



PATRICK H. LYONS
COMMISSIONER

2006 MAR 14 PM 12:00
State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760

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www.nmstatelands.org

March 9, 2006

Holland & Hart
P. O. Box 2208
Santa Fe, NM 87504-2208

Attn: Ms. Ocean Munds-Dry

Re: Final Approval
Custer Mountain North Exploratory Unit
Lea County, New Mexico

Dear Ms. Munds-Dry:

Thank you for your letter of March 7, 2006 requesting final approval of Devon Energy Production Co.'s Custer Mountain North Exploratory Unit Agreement, Lea County, New Mexico. Enclosed with your letter of March 7, 2006 is an updated schedule of Exhibit "B" with revised tract numbers.

It is our understanding that all tracts are fully committed to the unit agreement except for the following:
Tracts 1, 2 and 8.

The Commissioner of Public Lands has this date granted final approval to the Custer Mountain North Exploratory Unit Agreement. Our approval is subject to like approval by the Bureau of Land Management.

Enclosed are five (5) Certificates of Approval.

Your \$150.00 filing fee has been received.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY:

JAMI BAILEY

Oil, Gas & Minerals Division

(505) 827-5744

PL/JB/pm

pc: Reader File,
BLM-Attn: Mr. John Simitz
OCD-Santa Fe, Attn: Mr. Roy Johnson
TRD-Attn: Mr. Valdean Severson
RMD-Attn: Ms. Linda Vieira
Mr. William F. Carr

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University

UNIT NAME: CUSTER MOUNTAIN NORTH EXPLORATORY UNIT
OPERATOR: DEVON ENERGY PRODUCTION CORPORATION
COUNTY: LEA

| DATE APPROVED | OCC CASE NO. OCC ORDER NO. | TOTAL ACREAGE | STATE | FEDERAL | INDIAN FEE | SEGREGATION CLAUSE | TERM |
|-------------------------|-------------------------------------|------------------|----------------------|---------|---------------|-----------------------|-----------------------|
| EFFECTIVE 03/09/2006 | CASE NO. 13501 ORDER NO. R-12374 | 2120.32 | 2120.32 Committed | 0 | 0 | STRICT | 5 YEARS SO LONG AS |

APPROVALS

SLO--3-09-2006
OCD--6-24-2005

TOWNSHIP 22 SOUTH, RANGE 35 EAST

SECTION 33: S/2

TOWNSHIP 23 SOUTH, RANGE 35 EAST

SECTION 4: Lots 1, S/2N/2, S/2
SECTION 9: ALL
SECTION 21: ALL

EXHIBIT "A"

To Custer Mountain North Federal/State Unit
Contract No. NM _____
Township 22 South, Range 35 East and
Township 23 South, Range 35 East, Lea County, NM
Operated by Devon Energy Production Co., L.P.

| | | |
|-------------------------------------|---------------------------------|----|
| Tract 9 VO-6399 9/30/2006 | | 33 |
| Tract 1 NMNM 108047 2/29/2012 | NC | 4 |
| Tract 5 VO-6366 8/31/2006 | | |
| Tract 7 VO-6368 8/31/2006 | Tract 6 VO-6367 8/31/2006 | 9 |
| Tract 8 VO-6369-3 8/31/2006 | | 16 |
| NC | | |
| Tract 2 B0-1040-1 HBP | | NC |
| Tract 3 VO-6334 7/31/2006 | | 21 |
| Tract 4 VO-6317 7/31/2006 | | |

Exhibit "B"

Custer Mountain North Federal/State Unit

| Tract No. | Description of Land | No. of Acres | Serial No. and Expiration Date of Lease | Basic Royalty and Ownership Percentages | Lessee of Record | Committed Working Interest and Percentage | Uncommitted Working Interest and Percentage |
|-------------------------|--------------------------------|-----------------|---|---|---|---|---|
| 1 | Section 4: Lots 2, 3, 4 | 120.96 | NMNM 108047 | 12.50% | Daniel Gonzales | | Robert E. Landreth - 100% |
| 2 | Section 16: E/2SE/4 | 80.00 | B0-1040-001 HBP | 12.50% | Amerada Hess Corp. | Amerada Hess Corp - 50% | OXY WPT - 6.29% Kerr McGee - 12.57% |
| 3 | Section 21: N/2 | 320.00 | VO-6334 | 16.67% | Devon Energy Production Company, L.P. | Devon Energy Production Company, L.P. - 87.5% | |
| 4 | Section 21: S/2 | 320.00 | VO-6317 | 16.67% | Devon Energy Production Company, L.P. | Devon Energy Production Company, L.P. - 87.5% | |
| 5 | Section 4: Lot 1, S/2N/2, S/2 | 520.32 | VO-6366 | 16.67% | Devon Energy Production Company, L.P. | Devon Energy Production Company, L.P. - 87.5% | |
| 6 | Section 9: E/2 | 320.00 | VO-6367 | 16.67% | Devon Energy Production Company, L.P. | Devon Energy Production Company, L.P. - 87.5% | |
| 7 | Section 9: W/2 | 320.00 | VO-6368 | 16.67% | Devon Energy Production Company, L.P. | Devon Energy Production Company, L.P. - 87.5% | |
| 8 | Section 16: N/2, SW/4, W/2SE/4 | 560.00 | VO-6369-003 | 16.67% | Yates Petroleum Corp - 50% Magnum Hunter - 50% | Yates Petroleum Corp - 50% | Magnum Hunter Prod., Inc - 50% |
| 9 | Section 33: S/2 (T2S-R3SE) | 320.00 | VO-6399 | 16.67% | Devon Energy Production Company, L.P. | Devon Energy Production Company, L.P. - 87.5% | |
| Total - 9 Tracts | | 2680.32 | Acres in Unit | | | | |
| | Federal Acres | 120.960 | 4.198% | | Committed Acreage | 2465.232 ac. | |
| | State Acres | 2760.320 | 95.802% | | Uncommitted Acreage | 416.048 ac. | |
| | Total Unit Acres | 2881.280 | 100.000% | | | 2881.280 ac. | |