



Brett Hudson
Landman

Devon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260
(405) 228-8589
(405) 552-8113 FAX

June 26, 2007

Don Shackelford
Shackelford Oil Company
P O Box 10665
Midland TX 79702-0665

FAX No. 432-684-5026

RE: Revised Well Proposal - Arenoso 22 Federal Com 2
Surface: 1980' FSL & 990' FEL
Bottomhole: 1980' FSL & 1650' FEL
Section 22-T19S-R31E, Eddy County, New Mexico

Dear Mr. Shackelford:

Devon Energy Production Company, L.P. ("Devon") hereby proposes to drill and complete the Arenoso 22 Federal Com 2, a 12,800' Morrow test, at a legal location in the E/2 Section 22-T19S-R31E, Eddy County, New Mexico. This proposal is being resent due to the change in costs as noted in the enclosed AFE.

Enclosed, in duplicate, for your review is the Authority for Expenditure (AFE No. 133021) which has been revised to reflect the amount of \$3,308,586 for this project. Please advise Devon, within thirty (30) days of receipt hereof, of your election by placing a mark in the appropriate space provided below and return a copy of this letter to my attention at the address above or by fax to (405) 552-8113. If you elect to participate, a fully executed copy of the AFE should also be returned. It is imperative that you provide your e-mail address and fax number below in order to receive well information in a timely manner.

In the alternative to participating, Devon would consider possibly purchasing or obtaining a farmout of your interest for reasonable terms.

Should you have any questions or concerns, please feel free to contact me at (405) 228-8589.

Sincerely,

DEVON ENERGY PRODUCTION COMPANY, L. P.

Brett Hudson

Landman

zkr

Oil Conservation Division

Case No. _____

Exhibit No. 2

_____ I/We hereby **elect to participate** in the drilling of the Arenoso 22 Federal Com 2 well.

_____ I/We hereby **elect not participate** in the drilling of the Arenoso 22 Federal Com 2 well.

SHACKLEFORD OIL COMPANY

By: _____

Date: _____

E-Mail Address: _____

Fax No. 432-684-5026



Brett Hudson
Landman

Devon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8260
(405) 228-8589
(405) 552-8113 FAX

July 3, 2007

Don Shackelford
Shackelford Oil Company
P. O. Box 10665
Midland, Texas 79702-0665

FAX No. 432-684-5026

RE: Farmout Request
E/2 Section 22-T19S-R31E, Eddy County, New Mexico

Dear Mr. Shackelford:

Devon Energy Production Company, L. P. ("Devon") respectfully requests a farmout of Shackelford Oil Company's ("Farmor") interest in the referenced lands under Federal Oil and Gas Lease NMNM-44594 under the following terms:

1. On or before December 1, 2007, Devon shall commence the drilling of the Initial Well, an approximate 12,800' Morrow test well at a legal location in the SE/4 of Section 22-T19S-R31E, Eddy County, New Mexico.
2. Upon completion of the Initial Well as a well capable of producing oil and/or gas in commercial quantities, Devon shall earn an assignment of all of Farmor's leasehold interest, contractual rights and/or operating rights limited in depth from the surface to 100' below the total depth drilled in the Initial Well and further limited to the drilling and spacing unit for the Initial Well, save and except any currently producing wells in the designated spacing unit.
3. Farmor shall reserve in such assignment an overriding royalty interest on all production attributable to the Initial Well equal to the difference between existing lease burdens and 20%, proportionately reduced. Upon payout of the Initial Well, Farmor shall have the option to convert its reserved overriding royalty interest to a proportionately reduced 20% working interest.
4. Farmor shall receive all well information relating to the Initial Well as customarily obtained during the drilling, testing and completion of the Initial Well.
5. Devon and Farmor shall enter into a formal farmout agreement which shall be superior in all respects to the general terms set forth in this letter agreement.

If the above terms meet with your approval, please indicate by signing and returning a copy of this letter by Monday, July 16, 2007. Should you have any questions or concerns, please feel free to contact me at (405) 228-8589.

Sincerely,

DEVON ENERGY PRODUCTION COMPANY, L. P.

Brett Hudson

Landman

AGREED AND ACCEPTED THIS _____ DAY OF _____, 2007

SHACKLEFORD OIL COMPANY

By: _____

Shackelford Oil Company

3510 N. A Street, Bldg. B Ste. 100
Midland, Texas 79705

Phone (432) 682-9784
Fax (432) 684-5026

July 10, 2007

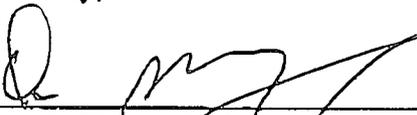
Devon Energy
Attn: Brett Hudson
20 North Broadway, Ste. 1500
Oklahoma City, OK. 73102-1260

Dear Brett,

Shackelford Oil Company proposes the following:

1. Shackelford assigns Devon all of its rights, title, and interest in the E/2 Sec. 22, T-19S, R-31E
2. Devon assigns Shackelford all of its right, title, and interest in Sec. 19, T-19S, R-31E including the Hackberry 19 #1.
3. Shackelford Oil Company will pay \$175,000.00 for the Hackberry 19 #1 and an additional \$40,000.00 for the remaining acreage.
4. Shackelford Oil Company to be named Operator for the Hackberry 19 #1, and any well proposed on the aforementioned land.

Sincerely,



Don G. Shackelford

Hudson, Brett

From: Hudson, Brett
Sent: Wednesday, July 11, 2007 4:08 PM
To: 'dg-shack@swbell.net'
Cc: Oneal, Art
Subject: Proposal on the Hackberry 19 #1

Don:

On your proposal that you sent us you use the language "Shackelford Oil Company will pay \$175,000 for the Hackberry 19 #1 and an additional \$40,000 for the remaining acreage." Does this mean you will pay that amount for Devon's interest in the well and lease or this based on 100% WI?

Also if you have other deals that may interest you such as the Laguna Deep #9 if you could try and send them all at one time so that our teams can evaluate them and respond to you in a timely manner. Hope we can find something that works between our two companies.

Thanks,

Brett A. Hudson
Devon Energy Production Company, L.P.
Petroleum Landman
Western Division
Office: 405.228.8589
Cell: 405.204.3144
20 North Broadway
Oklahoma City, Oklahoma 73102



Devon Energy Corporation
20 North Broadway
Oklahoma City, Oklahoma 73102-8250
(405) 228-8589
(405) 552-8113 FAX

Brett Hudson
Landman

July 12, 2007

Don Shackelford
Shackelford Oil Company
3510 N. "A" Street, Building B Suite 100
Midland, Texas 79705

RE: Hackberry 19 # 1
Section 19-T19S-R31E
Eddy County, New Mexico

Gentlemen:

Pursuant to your letter dated July 10, 2007, wherein Shackelford Oil Company ("Shackelford") proposes to trade all of its right, title and interest in the E/2 of Section 22-T19S-R31E, Eddy County, New Mexico to Devon Energy Production Company, L. P. ("Devon") in exchange for Devon selling to Shackelford the Hackberry 19 # 1 and all of Devon's leasehold in Section 19-T19S-R31E, please be advised that Devon is not interested in doing this trade.

We thank you for considering us with your offer and look forward to any submittal you may have in the future. Should you have any questions or concerns, please feel free to contact the undersigned at (405) 228-8589.

Sincerely,

DEVON ENERGY PRODUCTION COMPANY, L. P.

Brett Hudson
Landman

Hudson, Brett

From: Hudson, Brett
Sent: Wednesday, July 25, 2007 2:10 PM
To: Davis, Harold; Oneal, Art; Ortiz, Marcos
Subject: FW: Shackelford proposal

Attachments: 2419287403-proposal.pdf; 1357880375-prod map.pdf; 3288554204-frac map.pdf; 750318623-x-section.pdf; 1727434518-new well log.pdf; 124370065-ldu9 log.pdf



proposal.pdf (178 KB)



prod map.pdf (239 KB)



frac map.pdf (254 KB)



x-section.pdf (313 KB)



new well log.pdf (357 KB)



ldu9 log.pdf (303 KB)

This is Shackelford's proposal to Devon to trade interest for there 25% interest in the E/2 of 22-19S-31E, Eddy County, New Mexico AKA the Arenoso 22 #2.

Please review and lets meet as team to see to get our final recommendation ready.

Thanks,

Brett

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

From: bob shackelford [mailto:shackbls@yahoo.com]
Sent: Wednesday, July 25, 2007 2:05 PM
To: Hudson, Brett
Subject: Shackelford proposal

Brett,

Attached is the proposed trade and maps, logs and x-section which we discussed on the phone. If you have any questions give Don or I a call at 432-682-9784.

Thanks,

Bob Shackelford

Pinpoint customers who are looking for what you sell.
<http://searchmarketing.yahoo.com/>

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

From: Hudson, Brett
Sent: Tuesday, August 07, 2007 10:50 AM
To: 'bob shackelford'
Subject: RE: Laguna deep and Arenoso

Working on getting it right now

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

From: bob shackelford [mailto:shackbls@yahoo.com]
Sent: Tuesday, August 07, 2007 10:47 AM
To: Hudson, Brett
Subject: Laguna deep and Arenoso

Brett,

Thanks for the information, it will help us makes some decisions. Did anybody happen to mention what the Laguna Deep #5 is producing right now. Also, I will talk to Don today and try to get back to you on the Arenoso acreage.

Thanks,
Bob Shackelford

Ready for the edge of your seat?
Check out tonight's top picks on Yahoo! TV.
<http://tv.yahoo.com/>

Hudson, Brett

Subject: Shackelford oil
Location: CT 03.050

Start: Thu 8/16/2007 1:00 PM
End: Thu 8/16/2007 2:00 PM
Show Time As: Tentative

Recurrence: (none)

Meeting Status: Not yet responded

Required Attendees: Hudson, Brett; Lundeen, Chuck; Carson, Clayton; Davis, Harold; Oneal, Art; Ortiz, Marcos; Greenlees, Bill; Olson, Kevin

This is just to let everyone know that the meeting with Shackelford will begin at 1 not 12:45 as was scheduled earlier.

Hudson, Brett

From: Don Shackelford [dg-shack@swbell.net]
Sent: Monday, September 17, 2007 2:54 PM
To: Hudson, Brett
Subject: Proposed trade for e/2 of sec 22 T19S R31E Eddy County

Shackelford Oil Co. proposes the following for our 25% working interest in the E/2 of Sec 22:

1. We deliver a net 78% interest retaining an ORRI between existing burdens and 78%.
2. Devon pays us \$100,000.
3. Shackelford retains its 25% interest from the Bone Springs to the surface in all but the 40 acre unit around the Arenosa #2. Devon to assign Shackelford an additional 15% interest from the Bone Springs to the surface.
4. Shackelford to have access to all information on the Arenosa #2 as if they were an interest owner in that well including but not limited to drilling reports, logs ,mudlogs, and cores and access to the rig floor during drilling.

Don Shackelford

9/19/2007

Shackelford Oil Contact Times

(432) 553-1331

Called on July 10th - Tuesday Talked about farmout terms Devon offered.

Called on July 2nd to discuss potential farmout

Called in June to discuss the reproposal and follow up on the potential purchase of a term assignment

Received from Don Shackelford his proposed trade on ~~19~~ for his interest in Sec. 22, T. 19S, R. 31E, Eddy County on July 10, 2007.

July 11th Spoke to Don Shackelford about his proposal to purchase Hackberry 19 #1.

July 11th Sent Don Shackelford production info. on the Laguna Deep #9 so he can make a counter offer to purchase this well.

July 16th Spoke to Don Shackelford about potential trade of some of Devon's interest in Laguna Deep Area for Shackelford's 25% interest in Section 22-19S-31E, Eddy County.

Don Shackelford came to office to visit ~~in~~ in August