

**Brent Robertson**

**From:** Dave Thomas  
**Sent:** Friday, January 09, 2004 1:18 PM  
**To:** Brent Robertson; Pete Scherer; Cliff Drescher; Hal Lee; Aaron Close; Russ Mathis  
**Subject:** RE: Devon Energy Counter Offer

Sounds as if we need to watch them down and be prepared to build location if they have positive results.

David M. Thomas III  
 Exploration Manager, Southern Region  
 Tom Brown, Inc.  
 (432) 688-9452

-----Original Message-----

**From:** Brent Robertson  
**Sent:** Friday, January 09, 2004 11:23 AM  
**To:** Pete Scherer; Dave Thomas; Cliff Drescher; Hal Lee; Aaron Close; Russ Mathis  
**Subject:** Devon Energy Counter Offer

Please be advised that I have talked to Ken Gray with Devon regarding our proposal to structure a deal involving the Grandi Working Interest Unit (S/2 Sec. 15 and N/2 Sec. 22, T22S-R27E).

Ken advised that they would agree to a show and tell if we agree as follows:

1. To either participate in the WI Unit or farmout to the Working Interest Unit. What this means is if we elect to farmout to the Working Interest Unit, we would commit our acreage to the WI Unit and then farmout our 50% WI across the entire unit;
2. If we elect to participate, Devon would drill and operate the initial well which will be drilled on their lease;
3. TBI would drill and operate the subsequent well on our lease;
4. The Buffalo Valley acreage we are interested in farming in from Devon will not be included in the deal.

Devon has started building the location for the well to be drilled on their lease in Section 22 and the rig will be moving in to spud the well asap.

I indicated that we would likely not do this deal, but would pass it on to all involved and get back to them with a final decision.

Comments?

**Brent Robertson**  
**Tom Brown, Inc.**  
**P.O. Box 2608**  
**Midland, TX 79702**  
**Phone: 432-688-9640**  
**Fax: 432-688-9750**

OIL CONSERVATION DIVISION

CASE NUMBER

TBI EXHIBIT NUMBER /

**Brent Robertson**

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**From:** Brent Robertson  
**Sent:** Friday, January 09, 2004 11:23 AM  
**To:** Pete Scherer; Dave Thomas; Cliff Drescher; Hal Lee; Aaron Close; Russ Mathis  
**Subject:** Devon Energy Counter Offer

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I indicated that we would likely not do this deal, but would pass it on to all involved and get back to them with a final decision.

Comments?

**Brent Robertson**  
**Tom Brown, Inc.**  
**P.O. Box 2608**  
**Midland, TX 79702**  
**Phone: 432-688-9640**  
**Fax: 432-688-9750**

1/9/04: left message that we would take care of their rig problem, but we would have to operate & have Sec. 12 7/0 in Buffalo Valley.

**Brent Robertson**

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**From:** Brent Robertson  
**Sent:** Wednesday, January 07, 2004 4:52 PM  
**To:** Pete Scherer; Cliff Drescher; Dave Thomas; Hal Lee  
**Cc:** Lenny Wood; Aaron Close; Russ Mathis  
**Subject:** Devon Grandi WI Unit

I just talked to the Devon landman (Ken Gray) about our proposal for the Grandi WI Unit. I advised that we would like to have them show us their interpretation and that we would either join or farmout if they agreed to the show and tell. If we join, we would be designated as operator of the unit. In addition, we would require an option farmout of their acreage in Sec. 12, T16S-R27E (subject to verification of their interest in Sec. 12). I asked if the rig was contracted to drill the initial well and Ken advised that he believed it was. The rig is Nabors #347. So, the rig could be an issue. He advised that he would run this past his management and let us know what they think.

**Brent Robertson**  
**Tom Brown, Inc.**  
**P.O. Box 2608**  
**Midland, TX 79702**  
**Phone: 432-688-9640**  
**Fax: 432-688-9750**

~~1/8/04: Talked to Ken. He advised they would~~  
~~1. Agree to show & tell if we;~~  
~~2. Agree to either Ho~~



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

September 29, 2003

Tom Brown, Inc.  
508 West Wall, Suite 500  
Midland, Texas 79702  
Attention: Brent Robertson

Re: Grandi #1  
Option Farmout Request  
S/2 Section 15-T22S-R27E  
Eddy County, New Mexico

Dear Brent:

I am in receipt of your letter dated September 22, 2003 declining to enter into a working interest unit and participate in the Grandi #1 to be located in the N/2 of Section 22-T22S-R27E. In accordance with our recent telephone conversation, Devon still intends to drill the Grandi #1 in the near future and hereby requests that Tom Brown, Inc. support the drilling of the Grandi #1 by granting Devon an option farmout agreement under the following general terms:

1. On or before March 1, 2004 Devon shall commence the drilling of the Grandi #1, an approximate 12,000' Morrow test well, at a legal location in the N/2 of Section 22-T22S-R27E, Eddy County, New Mexico.
2. Within one hundred eighty (180) days from completion of the Grandi #1 as a dryhole or as a well capable of producing in commercial quantities, Devon shall have the option, but not the obligation, to commence the drilling of a similar Morrow test well ("Option Well") at a location of Devon's choice in the S/2 of Section 15-T22S-R27E.
3. Upon completion of the Option Well as a well capable of producing in commercial quantities, Devon shall earn an assignment of all of Tom Brown's leasehold interest and/or operating rights limited in depth from the surface to 100' below the total depth drilled in the Option Well and further limited to the drilling and spacing unit for the Option Well.
4. Tom Brown shall reserve in such assignment an overriding royalty interest on all production attributable to the Option Well equal to the difference between existing lease burdens and twenty five percent (25%) with the option to convert such overriding royalty interest to a proportionately reduced twenty five percent (25%) working interest after payout of the Option Well.

Tom Brown, Inc.  
September 29, 2003  
Page Two

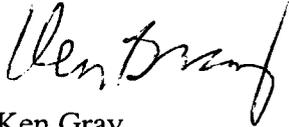
5. Tom Brown shall receive all well information relating to the Option Well as customarily obtained during the drilling, testing and completion of the Option Well.
6. Devon and Tom Brown shall enter into a formal option farmout agreement which shall be superior in all respects to the general terms set forth in this letter agreement.

If the above general terms meet with your approval, please so indicate by signing and returning one copy of this letter to the undersigned at your earliest convenience. Devon looks forward to your response 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/granditombrownltr.doc  
Enclosure

Agree to and Accept the above this \_\_\_\_\_ day of \_\_\_\_\_, 2003.

Tom Brown, Inc.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_



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

September 29, 2003

Tom Brown, Inc.  
508 West Wall, Suite 500  
Midland, Texas 79702  
Attention: Brent Robertson

Re: Grandi #1  
Option Farmout Request  
S/2 Section 15-T22S-R27E  
Eddy County, New Mexico

Dear Brent:

I am in receipt of your letter dated September 22, 2003 declining to enter into a working interest unit and participate in the Grandi #1 to be located in the N/2 of Section 22-T22S-R27E. In accordance with our recent telephone conversation, Devon still intends to drill the Grandi #1 in the near future and hereby requests that Tom Brown, Inc. support the drilling of the Grandi #1 by granting Devon an option farmout agreement under the following general terms:

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2. Within one hundred eighty (180) days from completion of the Grandi #1 as a dryhole or as a well capable of producing in commercial quantities, Devon shall have the option, but not the obligation, to commence the drilling of a similar Morrow test well ("Option Well") at a location of Devon's choice in the S/2 of Section 15-T22S-R27E.
3. Upon completion of the Option Well as a well capable of producing in commercial quantities, Devon shall earn an assignment of all of Tom Brown's leasehold interest and/or operating rights limited in depth from the surface to 100' below the total depth drilled in the Option Well and further limited to the drilling and spacing unit for the Option Well.
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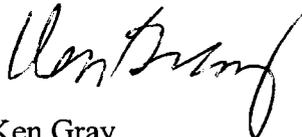
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Yours very truly,

DEVON ENERGY PRODUCTION COMPANY, L.P.



Ken Gray  
Senior Land Advisor

:kg/granditombrownltr.doc  
Enclosure

Agree to and Accept the above this \_\_\_\_\_ day of \_\_\_\_\_, 2003.

Tom Brown, Inc.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Brent Robertson**

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**From:** Brent Robertson  
**Sent:** Tuesday, September 30, 2003 1:14 PM  
**To:** Lenny Wood  
**Cc:** Cliff Drescher  
**Subject:** Devon Energy Request for Option Farmout

Please be advised that I have received a request for an option farmout agreement from Devon covering our acreage in the S/2 of Section 15, T22S-R27E, Eddy County, NM. As you may recall, Devon originally had proposed a working interest unit covering the S/2 of Section 15 and the N/2 of Section 22 which we declined.

The basic terms proposed by Devon are as follows:

1. On or before March 1, 2004, Devon is to commence the drilling of their Grandi #1 (12,000' Morrow test) in the N/2 of Section 22;
2. Within 180 days from the completion of the Grandi #1 well as a dry hole or commercial producer, Devon would have the option to commence the drilling of a similar Morrow test well (option well) on our acreage (S/2 Sec. 15);
3. Upon completion of the option well as a commercial producer, Devon would earn an assignment of our acreage limited to depths from the surface to 100' below TD of the option well and further limited to the spacing unit for the option well;
4. TBI would retain an ORRI equal to the difference between burdens and 25% with the option to convert the retained ORRI to a 25% WI APO;
5. TBI would receive all customary well data relative to the option well.

Let's discuss at your convenience.

Thanks,

**Brent Robertson**  
**Tom Brown, Inc.**  
**P.O. Box 2608**  
**Midland, TX 79702**  
**Phone: 432-688-9640**  
**Fax: 432-688-9750**

# devon

---

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

FAX

To: BRENT ROBERTSON

From: KEN GAY

Fax: 432-687-1901

Date: 9/29/03

Phone:

Pages: 2 (including cover page)

Re:

CC:

Urgent

For Review

Please Comment

Please Reply

Please Recycle

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• Comments:



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

September 29, 2003

Tom Brown, Inc.  
508 West Wall, Suite 500  
Midland, Texas 79702  
Attention: Brent Robertson

Re: Grandi #1  
Option Farmout Request  
S/2 Section 15-T22S-R27E  
Eddy County, New Mexico

Dear Brent:

I am in receipt of your letter dated September 22, 2003 declining to enter into a working interest unit and participate in the Grandi #1 to be located in the N/2 of Section 22-T22S-R27E. In accordance with our recent telephone conversation, Devon still intends to drill the Grandi #1 in the near future and hereby requests that Tom Brown, Inc. support the drilling of the Grandi #1 by granting Devon an option farmout agreement under the following general terms:

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2. Within one hundred eighty (180) days from completion of the Grandi #1 as a dryhole or as a well capable of producing in commercial quantities, Devon shall have the option, but not the obligation, to commence the drilling of a similar Morrow test well ("Option Well") at a location of Devon's choice in the S/2 of Section 15-T22S-R27E.
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Tom Brown, Inc.  
September 29, 2003  
Page Two

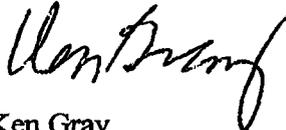
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If the above general terms meet with your approval, please so indicate by signing and returning one copy of this letter to the undersigned at your earliest convenience. Devon looks forward to your response at the earliest possible time.

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/granditombrownltr.doc  
Enclosure

Agree to and Accept the above this \_\_\_\_\_ day of \_\_\_\_\_, 2003.

Tom Brown, Inc.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**TOM BROWN, INC.**

Land Department  
Southern Region

September 22, 2003

Devon Energy Production Company, L.P.  
20 North Broadway  
Oklahoma City, OK 73102-8260  
Attention: Ken Gray

**Re: Grandi #1  
Proposed Working Interest Unit  
N/2 Section 22 & S/2 Section 15, T22S-R27E  
Eddy County, New Mexico**

Dear Ken:

With reference to your letter of July 31, 2003 pertaining to the above captioned subject, please be advised that we will decline to enter into a working interest unit at this time.

If you have any questions, please advise.

Sincerely,



Brent Robertson  
Senior Landman

Br/  
Cc: Lenny Wood

**Brent Robertson**

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**From:** Brent Robertson  
**Sent:** Wednesday, September 17, 2003 4:50 PM  
**To:** Cliff Drescher; Lenny Wood; Russ Mathis  
**Subject:** Proposal from Devon to form a WI Unit

I think I may have brought this up before, but I can't recall if we ever truly addressed it. Anyway, Devon is proposing that we form a WI unit consisting of the N/2 Sec. 22 and the S/2 Sec. 15, T22S-R27E, Eddy County, NM.

Devon is planning to drill a Morrow test in the NW/4 of Sec. 22 to ~12,000'.

Per the information we have, TBI owns 100% WI as to all depths in the SE/4 of Sec. 15 and 100% WI as to depths below 10,710' in the SW/4 of Sec. 15.

Devon represents that they have an 84.375% WI in the N/2 of Sec. 22 below the base of the Wolfcamp in addition to certain shallow rights.

Please review and advise if this is something we want to consider.

Thanks,

**Brent Robertson**  
**Tom Brown, Inc.**  
**P.O. Box 2608**  
**Midland, TX 79702**  
**Phone: 432-688-9640**  
**Fax: 432-688-9750**

devon

Brent Robertson  
RECEIVED AUG 04 2003

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

July 31, 2003

Matador Petroleum Corporation  
8340 Meadow Road, Suite 150  
Dallas, Texas 75231-3751  
Attn: Brent Robertson

Re: Grandi #1  
Working Interest Unit  
N/2 Section 22 & S/2 Section 15  
T-22S-R27E  
Eddy County, New Mexico

Dear Brent:

In accordance with our prior discussions, Devon Energy Production Company, L.P. ("Devon") would be interested in forming a 640 acre Working Interest Unit with Matador Petroleum Corporation ("Matador") covering the referenced lands under mutually acceptable terms for the purpose of drilling an approximate 12,000' Morrow test to be operated by Devon at a legal location in the NW/4 of Section 22.

Our records reflect that Matador owns 100% working interest below 10,710' in the SW/4 and 100% working interest as to all depths in the SE/4 of Section 15. In addition to certain shallow rights, Devon owns 84.375% working interest in the N/2 of Section 22 below the base of the Wolfcamp formation.

Devon is currently examining title in Section 22 and will be in a position to permit and drill the Grandi #1 in the very near future. In the event that Matador is interested in the formation of a Working Interest Unit, please advise at your earliest convenience.

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