Drilling and Division Order Opinion covering the E/2 of Section 6. As you can see, the leasehold and overriding royalty interests are not uniform throughout the Morrow interval and the net revenue interests for most of the leasehold owners, including Citation, are currently very low. It appears that Citation's current net revenue interest is 75%. Any additional burdens on the leasehold interest which might be reserved pursuant to a farmout agreement would have a further negative impact on the economics of the drilling of this well. The non-consent penalty under the governing Joint Operating Agreement appears, economically, to be more favorable to Devon than the farmout terms that you have proposed.

In order to accommodate both Devon and Citation, and to facilitate the drilling of the Joell 6 #2, Devon would be agreeable to entering into a mutually acceptable farmout agreement with Citation reserving an overriding royalty equal to the difference between existing lease burdens and 23%. Regardless of Citation's decision to farmout or be a non-consenting party, and in order for Devon to be able to drill the Joell 6 #2, under any condition, Devon is requesting that all interest owners agree to share production from any zone in the Morrow formation on an equitable basis. The enclosed agreement will accomplish such sharing of production and Devon respectfully requests your execution of same in order that the well can be drilled. Upon review and execution, please return one (1) executed original to the undersigned. In the event that Devon is unsuccessful in obtaining a voluntary agreement with regard to the sharing of production as contemplated by the enclosed agreement, Devon will, after notice and hearing, seek an order from the New Mexico Oil

Citation Oil & Gas Corporation  
October 21, 2003  
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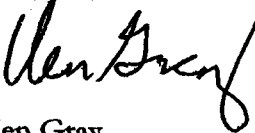
Conservation Division which will effectively establish the necessary production sharing. You should receive a notice of such hearing in the near future.

Additionally, you have advised that Citation is claiming the interest of Mabee Petroleum Corporation who appears to be a record title owner according to the title opinion. Please provide any curative material that you have in your possession with regard to this discrepancy in ownership.

If there are any questions or if additional information is required, please feel free to call me at 1-800-583-3866, extension 4633.

Yours very truly,

DEVON ENERGY PRODUCTION COMPANY, L.P.

A handwritten signature in black ink, appearing to read "Ken Gray", is written over the typed name.

Ken Gray  
Senior Land Advisor

KG:dh\citation.ltr  
Enclosures