

STATE OF WYOMING            )  
                                  ) ss.  
COUNTY OF CAMPBELL        )

IN THE DISTRICT COURT  
SIXTH JUDICIAL DISTRICT  
Civil Action No. 26827

Patsy L. Larson and Duane D. Odegard,        )  
  )  
Plaintiffs,                                    )  
  )  
vs.    )  
  )  
Devon Energy Production Company,            )  
L.P., an Oklahoma limited partnership,       )  
and Devon Energy Management Company,        )  
L.L.C., an Oklahoma limited                    )  
liability company,                            )  
  )  
Defendants.                                        )

**NOTICE OF PROPOSED CLASS ACTION SETTLEMENT**

TO: Payees of Devon Energy Production Company, L.P. and Devon Energy  
Management Company, L.L.C. ("Devon")

You are NOT being sued.  
You need NOT respond to this notice in any way.

Dear Devon Payee,

This notice informs you of a proposed settlement of class action claims against Devon Energy Production Company, L.P. and Devon Energy Management Company, L.L.C. which will be referred to for the remainder of this notice simply as "Devon." This notice describes the proposed settlement and informs you of your rights as a settlement class member. You are being sent this notice because you have been identified as a person receiving royalty payments from Devon under leases, instruments and related overriding interests (derived or carved out of such leases) creating non-working royalties with respect to shallow gas from coal bed seams ("Coal Bed Methane") produced from or attributable to certain existing wells located on oil and gas leases in Campbell County, Johnson County and Sheridan County, Wyoming ("Wyoming Powder River Basin" or "PRB"), after July 1, 1989. Devon has agreed, under the terms of the settlement, to pay you additional sums in consideration of confirming the past, present and future manner in which Devon has and will pay royalties to you.

**READ THIS FIRST**

**WHY SHOULD I READ THIS?** This Notice describes a proposed settlement of a class action against Devon, and you have been identified as a class member.

**WHY DID I RECEIVE THIS NOTICE?** You received this Notice because a search of Devon's records shows that you were paid royalties by Devon for production of Coal Bed Methane in the Wyoming PRB for the existing wells that are the subject of the class action for all or part of the period after July 1, 1989, through May 31, 2005.

**DO I HAVE TO DO ANYTHING?** If the Court approves the settlement and it becomes effective, *you do not need to do anything*. If you received royalty payments from Devon for production after July 1, 1989, through May 31, 2005, from the Existing Wells that are the subject of the class action, you are entitled to additional payments under the settlement. The Settlement Agreement will confirm how Devon pays you royalties in the future for production from existing wells and new wells not in pay status as of May 31, 2005 located on the same leases as the existing wells. You may attend the court hearing described below if you wish, but your attendance or non-attendance will not affect your receiving the relief described. You do not need to appear in court; and you do not need to hire an attorney in this case. You may object to the proposed settlement if you so desire. You may also elect to be excluded or "opt out" of being included in the settlement.

**WHOM CAN I CALL WITH QUESTIONS?** If you have questions, you may call (307) 634-2240, weekdays, 9:00 a.m. to 5:00 p.m., MST; write to Freudenthal, Salzburg & Bonds, P.C., Attn: Steve Freudenthal, P.O. Box 387, 123 East 17th Street, Cheyenne, WY 82003; or by e-mail addressed to [firm@wyolaw.com](mailto:firm@wyolaw.com).

**WHOM CAN I CALL ABOUT A CHANGE OF ADDRESS?** If your present address is different from the address on the envelope in which you received this Notice, or if you did not receive this Notice directly but believe you should have, you should call (307) 634-2240, or write to Freudenthal, Salzburg & Bonds, P.C., Attn: Steve Freudenthal, P.O. Box 387, 123 East 17th Street, Cheyenne, WY 82003, and provide your new address.

#### **The Basis Of The Claims Against Devon**

Devon was a named defendant in two previous cases (Docket No. 23706 and Docket No. 25092) filed by certain Devon payees and payees of other producers (the "Plaintiffs") in the Sixth Judicial District Court, County of Campbell, State of Wyoming in Gillette, Wyoming. The actions against Devon were severed from the previous cases by order dated and entered on November 14, 2005 (the "Action"). By bringing the Action, the Plaintiffs sought to obtain a determination that: (1) the calculations of royalties due and payable to them be free of deductions for costs of production, be free of any reduction for off-lease gas use, and the value of the gas be established as the arms-length price paid by third-party buyers at the market pipeline; (2) Devon, in the calculation of royalties due and payable to the class members, be permanently restrained and enjoined from deducting the costs of production, from reducing for off-lease gas use, and using any value other than the value of the gas as established as the arms-length price paid by third-party buyers at the market pipeline; (3) Plaintiffs be awarded damages in the amount of underpaid royalties; (4) Plaintiffs be awarded interest on the amount of underpaid and late paid royalties; (5) Plaintiffs be awarded the amount of \$100.00 per month per interest owner that complete reporting under the Wyoming Royalty Payment Act was not provided; and (6) Plaintiffs be awarded court costs and reasonable attorney fees.

#### **The Proposed Settlement**

Since filing the Action, Plaintiffs, through class counsel, the Cheyenne, Wyoming law firm of Freudenthal, Salzburg & Bonds, P.C., have conducted an investigation of the facts, including reviews of Devon's master meter billing statements and allocation procedures, reviews of the facts and circumstances of production, gathering, transportation, and marketing, and have analyzed the relevant legal and factual issues. Plaintiffs' counsel have conducted interviews of Devon's employees and had discussions with Devon's

counsel and others concerning Devon's policies and practices regarding royalty payment calculations and reporting. Plaintiffs' counsel obtained substantial information about the nature and extent of Devon's challenged practices through this process as conducted under a Confidentiality Agreement. Plaintiffs' counsel continued to confirm and refine this information through additional due diligence inquiry from Devon with respect to various aspects of the proposed settlement.

After an extensive exchange of information and months of vigorous arms-length negotiation, Plaintiffs and Devon agreed to enter into a Settlement Agreement that, if approved by the court, will result in dismissal of this case and final resolution of all claims raised. Such dismissal will release Devon and Additional Released Parties as defined in the Settlement Agreement from future liability for the acts and practices complained of. The terms of the settlement are described in full in a document known as the Settlement Agreement dated effective July 10, 2006 (hereinafter "Settlement Agreement"). The Settlement Agreement is available for your inspection at the Clerk of the Court's office at the address given below.

The definition of "Market Point," for purposes of the Settlement Agreement, means the end of the first pipeline segment consisting of all activity in moving the gas from the well through a pipeline or to a point where single-stage screw compression, second stage reciprocating compression, and dehydration has been performed. Based on this definition, the terms of the settlement as to Coal Bed Methane, in summary form, are as follows:

- a. royalty calculations shall be based on the arm's-length sales price received by Devon less actual costs paid or incurred to unaffiliated third-parties, as more fully described in the Settlement Agreement, from the Market Point to the point of sale;
- b. royalties shall be calculated without deduction for charges from the well-head through the Market Point;
- c. royalties shall be calculated without deduction for gas volumes used after the first screw compressor through the Market Point; and
- d. royalty payments on production after May 31, 2005 shall be calculated using the method described above.

The settlement provides for a monetary benefit to you and other members of the Settlement Class, plus the following benefits: (i) the settlement obliges Devon, to continue its royalty payment methods and calculations to comply with the terms of the settlement in the future as to Coal Bed Methane production from or attributable to the leases and wells that are the subject of the Class Action; (ii) Devon, in settling these claims, will not assert claimed defenses available to it, whether procedural or substantive; and (iii) attorneys fees and costs payable to class counsel will be paid by Devon in addition to the amount to be paid under the settlement. Class counsel will further pay the costs of administering this settlement from a separate administrative fund provided under the Settlement.

The settlement amount to be distributed has been calculated as a lump sum and shall be allocated to the class members based upon \$100.00 per class member plus a pro rata portion of the remaining settlement amount based on the quantity on which each class member was previously paid through May 31, 2005. The amount of additional royalty to be received by each individual class member will vary substantially based on their individual royalty interest,

whether they only owned an interest for a short period of time and others have succeeded to their interests and whether production has occurred for only a short period of time. Each individual class member's additional royalty may vary from minimal to very substantial based on the foregoing factors, but all class members are receiving their proportionate share of the settlement amount based on the terms as described above. WITH THIS NOTICE YOU SHOULD HAVE RECEIVED A SINGLE GREEN SHEET CONTAINING A STATEMENT OF ESTIMATED DISTRIBUTION FOR YOU PERSONALLY. IF YOU DID NOT RECEIVE THIS STATEMENT PLEASE CONTACT CLASS COUNSEL. The distribution amount is in settlement of all claims, there is not a separate award for interest or monthly assessments.

Notwithstanding its agreement to settle this case, Devon denies all allegations of wrongdoing, denies liability to Plaintiffs, and in settling the case admits no wrongdoing or liability of any kind. Devon vigorously maintains that it has valid defenses to all claims raised in the case, and would prevail if the litigation were to proceed. The Court has not ruled on the merits of Plaintiffs' claims or Devon's potential defenses, and this Notice is not to be considered as an expression of opinion by the Court. Devon has also weighed the risks and possible costs of litigation of the Action against the benefits of the proposed Settlement, and considers it desirable that the claims be settled on a global basis to avoid the time, risk, and expense of defending protracted litigation and in order to achieve a final resolution of the claims being settled.

#### **Release of Claims**

If you remain in the Settlement Class and accept the benefits of the Settlement Agreement, you will also release Devon and Additional Released Parties, which includes any other working interest owners on whose behalf Devon paid Royalties, for all Settled Claims. The Settled Claims exclude those claims that could arise out of any future clerical errors in accounting for the volumes, price, value or decimal interest reported by Devon. While the detailed terms of the release are contained in the Settlement Agreement, in summary, Devon, by paying the Settlement Amount, will be released for: (1) all past Gas Royalty Claims, including, but not limited to, Valuation and Disputed Deductions; (2) past Reporting Claims; (3) Future Gas Royalty Claims, contingent upon Devon's compliance with the Future Royalty Payment Methodology; (4) future Reporting Claims, contingent upon Devon's compliance with the royalty payment format attached as Exhibit D to the Settlement Agreement; and (5) Attorneys Fees and Administration Costs. In the event any working interest owner on whose behalf Devon pays Royalties pursuant to the Future Royalty Payment Methodology elects after May 31, 2005, to take its share of production in kind and pay its own share of royalties, to the extent such working interest owner complies with the future Royalty Payment Methodology and provides reporting consistent with the criteria set out in the Settlement Agreement, such working interest owner shall be entitled to the same benefits under the Settlement Agreement as Devon receives.

#### **The Settlement Class**

The Court will be asked to confirm certification of a Settlement Class for the purposes of settlement consisting of persons who are lessors under leases, instruments and related overriding interests (derived or carved out of such leases) creating non-working interest royalties with respect to Coal Bed Methane produced from certain leases in Campbell County, Johnson County and Sheridan County, Wyoming who were paid royalties by Devon for production from the existing wells that are the subject of the Class Action during the

period from July 1, 1989, through May 31, 2005. Your receipt of this notice means you are an identified class member.

### **Attorneys' Fees, Costs and Expenses**

Plaintiffs' counsel will request that the Court award them attorneys' fees, costs and settlement administration expenses. Plaintiffs' counsel and/or the named plaintiffs have paid or incurred costs, accounting expenses and expert witness expenses of approximately \$5,300 and expect to pay approximately \$11,400 in settlement administration expenses. As part of achieving settlement, Plaintiffs' counsel have agreed that the attorneys' fees shall be limited to the lesser of \$75,000 or fifteen percent (15%) of the gross settlement amount, rather than the thirty percent (30%) provided in the retainer agreements with the named Plaintiffs. Based on a settlement amount of \$585,000, Plaintiffs' counsel intends to request \$75,000 in attorney's fees and \$16,725 in costs, expenses, and expenses of administration. The amount paid for attorney's fees, costs, expenses and expenses of administration of this settlement when added to the settlement amount, results in a gross settlement amount of \$676,725. The amount paid for attorneys fees, costs, expenses and expenses of administration will not diminish or affect the settlement amount of \$585,000 due to class members.

### **The Settlement Hearing**

The Court will conduct a hearing (the "Settlement Hearing") at the Campbell County Courthouse, Gillette, Wyoming, at 10:00 A.M. on September 5, 2006 (or at the dates and times to which the Court may, without further notice, reschedule the hearing). The purpose of the Settlement Hearing will be to determine whether the proposed settlement is fair, adequate, and proper; and whether the Court should enter a judgment approving the settlement, awarding attorneys' fees and expenses, and dismissing the class action. You have the right but are not required to attend. Attendance or non-attendance will not affect any distribution to which you may be entitled under the settlement.

### **Your Right To Appear And Object To The Proposed Settlement**

Any member of the class may appear at the Settlement Hearing in person or by a duly authorized attorney and show cause, if any, why the settlement should not be approved; provided that (except by special permission of the Court) no class member shall be heard unless, on or before August 23, 2006, the class member files with the Court a written "Notice of Intent To Appear," at the clerk's address set out below, setting forth all of that class member's objections to the settlement, and mails copies of all such papers to Plaintiffs' and Devon's counsel at the addresses specified below.

### **Your Right To Be Excluded Or Opt Out Of The Proposed Settlement**

You have the right to be excluded or opt out of the proposed settlement. If you elect to be excluded or opt out of the proposed settlement, you must elect to be excluded or opt out with respect to all of your interest in lease(s), instrument(s) and/or related overriding interest(s) having the same or substantially similar terms. No class member shall be excluded unless, on or before August 23, 2006, the class member files with the court a written "Election to be Excluded," at the clerk's address set out below, specifically describing all of that class member's interests to be excluded by lease name, date of lease, and book, page and county where recorded (if not recorded, a copy of the document(s) creating the interest should be attached) or well

number(s). Exhibits A, B and C to the Settlement Agreement contain additional information regarding owners, well numbers and well names for the wells that are the subject of the Class Action, and a description of the leases that are the subject of the Class action. Copies of all such papers shall simultaneously be mailed to Plaintiffs' and Devon's counsel at the addresses specified below. Failure to timely comply with this requirement will result in your remaining in the class and subject you to the terms of the Settlement Agreement.

Office of the Clerk

Nancy Ratcliff  
Clerk of the Campbell County District Court  
500 South Gillette Avenue, Suite 348  
Gillette, WY 82716

Devon's Counsel:

Richard E. Day  
Williams, Porter, Day & Neville, P.C.  
159 North Wolcott Street, #400  
P.O. Box 10700  
Casper, WY 82602

Plaintiffs' Counsel:

Steven F. Freudenthal  
Freudenthal, Salzburg & Bonds, P.C.  
123 East 17th Street  
P.O. Box 387  
Cheyenne, WY 82003-0387

**Availability Of The Pleadings, The Settlement Agreement,  
And Other Papers In This Action**

The Settlement Agreement, with its exhibits and all other papers filed in the Action, are available for inspection in the offices of the clerk of the court identified above. The documents on file with the court may be examined by any member of the class in person or by counsel during normal court hours each day other than on Saturdays, Sundays, and legal holidays. You may also view the documents on the internet at <http://www.wyolaw.com/> under the heading "Class Action" and then "Devon Settlement."

Do not call or write the courts, other than as provided for above.

**IF YOU HAVE QUESTIONS CONCERNING THIS NOTICE, YOU MAY CONTACT:**

Steve Freudenthal at (307) 634-2240, weekdays, 9:00 a.m. to 5:00 p.m., MST; write to Freudenthal, Salzburg & Bonds, P.C., Attn: Steve Freudenthal, P.O. Box 387, 123 East 17th Street, Cheyenne, WY 82003; or by e-mail addressed to [firm@wyolaw.com](mailto:firm@wyolaw.com).

DATED: July 13, 2006.

/s/ Nancy Ratcliff

Clerk of the Sixth Judicial District Court,  
in and for Campbell County, State of Wyoming