



*Robert E. Landreth*  
OIL AND GAS EXPLORATION

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December 20, 2002

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

Re: Rio Blanco Devonian Prospect  
Lea County, NM

Dear Richard:

With respect to your most recent farmout proposal dated December 17: I am willing to accept the farmout terms which you have offered on a portion of my working interest, provided we can work out some other details.

After receiving Devon's AFE for the proposed re-entry operation, I met with EGL Resources to discuss the specifics of how the re-entry operation should be conducted. This is not your basic every day operation, and how this well is drilled and completed is of critical importance to us. I talked with Bill Greenlees at length on Wednesday afternoon about several aspects of the proposed re-entry operation, and have relayed his thoughts to the EGL personnel. I realize that Bill is now out of town until after the first of the year, but we would like to arrange a conference call with Bill Dougherty as soon as possible to review these matters.

With respect to the specifics of your offer:

- 1) It is my understanding that EGL is now contemplating joining for 15% working interest and farming out 10% under the terms of your latest offer.
- 2) I am agreeable to farming out at least 45% working interest on the terms which you offered in your December 17 letter, reserving the right to join for up to 17.5% working interest after reviewing the seismic. Your letter did not address my request that the Bootleg Ridge East area (T-22-S, R-33) be included in the seismic review.
- 3) Actual drilling operations must be commenced not later than April 1, 2003, failing which, our trade will expire and Devon will assign its leasehold interest to EGL and myself, subject only to current burdens, as well as any ownership in the Rio Blanco Fed Com #1 wellbore.

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

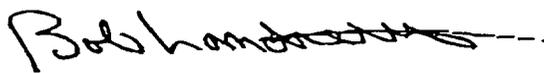
- 4) With respect to the Operating Agreement for this prospect, after discussion with EGL's people, we either want a cap on overhead rates at \$7,000 and \$700.00 per month, or the COPAS Accounting section shall provide that all salaries and wages shall be included in overhead rates.
- 5) We would like to see Devon immediately contact McVay Drilling Company to see if we can get a rig from them to do this project, hopefully within 60 days. EGL had already had lengthy discussions with McVay about doing this project.

Another subject which probably needs to be discussed is how farm-ins of adjoining tracts will be negotiated and shared, if one or more parties decides to pursue the drilling of additional wells. EGL brought this matter up in our meeting.

I have had a partial discussion with Al Ledbetter on the gas marketing arrangements. I detected some resistance in Devon's granting EGL and myself the option to market our gas through Devon for a period longer than one year. I cannot see us wavering in that requirement.

Richard, it appears that Devon and myself are going to be involved in negotiations on several prospects in the next year in Lea County, New Mexico. I want to have amicable negotiations in these various areas, but I have to tell you that as a relatively small independent, companies such as myself and EGL are concerned by what we see in Devon's Revenue Accounting and Joint Interest Billings Department on properties in which we are currently involved with Devon. It seems there is no end to mistakes which are requiring a lot of time on our part to correct, and we go for months not being able to get anyone at Devon to respond to our legitimate questions regarding discrepancies. I was particularly annoyed this month after Devon deducted operating costs which we have disputed in writing and by telephone out of our proceeds of production. I certainly do not look forward to a continuation of this on future projects. Do you have any suggestions on how to address this situation? On the positive side, Bill Greenlees and others in your technical group have been very cordial and open to input.

Sincerely,



Robert E. Landreth

REL/tk

XC: EGL Resources  
 Wes Perry  
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