



**EOG Resources, Inc.**  
P.O. Box 2267  
Midland, TX 79702  
(915) 686-3600

May 16, 2002

Devon Energy Corporation  
20 North Broadway, Suite 1500  
Oklahoma City, Oklahoma 73102-8260

Attention: Mr. Ken Gray

Re: Gordon 23 St. Com. No. 1 Well Proposal  
S/2 Section 23, T-19-S, R-27-E  
Eddy County, New Mexico

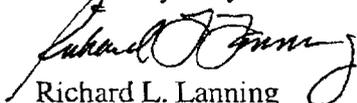
Gentlemen:

EOG Resources, Inc. proposes the drilling of an 11,200' Morrow test at a location 930' FSL and 1480' FWL of Section 23-19S-27E, Eddy County, New Mexico. The South ½ of Section 23 would be the designated proration unit for this well. According to our title information Devon Energy Corporation owns a 99.5824% working interest in the SW/4 SE/4 of this section. We have enclosed an AFE for this well and if you so elect, we invite you to participate with EOG in drilling this test. Your working interest if you join would be 12.4478%. If you are not interested in participating we would consider acquiring a reasonable Term Assignment or Farmout covering your interest.

Our title information indicates that the SW/4 SE/4 Section 23 was subject to two JOA's covering lands outside this section: (1) dated 5/1/1978 between Flag Redfern Oil Company, Operator and Gulf Oil Corporation etal, Non-Operators and (2) dated 1/1/1978 between Gulf Oil Corporation, Operator and The Superior Oil Company etal Non-Operators. Our information indicates these agreements have expired and we are assuming that Devon controls the entire interest referred to in the above paragraph. If either of these agreements is still in effect, we would appreciate you advising EOG as to the parties (and their respective interests) having contractual interests in the SW/4 SE/4 Section 23.

Please give your early consideration to this proposal and if you have any questions or wish to discuss, please contact the undersigned at the letterhead address, by telephone at 915-686-3730 or by fax at 915-686-3773. Your cooperation is sincerely appreciated.

Yours very truly,

  
Richard L. Lanning  
Project Landman

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 12893 Exhibit No. 2  
Submitted by:  
EOG RESOURCES, INC.  
Hearing Date: July 11, 2002



MIDLAND		Printed: 05/16/2002	
AFE No.	102435	Total Afe	
Property No.	042095-000		
EOG W.I.(BCP)	100%	(ACP)	100%
EOG AFE Amt:		(Drig)	\$506,000
		(Completion)	\$639,600
		Total Cost	\$1,145,600

AFE Type : EXPLORATORY DRILLING	AFE Name : GORDON 23 ST COM #1 D&C	AFE Date : 05/09/2002	Budget Year : 2002
Reg. Lease No. :	Prospect Name : GORDON	Total Depth :	Begin Date :
Location : Section 23-T19S-R27E, 930 FSL & 1480 FWL, X=524609 Y=596947	Formation :	DD&A Field :	
Operator : EOG RESOURCES, INC	County & State : EDDY NEW MEXICO	Regulatory Field : UNASSIGNED	Water Depth :
AFE Description : Gordon 23 St Com #1D&C		Product :	Days : 0 / 0

DESCRIPTION	SUB ACT	DRILLING	COMPLETION	TOTAL
ACCESS LOCATION,ROADS & SURVEY	401	36,000	5,000	41,000
RIG MOVE	402	25,000	0	25,000
DAY WORK COST	404	180,000	24,000	184,000
BITS & BHA	405	40,000	0	40,000
FUEL	406	20,000	2,000	22,000
WATER	407	30,000	1,000	31,000
MUD & CHEMICALS	408	25,000	0	25,000
CEMENTING & SERVICE	409	23,000	17,000	40,000
OPEN HOLE LOGGING & TESTING	411	35,000	10,000	45,000
MUD LOGGING	412	11,000	0	11,000
COMP-PERFORATING	413	0	50,000	50,000
COMP-STIMULATION	414	0	120,000	120,000
TRANSPORTATION	415	3,000	5,000	8,000
DRILLING OVERHEAD	416	5,000	2,400	7,400
EQUIPMENT RENTAL	417	10,000	20,000	30,000
COMP-COMPLETION RIG	418	0	30,000	30,000
OTHER DRILLING EXPENSE	419	5,000	5,000	10,000
ENVIRONMENTAL & SAFETY CHARGES	421	3,000	25,000	28,000
SUPERVISION	424	20,000	9,600	29,600
COMMUNICATIONS	431	2,000	1,000	3,000
TUBULAR INSPECTION/HANDLING	436	6,000	5,000	11,000
WIRELINE SERVICES	442	2,000	5,000	7,000
COMP-COIL TUBING/NITROGEN	445	0	20,000	20,000
COMP-COMPLETION FLUIDS	448	0	10,000	10,000
TOTAL INTANGIBLES		\$461,000	\$367,000	\$828,000

	FEET	SIZE	GRADE	\$/FT				
SURFACE CASING	400	11-3/4	H40	16.24	102	8,500	0	8,500
INTERMEDIATE CASING	2,400	8-5/8	32# J	11.87	103	28,500	0	28,500
COMP - PRODUCTION	10,000	5-1/2	17# N	7.17	104	0	71,700	71,700
PRODUCTION CASING	1,500	5-1/2	17# P/S	8.47	104	0	12,800	12,800
COMP-TUBING	11,200	2-7/8"	L-80	3.60	106	0	42,800	42,800
WELLHEAD EQUIPMENT					107	10,000	17,500	27,500
COMP-TANKS					108	0	10,000	10,000
COMP-FLOW LINES					109	0	8,000	8,000
COMP-VALVES & FITTINGS					110	0	15,000	15,000
COMP-PUMP EQUIP/SUBSURFACE					113	0	20,000	20,000
COMP-HEATER,TREATER,SEPARATOR					115	0	25,000	25,000
COMP-OTHER EQUIPMENT					116	0	5,000	5,000
COMP-MEYERING EQUIPMENT					118	0	15,000	15,000
COMP-NONCONTROLLABLE EQUIPMENT					119	0	5,000	5,000
COMP-CONSTRUCTION COST					122	0	25,000	25,000
TOTAL TANGIBLES						\$45,000	\$272,600	\$317,600
TOTAL COST						\$506,000	\$639,600	\$1,145,600

By <i>[Signature]</i>	Date 5-14-02	By	Date
By	Date	By	Date

JOINT OPERATOR APPROVAL

Firm	By	Title	Date
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**U.S. Postal Service**  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)

7001 0320 0003 9442 2203

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Returned)	
Restricted Delivery Fee (Endorsement Returned)	
<b>Total Postage &amp; Fees</b>	<b>\$</b>

Postmark  
Here

Sent To **Mr. Ken Gray**  
**Devon Energy Corporation**  
Street, Apt. No.,  
or PO Box No. **20 North Broadway, Ste1500**  
City, State, ZIP+4 **Oklahoma City, OK 73102-**

8260

PS Form 3800, January 2001

See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. Ken Gray  
 Deven Energy Corporation  
 20 North Broadway, Suite  
 1500  
 Oklahoma City, OK 73102-8260

**COMPLETE THIS SECTION ON DELIVERY**

Received by (Please Print Clearly) B. Date of Delivery

5/31/02

C. Signature

X *Hatfield*  Agent  
 Addressee

D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below:  No

3. Service Type

- Certified Mail  Express Mail
- Registered  Return Receipt for Merchandise
- Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number (Copy from service label)

7001 0320 0003 9442 2203

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952



Gordon 23 St. Conn. #1  
Devon

- 5-16-02 Sent proposal letter
- 5-23/02 Called Ken Gray @ Devon - left message
- made clear EOG is serious about p well
  - confirmed Devon interest from title opinion
  - EOG has well on schedule
- 6/11/02 Ken returned call. Said EOG would have to force the issue (force prod) to get Devon off center.
- 6/17/02 Called Ken Gray to see if we could place this issue on July 11 docket without objection. Ken reiterated that Devon wouldn't move on this until forced.
- 6/26/02 Called Ken Gray - left message
- said we had farmouts from all other parties and we would like Devon's interest at similar terms.
- 7/1/02 Called Ken Gray - out of office message - vacation until 7/8/02
- 7/8/02 called Ken Gray - left message
- reminded him of July 11 hearing
  - EOG would like to make deal before then
- 7/8/02 Ken Gray returned call.
- Devon could not review proposal for at least 2 weeks.