Robert E. Landreth
OIL AND GAS EXPLORATION

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December 11, 2002

VIA FACSIMILE: 405-552-8113
Devon Energy Corporation
20 Broadway
Oklahoma City, OK 73101-8260
Attn: Mr. Richard Winchester

Re: Rio Blanco Devonian Prospect
Lea County, NM

Dear Richard,

I understand that Devon has had conversations with EGL Resources in the past few days concerning the captioned project, and that the following views have been expressed:

1) Devon has a strong preference in operating this prospect in lieu of EGL Resources.

2) Devon's plan is to re-enter the Rio Blanco Fed Com #1 well, cut a window in the 7" casing, and deepen the well to the Devonian.

3) Devon may be willing to offer better farmout terms in the way of a carried working interest than were offered in your letter to me dated December 3.

4) EGL apparently plans to join with its full 25% interest, although they may be willing to farmout a small percentage depending on the trade.

It appears that as this deal has evolved in the past two weeks, everyone wants to maximize their participation. Based on an AFE in the range of $900,000, the upside potential, and NYMEX natural gas futures prices, it is easy to see why.

Summarized below is the way I would like to see this project proceed:

1) Preparation of an AFE by Devon for the proposed re-entry and the required surface facilities.

2) Devon's best offer in the way of a carried working interest.

3) Devon's proposed Joint Operating Agreement, with provisions similar to what we negotiated on the O.W. State #1, including:
   a) Initial overhead charge of $500 per month, with a cap of $700 per month.

   b) Devon's agreement to market my share of gas production, at my option, with no future time limitation.

4) Devon will immediately assign me 1/3 interest in the Assignment which it acquired from First Roswell Corporation in the S/2 NW/4 Section 4.

5) No formal well proposal, nor APD shall be sent to the partners or the BLM, respectively, until all terms of trade have been agreed to. Once agreed to, and assuming all working interest owners have agreed to participate or farmout, Devon agrees to spud the re-entry operation by February 1, 2003.

6) Both myself and EGL would like to see McVay Drilling Company of Hobbs, New Mexico strongly considered to do the re-entry operation.

7) As soon as possible, I would like to be advised as to what gas marketing arrangements Devon plans for this well. If we connect to a main line using the existing short gathering line installed by LG&E for this well, will we still receive the same favorable 6¢ per MCF gathering charge that applied to the Morrow completion?

8) Devon agrees to make available the 3D seismic data which it has covering both this prospect and Bootleg Ridge East prospect centered in Section 23, T22S, R33E, which I discussed in my letter to you dated October 18, 2002.

After reviewing EGL's AFE for this operation, I had made the decision to join for 2/3rds of my 62.5% WI, represented by my leasehold position in the N/2 NW/4, NE/4, and SW/4, and to make available for farmout my 25% WI position represented by the SE/4 Section 4, plus the additional 2.0833% WI represented by the First Roswell Corporation interest. I will make a final determination after reviewing Devon's AFE, deepening procedure, and proposed carried interest to casing point.

One final matter: I would like to discuss, with the appropriate person, Devon's current gas marketing arrangement for wells in the Gaucho Unit area and the O.W. State #1 in which I own an interest. My question concerns the price we receive for gas on these wells.

Sincerely,

Bob Landreth

Robert E. Landreth

REL/tk
Hard Copy Mailed
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