



Jim Ball  
Land Advisor

Devon Energy Corporation  
20 North Broadway  
Oklahoma City, Oklahoma 73102-8260  
(405) 552-3384  
(405) 552-8113 FAX

July 22, 2010

**VIA FASCIMILE**  
**AND CERTIFIED MAIL**

Samedan Royalty Corporation  
100 Glenborough Drive, Suite 100  
Houston, TX 77067

Attn: Mr. Charlie Hill  
Land Manager of Mineral Management Department

RE: Horizontal Mississippian Limestone Well Proposal  
Open Range 34 Fee 1H  
Well Unit: N/2 of Section 34  
Township 11 South, Range 29 East  
Chaves County, New Mexico

Dear Mr. Hill:

Devon Energy Production Company, L.P. ("Devon") hereby proposes the drilling of the Open Range 34 Fee 1H to a measured depth of 12,750' to test the Mississippian Limestone formation and any other potentially productive zones. The surface location is located at 670' FNL & 670' FWL with a bottom hole location of 670' FNL & 670' FEL of Section 34, T11S, R29E. The well unit will encompass the N/2 of Section 34. Enclosed for your review are two (2) copies of Devon's Authority for Expenditure ("AFE") reflecting a cost estimate of \$3,145,000.00 for a completed well and a copy of Form C-102.

Should you desire to participate in the drilling of the Open Range 34 Fee 1H well, please return one fully executed AFE, as well as one fully executed copy of this letter to the undersigned at your earliest possible convenience. Also, it is imperative that you provide your e-mail address and fax number below in order to receive well information in a timely manner. Devon will mail you the Joint Operating Agreement covering the well unit provided you elect to participate in the well.

Participants in the well should expect a long delay in the gas pipeline infrastructure construction, even as long as a year or more in the event the completion is successful.

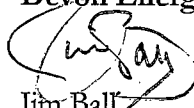
14537

In the event you do not wish to participate, Devon offers the following option:

Lease your mineral interest on an approximate 15 month Oil and Gas Lease with primary Term ending October 1, 2011, to Devon in a 12 section block which would include the proposed well unit. The 12 section block shall not necessarily be contiguous but will be identified and negotiated between Devon and the mineral owner prior to the execution of the lease. The lease would deliver to Devon a 78% net revenue interest proportionately reduced. Devon will pay a lease bonus of \$100.00 per net mineral acre within the 12 sections well units. The lease would provide a 180 day continuous development with a banked time provision. After expiration of the primary term Devon shall retain rights held within the producing well or wells well units, or wells capable of producing in paying quantities oil and/or gas as to all rights from the surface to 100 feet below the stratigraphic equivalent of the base of the formation found at the deepest depth from which the well was drilled under the lease.

Should you have any technical questions please contact Steven Jones at (405) 552-7994 or non-technical questions please contact the undersigned at (405) 552-3384.

Very truly yours,  
**Devon Energy Production Company, L.P.**

  
Jim Ball  
Land Advisor

\_\_\_\_ I/We hereby elect to participate in the drilling of the Open Range 34 Fee 1H well.

\_\_\_\_ I/We hereby elect NOT to participate in the drilling of the Open Range 34 Fee 1H well.

Company: \_\_\_\_\_

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

Date: \_\_\_\_\_ E-mail: \_\_\_\_\_

cc: Obedia Ramsey fax (281) 874-6753

kr:\OpenRange34.Samedan

## District I

1625 N. French Dr., Hobbs, NM 88240

## District II

1301 W. Grand Avenue, Artesia, NM 88210

## District III

1000 Rio Brazos Rd., Aztec, NM 87410

## District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

## State of New Mexico

Energy, Minerals &amp; Natural Resources Department

## OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-102

Revised October 15, 2009

Submit one copy to appropriate

District Office

☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number	<sup>2</sup> Pool Code	<sup>3</sup> Pool Name
<sup>4</sup> Property Code	<sup>5</sup> Property Name OPEN RANGE "34" FEE	<sup>6</sup> Well Number 1H
<sup>7</sup> OGRID No. 6137	<sup>8</sup> Operator Name DEVON ENERGY PRODUCTION COMPANY, L.P.	<sup>9</sup> Elevation 3789.5

<sup>10</sup> Surface Location

UL or lot no. D	Section 34	Township 11 S	Range 29 E	Lot Idn	Feet from the 670	North/South line NORTH	Feet from the 670	East/West line WEST	County CHAVES
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<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no. A	Section 34	Township 11 S	Range 29 E	Lot Idn	Feet from the 670	North/South line NORTH	Feet from the 670	East/West line EAST	County CHAVES
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<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

<b>SURFACE LOCATION</b> 	<b>OPEN RANGE "34" FEE #1H</b> ELEV. = 3789.5' LAT. = 33°19'36.012"N (NAD83) LONG. = 104°01'28.864"W NMSP EAST (FT) N = 846530.09 E = 635611.99		<b>BOTTOM OF HOLE</b> 	<b><sup>17</sup> OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.
	NW CORNER SEC. 34 LAT. = 33°19'42.20"N LONG. = 104°01'36.61"W NMSP EAST (FT) N = 847198.04 E = 634939.81	NE CORNER SEC. 34 LAT. = 33°19'42.20"N LONG. = 104°00'34.38"W NMSP EAST (FT) N = 847214.18 E = 640221.53		
<b>SEC. 34</b> <b>T.11S., R.29E.</b>				<b><sup>18</sup> SURVEYOR CERTIFICATION</b> I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief. JUNE 30, 2010 Date of Survey  Signature and Seal of Professional Surveyor Certificate Number: FILIMON E. ARAKILLO, PLS 12797 SURVEY NO. 156R
SW CORNER SEC. 34 LAT. = 33°18'49.96"N LONG. = 104°01'36.59"W NMSP EAST (FT) N = 841917.61 E = 634957.01	SE CORNER SEC. 34 D.N.F.			



Devon Energy Corporation    Kelly Robertson  
20 North Broadway        Land Associate  
Oklahoma City, OK 73102    Phone (405) 228-8765  
Fax (405) 552-8113

Subject	Horizontal Mississippian Limestone Well Proposals	Pages
To	Samedan Royalty Corporation	
Fax	(281) 874-6753	
From	Kelly Robertson	
Date	July 22, 2010	

There are four (4) well proposals attached.

This transmission is confidential and intended solely for the person or organization to whom it is addressed. It may contain privileged and confidential information. If you are not the intended recipient, you should not copy, distribute or take any action in reliance on it.

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\*\*\* TX REPORT \*\*\*  
\*\*\*\*\*

TRANSMISSION OK

TX/RX NO 0390  
RECIPIENT ADDRESS 912818746753  
DESTINATION ID  
ST. TIME 07/22 16:24  
TIME USE 05'00  
PAGES SENT 20  
RESULT OK

The logo for Devon Energy, featuring the word "devon" in a bold, lowercase, sans-serif font. Above the text is a small graphic consisting of three horizontal bars of increasing length, stacked vertically.

Devon Energy Corporation Kelly Robertson  
20 North Broadway Land Associate  
Oklahoma City, OK 73102 Phone (405) 228-8765  
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There are four (4) well proposals attached.

GAS \_\_\_\_\_  
OIL \_\_\_\_\_



20 N. BROADWAY, SUITE 1500, OKLAHOMA CITY, OK 73102

**AUTHORITY FOR EXPENDITURE**  
**DRILLING/COMPLETION COST ESTIMATE**

DRILLING \_\_\_\_\_  
COMPLETION \_\_\_\_\_

AFE NO.: 155571                      AFE Date: 06/21/2010                      County/Parish: Chaves  
Lease Name - Well #: Open Range 34 Fee 1H                      State: New Mexico  
Legal Description: SHL: NW NW Sec. 34-T11S-R29E; BHL: NE NE Sec. 34-T11S-R29E                      Prepared By: Jones, Steven

**AUTHORITY REQUESTED TO:**

Open Range 34 Fee 1H -- Drill and complete a horizontal MSSP gas test.

Code	Intangible Description	Drilling Costs	Completion Costs	Dry Hole Costs	Total Costs
011	DRILL-LAND, LEGAL	5,000	0	0	5,000
012	DRILL-SURF DMGS/RIGHT OF WAY	25,000	0	0	25,000
013	DRILL-LOCATION,ROADS, PITS, FNCS	70,000	0	0	70,000
019	OTHER SITE PREPARATION	0	4,000	0	4,000
043	DAYWORK	464,000	45,000	0	509,000
044	DRILL-MOB/DEMOBILIZATION	100,000	0	0	100,000
045	DIRECTIONAL DRILLING	150,000	0	0	150,000
101	COMPL-DRILL BITS	0	3,000	0	3,000
101	DRILL BITS	55,000	0	0	55,000
102	DRILL-DRILLING FLUIDS	60,000	0	0	60,000
103	DRILL-SURFACE RENTAL TOOLS & EQUIP	65,000	0	0	65,000
103	SURFACE RENTAL TOOLS & EQUIP (incl. foam/air w	0	30,000	0	30,000
104	COMPL-DOWNHOLE RNTL TOOLS & EQ	0	10,000	0	10,000
104	DOWNHOLE RENTAL TOOLS & EQUIPMENT	25,000	0	0	25,000
105	CLOSED LOOP SYSTEM COSTS	150,000	0	0	150,000
109	DRILL-OTHER MATRLS & SUPPLIES	10,000	0	0	10,000
201	DRILL-WELD, ROUTABOUT & OTHER	15,000	0	0	15,000
201	WELDING, ROUSTABOUTS & OTHER SERV	0	20,000	0	20,000
202	COMPL-DIRT WORK & HEAVY EQUIPN	0	5,000	0	5,000
203	DRILL-TRUCKING & HOTSHOT	3,000	0	0	3,000
203	TRUCKING & HOTSHOT	0	10,000	0	10,000
251	CEMENT & CEMENTING SERVICES	45,000	0	0	45,000
254	FLOWBACK EQUIP-TESTING SERVICES	0	150,000	0	150,000
255	DRILL-LOGGING	135,000	0	0	135,000
255	LOGGING	0	6,000	0	6,000
257	DRILL-OPEN HOLE EVALUATION	55,000	0	0	55,000
259	CASING & TUBULAR SERVICES	15,000	10,000	0	25,000
261	COMPL-MISC.PUMPING SERVICES	0	3,000	0	3,000
263	DRILL-FLUID DISPOSAL	10,000	0	0	10,000
263	FLUID DISPOSAL	0	15,000	0	15,000
265	STIMULATION & GRAVEL PACK	0	450,000	0	450,000
269	COMPL - CONSULTANTS	0	11,000	0	11,000
269	CONSULTANTS	84,000	0	0	84,000
302	DRILL-WATER	10,000	0	0	10,000
302	WATER	0	4,000	0	4,000

Please include/attach well requirement data with ballot.

GAS \_\_\_\_\_  
OIL \_\_\_\_\_



20 N. BROADWAY, SUITE 1500, OKLAHOMA CITY, OK 73102

DRILLING \_\_\_\_\_  
COMPLETION \_\_\_\_\_

**AUTHORITY FOR EXPENDITURE**  
**DRILLING/COMPLETION COST ESTIMATE**

AFE NO.: 155571

AFE Date: 06/21/2010

County/Parish: Chaves

Lease Name - Well #: Open Range 34 Fee 1H

State: New Mexico

Legal Description: SHL: NW NW Sec. 34-T11S-R29E; BHL: NE NE Sec. 34-T11S-R29E

Prepared By: Jones, Steven

**AUTHORITY REQUESTED TO:**

Open Range 34 Fee 1H -- Drill and complete a horizontal MSSP gas test.

Code	Intangible Description	Drilling Costs	Completion Costs	Dry Hole Costs	Total Costs
307	DRILL - DYED DIESEL	90,000	0	0	90,000
501	PULLING & SWABBING UNITS	0	18,000	0	18,000
552	SAFETY EQUIPMENT & TRAINING	0	2,000	0	2,000
895	DRILL-TAXES -OTHER IDC	80,000	0	0	80,000
Total Intangibles		1,721,000	796,000	0	2,517,000

Code	Tangible Description	Drilling Costs	Completion Costs	Dry Hole Costs	Total Costs
901	SURFACE CASING	18,000	0	0	18,000
902	INTERMEDIATE CASING	282,000	0	0	282,000
903	PRODUCTION CASING	0	60,000	0	60,000
904	CONDUCTOR CASING/DRIVE PIPE	6,000	0	0	6,000
915	TUBING	0	40,000	0	40,000
925	SUBSURFACE EQUIP	0	200,000	0	200,000
931	WELLHEAD VALVES & EQUIPMENT	12,000	10,000	0	22,000
Total Tangibles		318,000	310,000	0	628,000

TOTAL ESTIMATED COSTS		2,039,000	1,106,000	0	3,145,000
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Note: Costs and participations are generally estimates. Billings will be based on actual expenditures

**WORKING INTEREST OWNER APPROVAL**

Company name:

Signature: \_\_\_\_\_ Print Name: \_\_\_\_\_

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

Date: \_\_\_\_\_

Email: \_\_\_\_\_

\_\_\_\_\_

Please include/attach well requirement data with ballot.

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

August 1 , 2010 ,  
year

OPERATOR Devon Energy Production Company, L.P.

CONTRACT AREA N/2 of Section 34, T11S, R29E

Open Range 34 Fee 1H

COUNTY OR PARISH OF Chaves , STATE OF New Mexico

COPYRIGHT 1989 - ALL RIGHTS RESERVED  
AMERICAN ASSOCIATION OF PETROLEUM  
LANDMEN, 4100 FOSSIL CREEK BLVD.  
FORT WORTH, TEXAS, 76137, APPROVED FORM.



**Exhibit “A”**

**Attached to and made a part of that certain Joint Operating Agreement dated August 1, 2010  
by and between DEVON ENERGY PRODUCTION COMPANY, L.P.  
and D.K. Boyd, et al.**

**1. Identification of lands subject to this agreement:**

Township 11 South, Range 29 East, Chaves County, New Mexico  
Section 34: N/2

**2. Restrictions, if any, as to depths, formation, or substances:**

None.

**3. Percentages or fractional interests of parties to this agreement and their addresses for notice purposes:**

<u>PARTNER</u>	<u>INTEREST</u>
Devon Energy Production Company, L.P. 20 North Broadway Oklahoma City, Oklahoma 73102-8260	90.000000%
D.K. Boyd P.O. Box 11351 Midland, TX 79702	10.000000%
<b>Total:</b>	<b>100.000000%</b>

**Note: The working interest owners percentages are approximated without the benefit of a Drilling Title Opinion. Once a Drilling Title Opinion is completed and potential working interest owners have made their elections, the owners and interest will be confirmed or amended and a revised Exhibit “A” may be submitted to the participants.**

**4. Oil and gas leases and/or oil and gas interests subject to this agreement (including any amendments, if any):**

- |    |                   |   |
|----|-------------------|---|
| 1. | Lessor:           | L.E. Minerals, Ltd.   |
|    | Lessee:           | Devon Energy Production Company, L.P.   |
|    | Lease Date:       | October 1, 2008   |
|    | Land Description: | Township 11 South, Range 29 East<br>Section 34: insofar and only insofar as said lease covers the<br>N/2                      |
| 2. | Lessor:           | Plains Radio Petroleum, in its individual capacity and exercising rights<br>For 34T Holding, L.L.C. and Spool Holding, L.L.C. |
|    | Lessee:           | Devon Energy Production Company, L.P.   |
|    | Lease Date:       | October 1, 2008   |
|    | Land Description: | Township 11 South, Range 29 East<br>Section 34: insofar and only insofar as said lease covers the<br>N/2                      |
| 3. | Lessor:           | J.E. and L.E. Mabee Foundation, Inc.  |
|    | Lessee:           | Devon Energy Production Company, L.P.   |
|    | Lease Date:       | October 1, 2008   |
|    | Land Description: | Township 11 South, Range 29 East<br>Section 34: insofar and only insofar as said lease covers the<br>N/2                      |
| 4. | Lessor:           | White Ranch Minerals, Ltd., a Limited Partnership   |
|    | Lessee:           | Devon Energy Production Company, L.P.   |
|    | Lease Date:       | November 5, 2008  |
|    | Land Description: | Township 11 South, Range 29 East<br>Section 34: insofar and only insofar as said lease covers the<br>N/2                      |
| 5. | Lessor:           | Elizabeth M. Winston Family Limited Partnership   |
|    | Lessee:           | Devon Energy Production Company, L.P.   |
|    | Lease Date:       | November 5, 2008  |
|    | Land Description: | Township 11 South, Range 29 East<br>Section 34: insofar and only insofar as said lease covers the<br>N/2                      |

6. Lessor: Frederick Winston and James C. Wyman Trustees of the  
Francisca S. Winston Testamentary Trust  
Lessee: Devon Energy Production Company, L.P.  
Lease Date: November 5, 2008  
Land Description: Township 11 South, Range 29 East  
Section 34: insofar and only insofar as said lease covers the  
N/2
7. Lessor: Selma Andrews Trust, for the benefit of Peggy Barrett  
Bank of America, Trustee  
Lessee: Devon Energy Production Company, L.P.  
Lease Date: December 19, 2008  
Land Description: Township 11 South, Range 29 East  
Section 34: insofar and only insofar as said lease covers the  
N/2
8. Lessor: Selma E. Andrews Perpetual Charitable Trust,  
Bank of America, N.A., Trustee  
Lessee: Devon Energy Production Company, L.P.  
Lease Date: December 19, 2008  
Land Description: Township 11 South, Range 29 East  
Section 34: insofar and only insofar as said lease covers the  
N/2

**END OF EXHIBIT**