

02/23/00 WED 14:00 FAX 405 552 4621

DEVON ENERGY CORP

001

Devon Energy Corporation 20 N. Broadway, Suite 1500, Oklahoma City, OK 73102

FAX

Date: 2/23/00

Number of pages including cover sheet: 7

To:

Michael Stogner

New Mexico OCD

Phone: 505-827-8185

Fax phone: 505-827-1389

CC:

From:

Tonja Rutelonis

Devon Energy Corporation

Phone: 405-552-4515

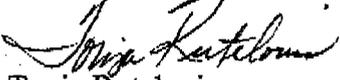
Fax phone: 405-552-7695

REMARKS: Urgent For your review Reply ASAP Please comment

Devon Energy Corporation (Nevada) has applied for administrative approval of unorthodox oil well locations for the Logan 35 Federal #11 and #12. Following is the assignment showing Devon's rights in this area.

Please call me if you need any additional information.

Thank you,


Tonja Rutelonis

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PARTIAL TERM ASSIGNMENT OF OIL, GAS AND MINERAL LEASE

This Assignment, made and entered into this 1st day of May, 1998 by and between OXY USA Inc., a Delaware corporation with a mailing address at P. O. Box 50250, Midland, Texas 79710 ("Assignor") and Devon Energy Corporation (Nevada) who has a mailing address at 20 North Broadway, Suite 1500 Oklahoma City, Oklahoma 73102-8260, ("Assignee"),

NOW, THEREFORE, for and in consideration of Ten Dollars (\$10) and other consideration paid, and upon the terms, conditions and covenants hereinafter stated, Assignor and Assignee agree as follows:

1. Assignor does hereby assign, convey and transfer unto Assignee, all of Assignor's right, title and interest in and to the following described lease(s) INsofar AND ONLY INsofar as said lease(s) cover(s) and grant(s) rights extending, EXCEPT as otherwise specifically set forth below, from below one thousand seven hundred sixty two feet below the surface down to but not including, the top of the Unitized formation for the Citgo Empire Abo Unit, under the following described lands, to wit:

OXY LEASE NUMBER: 6-3014423/3014423
 DATE OF LEASE: February 15, 1972
 LESSOR: State of New Mexico
 LESSEE: Cities Service Oil Company
 RECORDING DATA: Book 143, Page 811, Eddy County,
 New Mexico, L-7010-02

DESCRIPTION: Section 10: the Northwest Quarter of the Southwest Quarter (NW/4SW/4), Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, from the surface of the earth down to and including, but not below the base of the Morrow formation.

OXY LEASE NUMBER: 6-3012280/3012280
 DATE OF LEASE: July 1, 1956
 LESSOR: United States of America
 LESSEE: E. A. Paton, et al.
 RECORDING DATA: LC 028755-A

DESCRIPTION: Section 35: rights from 1762' to the top of the Citgo Empire Abo Unit in the Southeast Quarter of the Southwest Quarter (SE/4SW/4) and the Southwest Quarter of the Southeast Quarter (SW/4SE/4), Township 17 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

OXY LEASE NUMBER: 6-3012281/3012281
 DATE OF LEASE: December 1, 1940
 LESSOR: United States of America
 LESSEE: R. S. Magruder
 RECORDING DATA: BLM No. LC 057708

DESCRIPTION: Section 35: rights from 1762' to the top of the Citgo Empire Abo Unit in the North Half of the Southeast Quarter (N/2SE/4), the Northeast Quarter of the Southwest Quarter (NE/4SW/4) and the Southeast Quarter of the Southeast Quarter (SE/4SE/4), Township 17 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

OXY LEASE NUMBER: 6-3012282/3012282
 DATE OF LEASE: December 17, 1924
 LESSOR: State of New Mexico
 LESSEE: W. F. Daugherty
 RECORDING DATA: 2029-63

DESCRIPTION: Section 2: rights below 1762' to the top of the Citgo Empire Abo Unit in Lot 3, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

OXY LEASE NUMBER: 6-3012283/3012283
 DATE OF LEASE: November 26, 1932
 LESSOR: State of New Mexico
 LESSEE: Empire Gas and Fuel Company
 RECORDING DATA: B-1483-23

RECEPTION
 988644

Ath Julianne Barry
 Devon Energy Corp
 20 N Broadway STE 1500
 OK City OK 73102-8260

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DESCRIPTION: Section 2: rights below 1762' to the top of the Citgo Empire Abo Unit in Lot 2, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

2. Subject to Paragraph 19. hereof, the term of this Assignment shall be for a period of three (3) years (the "initial term") and so long thereafter as oil and/or gas is produced in paying quantities from the interval under the lease(s) and land(s) assigned herein. Said interest in the lease(s) and land(s) assigned herein is sometimes hereinafter referred to as "land(s)" or "lease(s)".

3. Assignor excepts and reserves from the lease(s) and lands assigned herein (1) all rights granted by said lease(s) above and below the depth interval to which this Assignment is made, together with all the rights appropriate to the drilling of wells for and to produce and market any and all minerals appearing in said lands above and below said depth interval and (2) an overriding royalty equal to the difference between present lease burdens as reflected in the County Records for Eddy County, New Mexico on the date first set forth above and twenty percent (20%) of all oil, gas, casinghead gas, distillate and/or condensate and other minerals produced and saved from the lands and horizons assigned herein under the said lease(s), however, in no event shall Assignor's overriding royalty reserved herein be less than zero percent (0%). Therefore, in no event shall Assignor be required to make up any deficiency in net revenue and there shall be no offset against another lease assigned herein with regard to any lease yielding a net revenue to working interest ratio that is less than eighty percent (80%).

4. Insofar as it is necessary to allow the drilling of a well or an additional well and secure a full production allowable therefore, Assignor grants Assignee, insofar as Assignor has the right to do so and subject always to the terms and conditions of the lease(s) herein assigned, the right to pool or combine said lease(s) either in whole or in part with other leases or lands. In the event any lease assigned herein is pooled or unitized with other leases or lands for production, the overriding royalty reserved herein shall, as to the lands covered by this Assignment and so unitized, be paid to Assignor in the proportion that the number of acres assigned herein and so unitized bears to the total number of acres in such unit.

5. If a lease described herein covers less than a full oil and gas leasehold estate in any lands described herein under such lease, or if Assignor's interest in such lease covering any lands described herein under such lease is less than the full oil and gas leasehold estate (excluding and disregarding any applicable royalty, overriding royalty, production payment or other burden to which such leasehold estate is subject), then the overriding royalty reserved out of the production from the lands in which Assignor's interest is less than the full oil and gas leasehold estate in such lands herein described under such lease shall be payable in the proportion that Assignor's interest in the oil and gas lease bears to the full oil and gas leasehold estate in such lands.

6. Each extension of any of the said lease(s), in whole or in part, shall maintain and continue in effect the rights and interests reserved by Assignor in each of said lease(s) so extended and in the said lands covered thereby. Should a renewal or new lease or leases covering the said lands, or a part of or interest in the said lands, or a part of or interest in such a lease, be acquired by Assignee, or by a third party wholly or partly for Assignee or Assignee's benefit, within two (2) years from either the date of the expiration of the primary term of the lease(s) having the latest date, for the lease(s) remaining in their primary term; or from the date of this Assignment, for the lease(s) which are beyond their primary term, the rights and interest herein reserved by Assignor shall attach and apply to each such renewal or new lease, the land described therein and the estate created thereby with the same result and effect as such reserved rights and interests attach and apply to the said lease(s), the said lands or the estates created by the said lease(s).

7. This Assignment is made subject to the provisions and conditions of that certain Agreement For The Purchase and Sale of Domestic Crude Oil executed August 31, 1983 between Occidental Petroleum Corporation, et al., and Citgo Petroleum Corporation, et al. (the "Citgo Agreement"), together with any other agreement, easement, or encumbrance contained or referenced in the county records with respect to the said lands, or otherwise known to Assignee.

8. (a) If Assignee should elect to abandon any well either drilled on the lands assigned hereunder or on a unit for production which includes any part of the said lands, or if any well either on the said lands or on a unit including any of the said lands ceases to produce in paying quantities and if actual drilling operations for a well or reworking operations are not commenced within thirty (30) days thereafter, Assignee shall immediately notify Assignor in writing of such fact and Assignor, in addition to its right to a reassignment of the land(s) and lease(s) attributed to the unit for production for such well, shall have the option, to be exercised within thirty (30) days, to acquire such well, together with the material in and around such well then on said lands and necessary in the operation of such well at a price equal to the reasonable salvage value of said materials. If Assignor does not elect to acquire such well, Assignee shall promptly plug and abandon the same.

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(b) As to each well that Assignee drills on the said lands, or on lands within a unit for production which includes any lands described herein, Assignee shall provide all the information required in the Geological Requirements attached hereto as Exhibit "A" and notify Assignor in writing of the following items:

- (1) The exact legal description of the location.
- (2) The date actual drilling is commenced.
- (3) The total depth drilled.
- (4) The date of completion.
- (5) Whether completed as a producer of oil and/or gas, or as a dry hole.
- (6) The date any production commences.
- (7) The date the well is shut-in.
- (8) The date and amount of payment of any shut-in royalty.

Such information shall be given to Assignor within fifteen (15) days after the occurrence of each of said items.

9. In the event Assignor does not elect to take its share of production in kind then Assignee shall deliver to Assignor in the pipeline to which Assignee's wells may be connected the fraction of the minerals reserved herein, all free and clear of cost and expense, and Assignee shall execute any contract or division order which may be necessary in connection with payment or proceeds of said reserved minerals to Assignor or appropriate to effectuate such payments.

10. (a) Assignor reserves the right to take in kind or separately dispose of the share of oil production applicable to its reserved and/or retained interest. Assignor also reserves the option, to be exercised from time to time and as often as desired, of selling for the benefit of Assignee all of the share of oil produced from and/or allocated to the lands covered hereby and applicable to Assignee's interest acquired hereunder at the price established by the Citgo agreement for any period during which the Citgo Agreement is applicable to the interest covered by this instrument. It is the Assignor's understanding that the Citgo Agreement expires August 31, 1998. Upon termination of the Citgo Agreement with respect to the interest conveyed herein Assignor's option to sell Assignee's share of production on behalf of Assignee as reserved in this paragraph shall expire. Assignor agrees that it will not extend the Citgo Agreement beyond August 31, 1998, with respect to the interest covered herein.

(b) Assignor reserves the right to take in kind or separately dispose of the share of gas, casinghead gas and other minerals applicable to its reserved and/or retained interest.

11. Within one hundred twenty (120) days following the first sale of oil and/or gas from the lands or leases described herein or lands pooled therewith, Assignee shall pay, or cause to be paid, to Assignor such sums as shall have accrued to Assignor as overriding royalties under this lease and thereafter such payments shall be made monthly without the necessity of the execution by Assignor, or any other party, of a division or transfer order. Notwithstanding anything herein to the contrary, in the event such amounts accruing to Assignor as overriding royalty total less than twenty-five dollars (\$25.00) such amounts may be remitted the earlier of annually or when such amounts shall exceed twenty-five dollars (\$25.00). All sums not paid timely shall bear interest at the highest lawful rate from the date they are due until the date payment is received by the Assignor. Assignee shall reimburse Assignor for all reasonable attorneys' fees and other costs or expenses incurred in connection with any legal action or other collection effort initiated by Assignor due to Assignee's failure to pay overriding royalties hereunder in a timely manner in which Assignor is found to be entitled to recover any overriding royalties or interest. In the event of a conflict between the terms and conditions of any division or transfer order as Assignor may execute and this Assignment the latter shall prevail and shall not be amended thereby.

12. This Assignment is made subject to, and Assignee shall comply with, all applicable rules, regulations, laws and orders issued or promulgated by any court or governmental agency having jurisdiction over operation, production or marketing on and from the lands covered hereby.

13. Assignor agrees upon written request to furnish Assignee copies of the said lease(s) and all material title information in its possession. Assignor shall neither be liable for any inaccuracy or incompleteness of any title information furnished to Assignee nor does Assignor warrant title, either express or implied, to the said lease(s). Assignee agrees upon request to provide Assignor a copy of any title opinions or other title information in its possession without cost or expense to Assignor.

14. All notices authorized or required between Assignee and Assignor by any of the provisions of this Assignment shall, unless otherwise specifically provided, be given in writing by United States mail, commercial overnight delivery service, or electronic facsimile transmission, properly addressed with postage or charges prepaid, and addressed to Assignor, unless otherwise specifically provided, to the attention of the Landman, for the New Mexico RMT, OXY USA Inc., 6 Desta Drive, Suite 6000, P. O. Box 50250, Midland, Texas 79710 (street address Zip Code 79705), and to Assignee at the address first set forth above unless

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Assignee, or any successor in interest to Assignee, has designated or notified Assignor in writing of another address. The originating notice to be given under any provision of this Assignment shall be deemed given only when received by the party to whom such notice is directed. The time for such receiving party to give any notice in response thereto shall begin to run on the day following the date the originating notice is received, and responsive notice shall be deemed given when transmitted, when deposited in the United States mail or with a commercial overnight delivery service, properly addressed and with postage or charges prepaid. Any notice delivered by electronic facsimile transmission shall be effective upon receipt by the addressee.

15. During the initial term of this Assignment, including any extension thereof, the Assignee shall keep the said lease(s) free and clear from all liens. Assignee shall defend, indemnify and save Assignor harmless from all loss, cost, or expense (including attorneys' fees) for Assignee's failure to do so.

16. All operations pursuant to this Assignment shall be conducted at the sole expense of Assignee in a proper and workmanlike manner and in accordance with all applicable laws and regulations of the constituted authorities, and Assignee shall defend, indemnify and hold Assignor and its officers, directors, agents, employees and invitees harmless from all liability for damage (including attorneys' fees) to the person (including death) and/or property (including the contamination or pollution thereof or other environmental damage thereto) of all persons arising from the performance or non-performance of Assignee's operations conducted hereunder.

17. While operations are being conducted hereunder on any leasehold interest covered hereby, Assignee agrees to acquire and/or maintain insurance coverage in accordance with the side letter on insurance between the parties, which letter is dated May 1, 1998.

18. In the event Assignee fails to comply with the express or implied covenants and conditions of said lease(s), Assignee shall, at Assignor's option, reassign the acreage remaining undrilled to Assignor, retaining around each producing well, if any, the lands attributed to the unit for production for such well under any valid well spacing rule or regulation of any governmental authority or attributed to such well for allowable purposes by any governmental authority.

19. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, at the end of the initial term hereof all of the lands described above that are not attributed to a spacing unit for production for a well which has been completed as a well capable of producing oil and/or gas in paying quantities shall automatically revert to Assignor, together with all zones or horizons more than one hundred (100) feet below the greatest depth drilled hereunder in each unit for production surrounding a well completed as a well capable of producing oil and/or gas in paying quantities, provided, however, in the event that Lessee shall then be engaged in actual drilling operations for a well located on the said lands or on lands pooled therewith, or shall have completed a well on the said lands or on lands pooled therewith within one hundred twenty (120) days prior to the end of the initial term, this Assignment shall not terminate as to any of the said lands or horizons so long as Assignee shall continue to drill on the said lands or lands pooled therewith with no cessation of operations more than one hundred and twenty (120) days from the completion of one well and the commencement of actual drilling operations for the next succeeding well on the said lands or lands pooled therewith. Failure to commence actual drilling operations within one hundred twenty (120) days of the completion date for any well shall terminate this Assignment as to all of the said lands which shall not then be attributable to the spacing unit for production for a well completed as capable of producing oil and/or gas in paying quantities and all formations or horizons more than one hundred (100) feet below the deepest drilled in any spacing unit for production. In the case of such termination all such lands, horizons, and formations shall revert to Assignor automatically and without the necessity of action on the part of a person or entity. For the purposes of this paragraph, the completion date for any well shall be the earlier of thirty (30) days following the release of the drilling rig from the location, or the date the official completion report is filed with the appropriate state or federal agency having jurisdiction thereof. Notwithstanding, the automatic character of this reversion, Assignee shall promptly prepare a recordable reassignment both in a form suitable for recording in the county and a form designated by the BLM for presentation to the BLM covering such reversionary lands and horizons and provide it promptly to Assignor. Said reassignments shall contain a special warranty of title to the effect that said interest shall be free and clear of any agreements, easements, liens, mortgages, pledges, security interests or other encumbrances, whether similar or dissimilar claimed by any person or entity by, through, or under Assignee herein, but not otherwise. Assignor's right to receive such reassignment shall be enforceable in equity.

20. For the purposes of this instrument, the following definitions and/or interpretations shall apply:

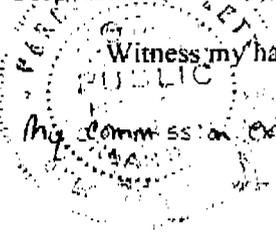
(a) A completion has occurred when a well has been fully equipped for the taking of production, through and including the tanks for an oil well and through and including the christmas tree for a gas well, or plugged and abandoned after being drilled to contract depth, if a dry hole.

(b) Paying quantities means a quantity (in the judgement of a reasonable and prudent operator) of oil (including any gaseous hydrocarbons produced with oil) and/or gas (including any liquid hydrocarbons

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STATE OF OKLAHOMA)
) ss
COUNTY OF)

The foregoing instrument was acknowledged before me this 8th day of ~~May~~ ^{June}, 1998, by
J. M. Lacey as Vice President, on behalf of Devon Energy
Corporation (Nevada), a Nevada corporation.



Witness my hand and official seal.

Marsha Bartlett
Notary Public

STATE OF NEW MEXICO)
County of Eddy) ss

FILED **JUL 13 1998** FOR
RECORD

at 10:58 o'clock A. M. and was duly
recorded in BOOK 323 PAGE 70
of the Records of Eddy County
Karen Davis, County Clerk
By: [Signature] Deputy

