

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.)

FILED NO. _____
CIVIL [] PROBATE [] CRIMINAL []
ADOPT [] DELI []

JUL 13 2006

Barbara J. Peters
DEPUTY CLERK OF DISTRICT COURT
dep.

**ORDER ON PLAINTIFFS' MOTION FOR CONDITIONAL
CONSIDERATION OF SETTLEMENT AGREEMENT AND PROVISIONAL
CERTIFICATION OF THE DEVON SETTLEMENT CLASS**

Plaintiffs' Motion for Conditional Consideration of Settlement Agreement and Provisional Certification of the Devon Settlement Class ("Motion") came before the Court on July 13, 2006. The Plaintiffs appeared through Steven F. Freudenthal of Freudenthal, Salzburg & Bonds, P.C. and the Defendants Devon Energy Production Company, L.P., an Oklahoma limited partnership, and Devon Energy Management Company, L.L.C., an Oklahoma limited liability company ("Devon") appeared through Richard E. Day, Williams, Porter, Day & Neville, P.C.. Susan Stipe, Assistant Attorney General, appeared by telephone.

The COURT, having reviewed Plaintiffs' motion and being otherwise advised in the premises FINDS and ORDERS as follows:

1. Plaintiffs filed a suit against Devon alleging individual claims and class action claims. After extensive negotiations and exchange of information, the parties agreed to settle this action on the terms now memorialized in the Settlement Agreement (including Exhibits A, B, C and D), executed by and between the parties (the "Settlement Agreement"), attached to the Motion, and incorporated fully herein as Exhibit 1, as if fully set forth herein. All capitalized terms used in this Order and not defined herein shall have the meanings set forth in the Settlement

Agreement. In the event of any conflict between the descriptions in these paragraphs and the more detailed terms of the Settlement Agreement, the Settlement Agreement shall govern.

2. This suit involves claims brought under leases, other instruments and the Wyoming Royalty Payment Act, Wyo. Stat. § 30-5-301 et seq. for Disputed Deductions, Valuation Claims, Statutory Interest, Statutory Reporting Assessments and Attorneys' Fees, as those terms are defined in the Settlement Agreement.

3. The Court has jurisdiction and venue over this suit and the Settlement Class. Under Wyo.R.Civ.P. 23(e), this Court's approval of any settlement is required.

4. The Settled Claims as defined in the Settlement Agreement all arise from the same nucleus of operative facts and form part of the same case or controversy as alleged against Devon in Plaintiffs' Amended Complaint so that all of the claims approved for settlement by this Order were or could have been asserted as class claims in this Action.

5. There are in excess of 1,100 Settlement Class Members and they are so numerous that joinder is impractical.

6. There are questions of law and fact common to the Settlement Class Members and Plaintiffs.

7. The questions of law and fact common to the Settlement Class Members predominate over any questions affecting only individual members, and in the context of this settlement only, the settlement of Settlement Class Members' claims by a class action under Wyo. R. Civ. Proc. 23 is superior to other available methods for the fair and effective settlement and adjudication of this controversy.

8. Plaintiffs' claims are typical of the Settlement Class Members' claims.

9. Plaintiffs and Designated Class Representatives are appropriate representatives of the Settlement Class and have and will adequately represent the interests of the Settlement Class Members

10. Settlement Class Members have no special interest in individually controlling the prosecution of separate actions.

11. Class Counsel is experienced and fully qualified.

12. No significant difficulties are likely to be encountered in the management of the action as a class action for settlement purposes only.

13. Devon has acted or refused to act on grounds generally applicable to the class, thereby making appropriate final injunctive relief or corresponding declaratory relief with respect to the class as a whole.

14. Subject to the provisions of Paragraph 17 and in accordance with the provisions of Wyo.R.Civ.P. 23, the Court certifies as potential members of the Devon Settlement Class the Royalty Payees as set forth in Exhibit A to the Settlement Agreement ("Settlement Class") which is also an exhibit to this Order by incorporation as if fully set forth herein.

15. The Court approves the Designated Class Representatives as representative of this Settlement Class and appoints Plaintiffs' counsel to represent the Settlement Class ("Class Counsel").

16. The Court finds that the proposed settlement as provided in the Settlement Agreement is fair and reasonable under the circumstances. This finding and determination is subject to the Court's further review of objections, if any, filed with regard to the class settlement according to the terms of the Settlement Agreement.

17. The certification of the Settlement Class is only for the purpose of settlement and not for any other purpose in this litigation. This certification is subject to the Court's further review of objections, if any, filed with regard to the class settlement according to the terms of the Settlement Agreement. If the settlement is not finalized, the certification provided herein shall be void and have no further effect.

18. The Court finds that reasonable and adequate notice will be given to potential Settlement Class Members by providing the

Notice of Proposed Class Action Settlement found in Exhibit 2 attached to the Motion ("Notice"), and attached as Exhibit 2 to this Order.

19. The Court finds that reasonable and adequate notice of the settlement will be given to potential members of the Settlement Class if the Notice is sent by priority mail (with electronic confirmation of delivery) to each Potential Class Member's last known address.

20. A hearing to consider objections, if any, to the Settlement Class and to finally determine if the Settlement Agreement is fair and equitable shall be heard at the Campbell County Courthouse on the 5th day of September, 2006, located at Gillette, Wyoming, commencing at 10:00 a.m. ("Final Settlement Hearing") or at the dates and times to which the Court may reschedule the hearing.

21. Any Potential Class Member who desires to be excluded from the Settlement Class shall deliver in writing that Member's election to be excluded to Class Counsel and Devon Counsel on or before August 23, 2006 ("Deadline for Exclusion"). Any Potential Class Member may revoke that Member's election to be excluded from the Settlement Class by delivering such written revocation to Class Counsel and Devon Counsel in writing at least six (6) days prior to the Final Settlement Hearing. Class Counsel shall file with the Court a report ("Class Counsel's Report") four (4) days before the Final Settlement Hearing to provide to the Court a compilation of (a) all Potential Class Members who have opted out of the Settlement Class ("Opt Out Claimants"), (b) all Opt Out Claimants who have properly revoked their election to opt-out and (c) those Potential Class Members who shall constitute the Settlement Class if finally approved by the Court at the Final Settlement Hearing.

22. Any objections to the Settlement Agreement or the Settlement Class shall be in writing and delivered to Class Counsel and Devon Counsel on or before August 23, 2006. Class Counsel shall file with the Court as part of Class Counsel's Report a

compilation of the objections and Class Counsel's responses to the objections, if any.

23. The addresses to be used for serving notices and objections on Class Counsel and Devon Counsel are:

Devon's Counsel:

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

Class Counsel:

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

DATED this 13 day of July, 2006.

DAN R. PRICE II

Dan R. Price, II
District Judge

Exhibit 1: Settlement Agreement with Exhibits A, B, C and D which is attached to the Motion for Conditional Consideration of Settlement Agreement and Provisional Certification of the Devon Settlement Class, filed herein, is incorporated into the foregoing Order as if fully set forth herein.

Exhibit 2: Form of Notice of Proposed Class Action Settlement

STATE OF WYOMING } ss
Casper County }
NANCY RATCLIFF, Clerk of the Court, within and
for said county and state, do hereby
certify the foregoing to be a full, true and complete
copy as the same appears on file and of record in this
office
IN TESTIMONY WHEREOF, I have hereunto
subscribed my hand and affixed the official seal of
said Court, at my office in Gillette, Wyoming, this
date

NANCY RATCLIFF

7-13-06

Clerk of the Court, Sixth Judicial District

Nardene Fettero dep.

Exhibit 1

Settlement Agreement

Exhibit A

Exhibit B

Exhibit C

Exhibit D

attached in whole to the Motion for Conditional Consideration of
Settlement Agreement and Provision Certification of the Devon
Settlement Class

Exhibit 1 to Order on
Motion for Conditional
Consideration

STATE OF WYOMING)
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COUNTY OF CAMPBELL)

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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.

Notice of Proposed Class Action Settlement

Page 1 of 6

Exhibit 2 to Order on
Motion for Conditional
Consideration

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.

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 arm-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.

DATED: July 13, 2006.

/s/ Nancy Ratcliff
Clerk of the Sixth Judicial District Court,
in and for Campbell County, State of Wyoming