SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT ("Agreement") is made and entered into effective the 1st day of May, 2001 (the "Execution Date") between DEVON ENERGY PRODUCTION COMPANY, L.P., successor by merger to Devon Energy Corporation (Nevada) ("Devon") and the UNITED STATES OF AMERICA (the "Defendant"). Devon and the Defendant are sometimes collectively referred to as "the Parties."

RECITALS

A. On, July 1, 1963, Defendant issued Federal Oil and Gas Lease NMNM-0404441 ("Lease 4441") to Herbert E. Doolittle, as Lessee. Lease 4441 covers the following described lands in Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico, comprising 1440 acres, more or less:

Section 11: All

Section 13: N½, SW¼

Section 14: S1/2

- B. Marathon Oil Company holds Record Title to Lease 4441. The following persons or entities own interests in Lease 4441: Devon; Marathon Oil Company, Northern Bank of Texas, as the Trustee of the Mary Patricia Daugherty Trust; Joe N. Gifford; Bascom L. Mitchell; Catherine M. Grace; Obie & Company; L. Edward Innerarity, Jr.; Mary M. Olson; Otto E. Schroeder, Jr.; TEK Properties, Ltd.; and Thomas F. Hastings, Sr.
- C. On, July 1, 1963, Defendant issued Federal Oil and Gas Lease NMNM-0405444 ("Lease 5444") to Lorraine L. Todd, as Lessee.
- D. Lease 5444 originally covered the following described lands in Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico, comprising 2560 acres, more or less:

Section 10: SE1/4 SE1/4

Section 15: All

Section 22: All

Section 23: All

OIL CONSERVATION DIVISION

Section 25: NW1/4 NW1/4

Section 26: E½, SW¼, S½ NW¼

CASE NUMBER

EMPRESANCE !

EXHIBIT

E. On June 21, 1963, effective August 1, 1963, Defendant segregated Lease 5444 into two leases. Thereafter, Federal Oil and Gas Lease NMNM-0405444A ("Lease 5444A") covered the following described lands in Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico, comprising 1240 acres, more or less:

Section 22: All

Section 25: NW/1/4 NW/1/4

Section 26: E/1/2, SW/1/4, S/1/2 NW/1/4

All other lands originally part of Lease 5444 remained part of that lease. (Lease 4441, Lease 5444 and Lease 5444A are collectively referred to as the "Oil and Gas Leases").

- F. Mobil Producing Texas & New Mexico, Inc. holds Record Title to Lease 5444. Marathon Oil Company holds Record title to Lease 5444A. The following persons or entities own interests in the Lease 5444 and 5444A: Devon; Marathon Oil Company, Joe N. Gifford; Bascom L. Mitchell; Catherine M. Grace; Obie & Company; L. Edward Innerarity, Jr.; Mary M. Olson; Otto E. Schroeder, Jr.; TEK Properties, Ltd.; Bettis Brothers, Inc.; L.E. Opperman; Thomas F. Hastings, Sr.
- G. Lands covered by the Oil and Gas Leases are located in the "Potash Area", as defined in the Secretary of the Interior's 1975 and 1986 Potash Orders (the "Secretary's Potash Orders") published at 40 Fed. Reg. 51486 (Nov. 5, 1975)("1975 Potash Order"), and 51 Fed. Reg. 39425 (Oct. 28, 1986)("1986 Potash Order").
- H. The Bureau of Land Management ("BLM") is the agency within the United States Department of the Interior designated by the Secretary of the Interior to manage federal oil and gas leases in accordance with the provisions of the Mineral Leasing Act of 1920, 30 U.S.C. § 226.
- I. Devon is the Designated Operator of the Oil and Gas Leases pursuant to BLM records and regulations.
- J. Beginning in 1992, Devon submitted various Applications For Permits to Drill to the BLM for wells that it intended to drill on the Oil and Gas Leases. Those Applications For Permits to Drill were denied by the BLM. Devon has also submitted numerous other Applications For Permits to Drill for wells on the Oil and Gas Leases in the Secretary of the Interior's Potash Area that remain pending before the BLM. All Applications For Permits to Drill submitted by Devon are collectively referred to as the "APDs."
- L. On August 19, 1998, Devon, together with the interest owners listed in Paragraphs, "B" and "F", above ("Plaintiffs"), filed their Complaint in Case No. 98-665-L in the United States Court of Federal Claims (the "Court") captioned *Devon Energy Corporation (Nevada)*, et al., Plaintiffs v. United States of America (the "Lawsuit"), asserting claims for a taking of certain rights in the Oil and Gas Leases and for breach of contract. On December 4, 1998, Defendant served its Motion To Dismiss. On December 22, 1998, Plaintiffs served their First Amended Complaint, again asserting taking and breach of contract claims. On December 21, 1999, the Court entered its Opinion ruling on the Defendant's Motion To Dismiss. On March 15, 2000, Defendant served its Answer to the First Amended Complaint. Plaintiffs have also filed a Motion For Partial Summary Judgment. Reference is made to the pleadings on file for the claims and defenses of the parties.

- M. In the settlement of a takings claim against the Defendant, the Attorney General shall, under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. §4654(c) (the "Relocation Assistance Act"), determine and award an amount in the opinion of the Attorney General that will reimburse a plaintiff in a takings action for the reasonable costs, disbursements and expenses, including reasonable attorney, appraisal, and engineering fees, actually incurred because of the proceedings.
- N. Devon and Defendant have agreed upon a compromise and settlement of the disputed issues between them in the Lawsuit, including any and all issues which could have been asserted, and wish to herein set forth their agreement for the settlement and resolution of the Lawsuit.

AGREEMENT

NOW, THEREFORE, in consideration of the Recitals and the mutual performances provided for herein, and for other good and valuable consideration, the receipt, adequacy and sufficiency of which is hereby acknowledged, Devon and Defendant agree as follows:

1. Negotiation:

Devon, for itself and on behalf of Plaintiffs, and Defendant have engaged in good faith negotiations to avoid further litigation in the United States Court of Federal Claims and the Court of Appeals for the Federal Circuit.

2. No Admission of Liability:

The obligations of the Parties required by this Settlement Agreement are a compromise and settlement of the Lawsuit. Nothing herein shall be construed as an admission by Defendant of any legal or specific monetary liability as to any of Plaintiffs' claims for moneys, attorneys fees, litigation costs and other expenses, interest, or any other kind of monetary relief or compensation.

Dismissal of the Lawsuit:

The parties shall submit to the Court a Stipulation for Award Pursuant to the Uniform Relocation Assistance And Real Property Acquisition Policies Act of 1970 and for Dismissal with Prejudice, a form of which is attached hereto and incorporated by reference as Exhibit "A."

4. Attorney's Fees Costs and Expenses:

The Attorney General, pursuant to his authority and obligation under the Relocation Assistance Act, hereby determines that Three Hundred Eighty Thousand and no/100 Dollars (\$380,000.00) is the amount that will reimburse Devon, on behalf of all Plaintiffs, for the reasonable costs, disbursements and expenses including reasonable attorney, appraisal, and engineering fees, actually incurred in the Lawsuit. In order to effect the payment of such amount, the parties will submit to the Court the

Stipulation for Award Pursuant to the Uniform Relocation Assistance And Real Property Acquisition Policies Act of 1970 and for Dismissal with Prejudice requiring that Three Hundred Eighty Thousand and no/100 Dollars (\$380,000.00) be paid to Devon, for and on behalf of all Plaintiffs, pursuant to the Relocation Assistance Act.

5. Development of the Oil and Gas Leases:

- a. The Parties stipulate and agree that the Oil and Gas Leases, as well as any application for a permit to conduct seismic operations:
 - (i) are not subject to any potash stipulations,
 - (ii) are not subject to any restrictions on drilling, development, surface use or production established in any of the Secretary's Potash Orders,
 - (iii) may be developed notwithstanding any provision of State of New Mexico Oil Conservation Division Rule R-111-P that arguably might otherwise prohibit such drilling and development, and
 - (iv) are not subject to any Conditions of Approval that are based on potash concerns.
- b. BLM further represents that it is not now aware of any environmental or siting issue that would prevent the applied for wells from being drilled on each of the assigned spacing units. However, Devon will have to follow the process described in Paragraph 6, below, to address any environmental or siting issues as to specific APDs.

6. Processing of APDs:

In order to allow for orderly drilling and development of the Oil and Gas Leases, as determined appropriate by Devon, the Parties agree that the processing of and decisions on the APDs shall be staged as follows:

- a. Submission or Modification of APDs: Devon shall be allowed a period of sixty (60) days from the Execution Date to submit new or amended APDs to the BLM.
- b. Pending APDs: The BLM will continue to hold the pending APDs during the sixty (60) day time period described above. However, if any pending APD is not administratively complete, Devon will be advised of that fact so appropriate actions can be taken.
- c. Identification of APDs For Consideration: Once all APDs have been submitted, Devon, as designated operator, will provide the BLM with a list of selected APDs that it wants approved. The BLM will then give consideration of those APDs priority over other Applications For Permits To Drill pending before it. That process will be repeated periodically as necessary to allow orderly development of the Oil and Gas Leases until a decision has been issued on all

the APDs.

- d. Processing of Identified APDs: Once Devon has identified APDs for consideration, BLM will then do the following:
 - (i) Issue a decision on the identified APDs within the time and/or in the manner described in 43 C.F.R. §3162.3-1(h);
 - (ii) In any decision regarding an APD, consistent with the limitations established in 43 C.F.R. § 3101.1-2 (6/20/2000), the BLM shall not require relocation of proposed operations by more than 200 meters, require that operations be sited off the leasehold, prohibit new surface disturbing operations for a period in excess of 90 days in any lease year, or require the drilling of a deviated or directional well.
- e. Additional Development: The foregoing procedure is simply to allow for the orderly consideration and drilling of wells that have already been applied for and shall not be construed as an obligation on the part of the Plaintiffs to drill any wells pursuant to APDs previously submitted. Moreover, that procedure described above shall not limit Plaintiffs rights under the Oil and Gas Leases to withdraw APDs, or submit additional APDs at some later date.
- f. APD Extensions: If, in the discretion of Devon, an extension of an approval of an APD is needed, then upon request the BLM will grant a single extension of one year beyond the initial term of the APD.

7. Future Claims Unaffected:

The dismissal of claims contemplated by this settlement will only affect claims relating to the Oil and Gas Leases existing on the Execution Date, whether expressly asserted or not in the pleadings. While the Parties are unaware of any potential issues, any issues that may arise in the future between the Parties shall be unaffected by the dismissal

8. Ratification:

Within Sixty (60) days of the Execution Date, Devon shall obtain, and deliver to Defendant, a Ratification and Adoption of the terms and obligations hereof, in the form attached hereto and incorporated by reference as Exhibit "B", executed by each of the following persons or entities: Northern Bank of Texas, as the Trustee of the Mary Patricia Daugherty Trust; Joe N. Gifford; Bascom L. Mitchell; Catherine M. Grace; Obie & Company; L. Edward Innerarity, Jr.; Mary M. Olson; Otto E. Schroeder, Jr.; TEK Properties, Ltd.; Bettis Brothers, Inc.; L.E. Opperman; and Thomas F. Hastings, Sr., Mobil Producing Texas & New Mexico, Inc., and Marathon Oil Company.

9. Representations:

Devon and Defendant each represent and warrant that each of them and the

person signing this Agreement on their behalf:

- a. Is legally competent and duly authorized to execute this Agreement in the capacity stated and to bind the party who they sign on behalf of;
- b. Does so of their own free will and accord, acting upon their own volition, and upon the full and independent advice from their legal counsel and advisors;
- c. Has read and understands this Agreement;
- d. Has not assigned or transferred to any third party any interest in any claim or cause of action which is being released in this Agreement; and
- e. Is not relying on any facts, promises, undertakings or representations made by any other party or attorney in the execution of this Agreement except those stated herein.

10. Further Documents and Assurances:

The Parties hereto agree to execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such instruments and take such other action, as may be necessary or advisable to carry out their obligations under this Agreement and under any document, certificate or other instrument delivered pursuant hereto or required by law.

11. Entire Agreement, Modification, Waiver:

This Agreement is intended to be the total integration of the agreement of the Parties with respect to the subject matter of this Agreement and shall constitute a merger of all discussions and negotiations which have preceded the Execution Date. There are no oral agreements or representations concerning the subject matter of this Agreement which are not expressly set forth in the referenced documents. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by all the parties. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

12. Successors and Assigns:

Upon execution by the parties hereto, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, heirs and assigns.

13. Time of the Essence:

Time is of the essence in the performance of this Agreement.

14. Headings:

The section headings in this Agreement are for convenience only and shall not be used to aid in the interpretation or construction of this Agreement.

15. **Drafting:**

Devon and Defendant agree that this Agreement is the product of joint draftsmanship and negotiation and that should any of the terms be determined by a court, or in any type of quasi-judicial or other proceeding, to be vague, ambiguous and/or unintelligible, that the same sentences, phrases, clauses or other wordage or language of any kind shall not be construed against the drafting party.

16. Survival:

This Agreement is intended in part to evidence the continuing rights, duties, and obligations of the parties and all of the representations, warranties, and covenants herein contained are hereby expressly made to survive closing of the settlement and dismissal of claims contemplated by this Agreement.

17. Counterpart Signature:

This Agreement will be executed in multiple counterparts of equal dignity. This Agreement may be executed by the Parties in counterparts, no one of which need be executed by all parties. Each of such counterparts shall be deemed an original instrument, and all counterparts shall together constitute but one and the same instrument. This Agreement shall become operative as of the Execution Date when each party has executed at least one counterpart.

EXECUTED as of the day and year first above written.

DEVON ENERGY PRODUCTION COMPANY, L.P.

Name:

Title:

Course

UNITED STATES OF AMERICA

Name:

Title:

Senior Counsel

Jeneral Inigation Section, 1.5. Department of That

Sattlement Agreement v7a.wpd

EXHIBIT "A" TO SETTLEMENT AGREEMENT DATED MAY 1, 2001

STIPULATION FOR AWARD
PURSUANT TO THE UNIFORM
RELOCATION ASSISTANCE AND
REAL PROPERTY ACQUISITION
POLICIES ACT OF 1970 AND
FOR DISMISSAL WITH PREJUDICE

IN THE UNITED STATES COURT OF FEDERAL CLAIMS

DEVON ENERGY CORPORATION (NEVADA), a Nevada corporation, et. al.)	
	ý	
Plaintiffs,)	
)	
VS.)	No. 98-665 L
)	Judge Lawrence S. Margolis
UNITED STATES OF AMERICA,)	
)	
Defendant.)	

STIPULATION FOR AWARD PURSUANT TO THE UNIFORM RELOCATION ASSISTANCE AND REAL PROPERTY ACQUISITION POLICIES ACT OF 1970 AND FOR DISMISSAL WITH PREJUDICE

COME NOW Plaintiffs and Defendant, by and through their respective counsel of record, and pursuant to Rules 41(a) of the Rules of the United Stated Court of Federal Claims and the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. §4654(c) (the "Relocation Assistance Act"), hereby stipulate as follows:

- Devon Energy Production Company, L.P. is the successor by merger to
 Devon Energy Corporation (Nevada).
- 2. Plaintiffs and Defendant have entered into a Settlement Agreement dated May 1, 2001, compromising and settling the claims asserted or that could have been asserted in the above captioned matter. Pursuant to the terms and agreements stated in the Settlement Agreement, Plaintiffs have agreed to enter into

this Stipulation and request the Court to grant the relief requested herein.

- 3. In the settlement of a takings claim against the Defendant, the Attorney General shall, under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. §4654(c) (the "Relocation Assistance Act"), determine and award an amount in the opinion of the Attorney General that will reimburse a plaintiff in a takings action for the reasonable costs, disbursements and expenses, including reasonable attorney, appraisal, and engineering fees, actually incurred because of the proceedings.
- 4. The Attorney General, pursuant to his authority and obligation under the Relocation Assistance Act, has determined that Three Hundred Eighty Thousand and no/100 Dollars (\$380,000.00) is the amount that will reimburse Plaintiffs for the reasonable costs, disbursements and expenses, including reasonable attorney, appraisal, and engineering fees, actually incurred because of the proceedings.
- 5. Plaintiffs and Defendant request that the Court enter an Order awarding to Plaintiffs pursuant to the Relocation Assistance Act, the sum of Three Hundred Eighty Thousand and no/100 Dollars (\$380,000.00), to be paid to Devon Energy Production Company, L.P. for and on behalf of all Plaintiffs.
- 5. Pursuant to the Settlement Agreement, Plaintiffs and Defendant also stipulate that upon the entry of Order making the award pursuant to the Relocation Assistance Act, this matter, and all Plaintiffs' claims shall be deemed dismissed with prejudice. To the extent, if any, required by Rule 41(a), Plaintiffs and Defendant

respectfully request that the Court enter its Order dismissing this matter with prejudice after entry of an Order making the award pursuant to the Relocation Assistance Act.

WHEREFORE, Plaintiffs and Defendant respectfully request that the Court enter such orders as appropriate to:

A. Award to Plaintiffs pursuant to the Relocation Assistance Act, the sum of Three Hundred Eighty Thousand and no/100 Dollars (\$380,000.00), to be paid to Devon Energy Production Company, L.P. for and on behalf of all Plaintiffs; and

B. To the extent necessary, if any, under Rule 41, dismiss this matter with prejudice after entry of an Order making the award pursuant to the Relocation Assistance Act.

ay of	May,	2001	
	ay of	ay of May,	lay of May, 2001

Harold L. Hensley, Jr.
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ATTORNEYS FOR DEFENDANT

Stipulation v8.wpd

EXHIBIT "B"
TO
SETTLEMENT AGREEMENT
DATED MAY 1, 2001

RATIFICATION AND
ADOPTION OF
SETTLEMENT AGREEMENT

RATIFICATION AND ADOPTION OF SETTLEMENT AGREEMENT

NOTICE IS HEREBY GIVEN AS FOLLOWS:

- A. [NAME] is one of the Plaintiffs in Case No. 98-665-L in the United States Court of Federal Claims captioned *Devon Energy Corporation (Nevada)*, et al., Plaintiffs v. United States of America (the "Lawsuit"), asserting claims for a taking of certain property rights and for breach of contract relating to three Federal Oil and Gas Leases, being leases NMNM-0404441, NMNM-0405444, and NMNM-0405444A. Devon Energy Corporation (Nevada) is the Designated Operator of the Oil and Gas Leases.
- B. Devon Energy Production Company, L.P., successor by merger to Devon Energy Corporation (Nevada), and the United States of America have entered into that certain Settlement Agreement dated May 1, 2001 (the "Settlement Agreement"), settling all claims in the Lawsuit.
- C. [NAME] has been provided with a copy of the Settlement Agreement; has read and understands the Settlement Agreement; and has not assigned or transferred to any third party any interest in any claim or cause of action in the Lawsuit.
- C. [NAME] seeks to ratify and adopt the terms of the Settlement Agreement as one of the Plaintiffs in the Lawsuit, and to be bound by the terms thereof.
- NOW, THEREFORE, in consideration of the benefits obtained from the Settlement Agreement, and for other good and valuable consideration, the receipt, adequacy and sufficiency of which is hereby acknowledged, [NAME] hereby ratifies and adopts the Settlement Agreement as follows:
- 1. [NAME] ratifies and adopts all provisions of the Settlement Agreement as if it were a signatory party thereto and further agrees to be bound by all provisions and terms of the Settlement Agreement.
- 2. [NAME] ratifies and adopts the actions of Devon Energy Corporation (Nevada) in negotiating and executing the Settlement Agreement for and on behalf of all Plaintiffs.
- 3. [NAME] ratifies the Stipulation for Award Pursuant to the Uniform Relocation Assistance And Real Property Acquisition Policies Act of 1970 and for Dismissal with Prejudice contemplated by the Settlement Agreement.

EXECUTED as of the 1st day of May, 2001.

[NAME]

By:	 		
Name:			
Title:			

Ratification Agreement v4.wpd

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF DEVON ENERGY PRODUCTION COMPANY, L.P. FOR AN EXCEPTION TO DIVISION ORDER NO. R-111-P, EDDY COUNTY, NEW MEXICO.

Case No. 12961

EXHIBIT

AFFIDAVIT REGARDING NOTICE

STATE OF NEW MEXICO)
COUNTY OF SANTA FE)
James Bruce, being duly sworn upon his oath, deposes and states:
1. I am over the age of 18, and have personal knowledge of the matters set forth herein.
2. I am an attorney for Applicant.
3. Applicant has conducted a good faith, diligent effort to find the names and correct addresses of the persons entitled to receive notice of the Application filed herein.
4. Notice of the Application was provided to those persons at their correct addresses by certified mail. Copies of the notice letter and certified return receipts are attached hereto as Exhibits A.
5. Applicant has complied with the notice provisions of Division Rule 1207 and Order No. R-111-P.
SUBSCRIBED AND SWORN TO before me this 11th day of November, 2002, by James Bruce.
My Commission Expires: 3/14/2005 OIL CONSERVATION DIVISION CASE NUMBER

JAMES BRUCE ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

324 MCKENZIE STREET SANTA FE, NEW MEXICO 87501

(505) 982-2043 (505) 982-2151 (FAX)

October 24, 2002

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Bureau of Land Management 2909 West Second Street Roswell, New Mexico 88201

IMC Potash Carlbad Inc. P.O. Box 71 Cralsbad, New Mexico 88221

Ladies and Gentlemen:

Enclosed is a copy of an application for an exception to Order No. R-111-P, filed with the New Mexico Oil Conservation Division by Devon Energy Production Company, L.P., regarding federal oil and gas leases covering all or portions of Sections 10, 11, 13-15, 22, and 23, Township 23 South, Range 31 East, N.M.P.M., N.M.P.M., Eddy County, New Mexico. This application is scheduled to be heard at 8:15 a.m. on Thursday, November 14, 2002 at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. Failure to appear at the hearing will preclude you from contesting this matter at a later date.

You are requested to notify in writing the Division, and the undersigned, by Friday, November 8, 2002, if you intend to enter an appearance and participate in the case.

Very truly yours,

ames Bruce

Attorney for Devon Energy Production Company, L.P

Bunday EXHIBIT

