

**DOYLE HARTMAN**

*Oil Operator*

500 NORTH MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

(915) 682-7616 FAX

JUN 12 1996

**Via Facsimile and Hand-Delivery**

June 7, 1996

*Case 11476*

Meridian Oil Inc.  
3300 N. A Street, Building 6  
P.O. Box 51810  
Midland, TX 79710-1810

Attn: Leslyn M. Swierc, CPL  
Senior Staff Landman

Re: Final Settlement of the Meridian-Hartman  
Rhodes, Britt and Seymour Matters  
Lea and San Juan Counties, New Mexico

Gentlemen:

Please find enclosed an executed original of Meridian's Settlement Proposal Letter dated May 13, 1996 corresponding to a final and complete settlement of the Rhodes, Britt and Seymour matters, which has been fully executed by both Doyle Hartman and James A. Davidson ("Hartman"). This executed agreement is delivered to Meridian subject only to the following necessary additional terms and conditions:

1. Meridian to promptly proceed to obtain final management approval and immediately advise Hartman in writing once approval has been obtained.
2. Meridian to waive any and all requirements that makes Meridian's May 13, 1996 Settlement Proposal Letter between Meridian and Hartman subject to the prior approval of the NMFU (Conoco, Amoco, ARCO, Chevron). Meridian's May 13, 1996 Settlement Proposal Letter pertains to a settlement between Hartman and Meridian and cannot be successfully accomplished if four separate major oil companies (who are not parties to the Meridian-Hartman agreement) are allowed to exercise veto control or delay, for an indefinite period of time, the consummation of a Meridian-Hartman settlement.

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3. In the interest of saving valuable time, but subject to our quick two-day review and approval, Meridian's currently existing accounting information to be utilized for the purpose of establishing the magnitude of all gas production imbalances and net monies owing corresponding to the H.M. Britt Nos. 3 and 12 wells. Upon completion of the above referenced review and approval, we are willing to stipulate that Meridian's accounting as to the Britt Nos. 3 and 12 wells has been performed in good faith and reasonably represents all imbalances and/or net monies that are owing at this time as to the H.M. Britt Nos. 3 and 12 wells.
4. In the event the NMFU Partners are in receipt of net monies owing to Hartman corresponding to the H.M. Britt Nos. 3 and 12 wells, Hartman shall assume responsibility for collecting from the NMFU Partners such net monies that may be owed to us by the NMFU. Likewise, if net monies are presently owing by Meridian to the NMFU Partners, Meridian shall release any and all such NMFU funds to Hartman for immediate placement in a separate clearly earmarked escrow account for proper disbursement to and settlement with the NMFU. Thereafter, Hartman shall settle with each of the NMFU Partners and shall hold Meridian harmless and free from any liability whatsoever in this regard.
5. Meridian to agree to the foregoing procedure within seven (7) days from date of receipt of this letter and to close the herein contemplated transaction within fifteen (15) days from the date of this letter.

In consideration of the very significant amount of time that the H.M. Britt matter has already taken and, for the following additional reasons, it is imperative that a resolution of pending issues between Meridian and Hartman be promptly reached.

- 1) Today, we received Phillip's proposed farmout agreement corresponding to the drilling by Hartman and Davidson of an infill Eumont gas well on the 160-acre Hobbs lease consisting of the SW/4 Section 18, T-20-S, R-37-E, which agreement presently contains a short time fuse and mandates the immediate completion of Meridian's May 13, 1996 settlement proposal.
- 2) Offset Eumont drainage is presently occurring corresponding to the H.M. Britt lease and an agreement between Meridian and Hartman needs to be consummated at this time in order to minimize such drainage.
- 3) Offset drainage is also occurring corresponding to the Hartman/Texaco Dublin-Rhodes 160-acre Rhodes pool gas spacing unit and Texaco is insisting that a Rhodes gas well be promptly commenced in the SW/4 Section 23, T-26-S, R-37-E.

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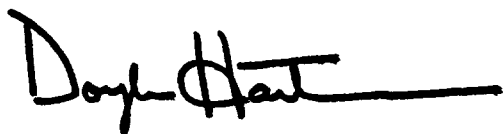
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- 4) The remaining presently pending NMOCD hearing matters between Hartman and Meridian also need to be promptly and amicably resolved and removed from the NMOCD's current hearing docket.

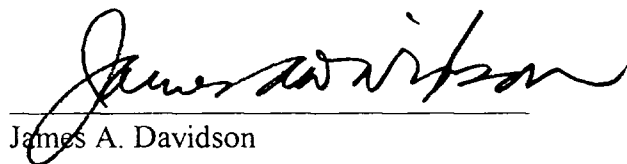
Therefore, in recognition of the foregoing, please let us hear from you within the time period specified herein.

Yours very truly,

DOYLE HARTMAN, Oil Operator



Doyle Hartman



James A. Davidson

ACCEPTED AND AGREED TO this \_\_\_\_\_ day of \_\_\_\_\_, 1996.

**MERIDIAN OIL INC.**

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

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

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enclosure (1)

cc: James A. Davidson  
214 W. Texas, Suite 710  
Midland, TX 79701

Hunter Malson, V.P., Operations  
Meridian Oil Production, Inc.  
3300 North A Street, Building Six  
P.O. Box 51810  
Midland, TX 79710-1810

NMOCD  
2040 S. Pacheco  
Santa Fe, NM 87505  
Attn: William J. LeMay  
Rand Carroll  
Michael E. Stogner  
w/o enclosure

The Honorable Anne K. Bingaman  
U.S. Department of Justice  
Antitrust Division, Room 3109  
10th Street & Constitution Avenue, N.W.  
Washington, DC 20530  
w/o enclosure

Don W. Davis, Regional Landman  
Meridian Oil Inc.  
3300 N. A Street, Building Six  
P.O. Box 51810  
Midland, TX 79710-1810

Dennis E. Sledge, Area Manager  
Meridian Oil Inc.  
3300 N. A Street, Building Six  
P.O. Box 51810  
Midland, TX 79710-1810

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Randy Mundt, Executive V.P., Land  
Meridian Oil Inc.  
5051 Westheimer, Suite 1400 (77056-2124)  
P.O. Box 4239  
Houston, TX 77210-4239

James Buchanan, Senior V.P., Operations  
Meridian Oil Inc.  
5051 Westheimer, Suite 1400 (77056-2124)  
P.O. Box 4239  
Houston, TX 77210-4239

Phillips Petroleum Company  
4044 Penbrook  
Odessa, TX 79762  
Attn: J.S. Welin, Land Director  
Paul Hall, Contract Landman  
w/o enclosure

Conoco, Inc.  
10 Desta Drive, Suite 100w  
Midland, TX 79705-4500  
Attn: W.L. Brignon  
Laura Miller  
Mim James  
David Strople  
Warren Richardson  
w/o enclosure

James E. Baca  
Chevron USA Inc.  
P.O. Box 1150  
Midland, TX 79710  
w/o enclosure

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Chevron USA Inc.  
1301 McKinney (77010)  
P.O. Box 1635  
Houston, TX 77252  
Attn: Patrick S. Hobin  
C.S. Branstetter  
Cory Woolington  
Robert Sample

ARCO Oil & Gas Company  
P.O. Box 1610  
Midland, TX 79702-1610  
Attn: A.J. Best  
John E. Lodge  
Lee M. Scarborough  
w/o enclosure

Amoco Production Company  
P.O. Box 3092  
Houston, TX 77253  
Attn: Jerry D. West  
Len E. Engstrom  
w/o enclosure

Apache Corporation  
2000 Post Oak Blvd., Suite 100  
Houston, TX 77056-4400  
Attn: Zurab Kobiashvili  
Deborah Pruitt  
Scott Bell  
Stuart Scharborough  
w/o enclosure

W. Thomas Kellahin  
Kellahin & Kellahin  
117 N. Guadalupe (87501)  
P.O. Box 2265  
Santa Fe, NM 87504  
w/o enclosure

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Gallegos Law Firm  
460 St. Michaels Drive, Building 300  
Santa Fe, NM 87505  
Attn: J.E. Gallegos  
Michael E. Condon  
w/o enclosure

Doyle Hartman, Oil Operator  
Carolyn M. Sebastian, Landman  
Linda Land, Controller  
Don L. Mashburn, Engineer  
Steve Hartman, Engineer  
Cindy Brooks, Engineering Tech  
Sheila Potts, Geologist