



Participation and Farmout Agreement between Robert E. Landreth and Devon  
Rio Blanco Prospect  
Lea County, New Mexico

BEFORE THE  
OIL CONSERVATION EXAMINER  
Case No. 13048 Exhibit No. 19  
Submitted By:  
Devon Energy Production Co.  
Hearing Date: April 10, 2003

Note: Changes to Devon's draft have been underlined.

Robert E. Landreth, 505 N. Big Spring, Midland, Texas 79701, (hereinafter referred to as "Landreth") is the owner and holder of certain oil and gas interests located in Section 4, Township 23 South, Range 34 East, Lea County, New Mexico. Devon Energy Production Company, L.P., 20 N. Broadway, Suite 1500, Oklahoma City, Oklahoma 73102 (hereinafter referred to as "Devon"), and Landreth have agreed to terms by which Devon may earn an undivided interest in said oil and gas interests from Landreth (Devon and Landreth may each be referred to herein as a "Party" or be collectively referred to herein as the "Parties"). The terms agreed to by the Parties as set forth in this Participation and Farmout Agreement ("Agreement") follow:

1. SUBJECT LEASES:

The Parties agree that Landreth owns oil and gas leasehold interests and term assignments of oil and gas leases ("Leases") covering lands in Section 4, T23S-R34E, Lea County, New Mexico (herein referred to as the "Contract Area"), sufficient to entitle Landreth to an undivided 62.5% of 8/8ths interest of all oil, gas and other minerals produced from and attributable to the Contract Area ("Landreth's Interests"), which interests and Leases are more fully described on Exhibit "A" attached hereto and made a part hereof for all purposes, and are hereinafter referred to as the "Leases".

2. SEISMIC DATA REVIEW:

Upon execution of this Agreement by the Parties, Devon shall make available for Landreth's review, WesternGeco's Southwest Lea Phase I 3-D seismic data ("Data"), only insofar as said Data covers Sections 3,4,5,6,7,8,9 and 10, T23S-R34E, together with (a) a single north-south line passing through the Rio Blanco Fed Com #1 in the NW/4 Section 4 and ending at a point 1 1/2 miles north of the Gaucho Unit #1 in the NE/4 Section 29, T22S-R34E and (b) a single east-west line passing through the Gaucho Unit #1 and extending two miles on either side of that well, for the purpose of allowing a data tie-in to the Devonian in that well, together with any synthetic seismograms within the data review area. Devon will make said Data available to Landreth, or his agent, on weekdays during normal business hours, subject to Landreth providing Devon forty-eight (48) hours prior written notice. Landreth's right to review said Data shall be limited to the extent that such review relates to operations contemplated under the terms of this Agreement. Landreth's right to review said Data shall terminate one (1) year from the date of this Agreement.

3. Same as Devon's draft

4. TEST WELL:

On or before May 1, 2003, Devon will commence or cause to be commenced re-entry and drilling operations on the Rio Blanco "4" Federal COM# 1 Well ("Test Well"), located 1,980' FNL and 1,980' FWL of Section 4, T23S-R34E, Lea County, New Mexico, and pursue such drilling operations with due diligence to a depth of 15,000' subsurface or a depth sufficient to adequately test the Devonian formation, whichever is the lesser depth ("Objective Depth"). The Parties agree that the spacing unit established for said Test Well will be the N/2 of Section 4, T23S-R34E. If during the re-entry or drilling of the Test Well, Devon shall encounter granite or any other practically impenetrable substance or encounter mechanical difficulties or if the hole is lost for any reason not reasonably within the control of Devon, Devon shall have the right to abandon the re-entry effort. Should Devon do so, the Parties shall immediately meet and agree upon a location for a new well at the most favorable geologic location, and Devon shall immediately 1) file an APD for such well, 2) contract for a competitively priced drilling rig to drill said well at the earliest possible date, and 3) submit an AFE for the drilling of said well. In the alternative, Devon may elect to terminate this agreement and its rights to re-enter/drill and earn hereunder. In the event that the Parties agree to a new well location, the interests earned by Devon from Landreth on the Minimum Interest and any Additional Interest, shall increase from 2/3rds to 3/4ths.

5. Same as Devon's draft

6. TEST WELL COST AND EXPENSE OBLIGATIONS

All of the costs, risks and expenses of drilling, testing, completing and equipping the Test Well which are attributable to the Minimum Interest and, if applicable, the Additional Interest shall be borne by Devon; provided, however, Devon's responsibility for the total of such costs attributable to Landreth's carried 1/3<sup>rd</sup> interest therein shall be limited to 125% of the total costs set forth in the Authority For Expenditure ("AFE") attached hereto as Exhibit "C" which are attributable to such carried 1/3<sup>rd</sup> interest. At the point in time when it appears that the original AFE will be overexpended by more than 25%, Devon shall submit a supplemental AFE, and Landreth shall have the opportunity to (a) go non-consent under the terms of the Joint Operating Agreement, or (b) begin paying what was previously the carried 1/3 working interest, on expenses in excess of 125% of the original AFE. If Landreth elects (b), he shall have another election to go non-consent when expenditures exceed 150% of the original AFE. All other costs, including without limitation costs of operation and production, shall be borne by the Parties as provided in the Operating Agreement.

7. AREA OF MUTUAL INTEREST

(a) In item (d), line 1, after the words "separate operating agreement," add the words "identical to the one attached hereto as Exhibit "B"".

ADDITIONAL PROVISIONS

(a) Under any scenario under this Agreement whereby Devon fails or elects not to a) commence the re-entry set out in paragraph 4 or b) commence a replacement well, as provided for in said paragraph, Devon agrees to either join in any re-entry or new well proposed by either Landreth, EGL Resources, Inc., or any assignee thereof or assign its interest in all of Section 4 to Landreth and EGL Resources, Inc. in the relative proportions of the interests of those two Parties in Section 4 as of the date of this Agreement.

(b) Devon agrees to make available to Landreth, on a current basis, all information gathered in the drilling of any well in Section 33, T22S-R34E, including, without limitation, daily drilling reports, regulatory filings, open hole logs including dip meter and mud log, testing information, etc.

(c) Devon agrees not to alter or amend the current gas gathering contract with Conoco covering any well or acreage in Section 4 in a way which would increase the transportation, gathering or other charges from the current contract, prior to the expiration date thereof, without Landreth's consent.

(d) Devon agrees to make prompt contract arrangements for the sale of gas from any well completed in Section 4, and to promptly connect any such well to pipeline.

(e) Prior to completion of any well for which it is operator, Devon shall submit a recommended completion procedure to Landreth. Recognizing that the Devonian is a water drive reservoir and that the oil/water contact is likely to be unknown, Devon agrees to grant Landreth reasonable input in the completion procedure and the manner and rate at which the well is produced. Since additional wells may be drilled in the same reservoir in which Landreth has no interest, Devon covenants and agrees to produce any well in Section 4 in a manner and at rates which will allow it to recover its/their fair share of reservoir reserves.

(f) Devon agrees that any well drilled in Section 33 must be at least 1,320' FSL of Section 33.

(g) In the event Devon fails to commence the re-entry operation by May 1, it will transfer or assign its approved APD and any other regulatory approvals for the re-entry operation to either Landreth or EGL Resources, Inc., immediately upon request.

(h) Some provision (to be negotiated) to cover the situation whereby the re-entry results in a marginal well or waters out and Section 4 is being drained by other wells in which Landreth has no interest. Would need to be able to propose and drill another location.