

GALLEGOS LAW FIRM

A Professional Corporation

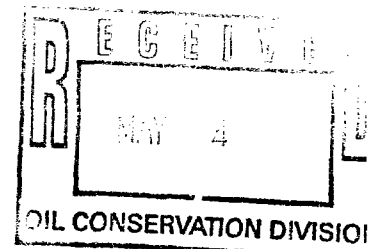
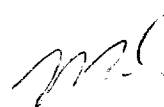
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May 24, 1996
(Our File No. 96-1.72)

MICHAEL J. CONDON

VIA TELECOPY

Thomas W. Kellahin
Kellahin & Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504-2265



Re: OCD Cases Nos. 11542 and 11529

Dear Tom:

I am in receipt of your fax of May 23, 1996. Frankly, we are rather disappointed and chagrined by Meridian's apparent refusal to fully participate in the settlement process we thought was ongoing. A settlement would affect not only the properties at issue in the above-referenced division cases, but would, if successful, obviate the need for any division hearing on these matters. I am concerned that your letter indicates an intent on the part of Meridian to scuttle the negotiation process in violation of the Division's policy preference favoring informal resolution of these types of disputes.

Let me take a moment to document the record and refresh your recollection regarding the history behind the parties' ongoing discussions. On March 15, 1996, Mr. Hartman wrote Meridian proposing a property swap which would involve, inter alia, the properties at issue in the Seymour and Britt applications which are referenced above. As you know, other properties were also involved. We heard nothing from Meridian until April 29, 1996, some forty-five (45) days later. Meridian's proposal raised several questions which Mr. Hartman attempted to clarify by his letter to Leslyn Swierc dated May 3, 1996, five (5) days after receipt of Ms. Swierc's April 29 letter. Ms. Swierc did not respond to Mr. Hartman's May 3 letter until May 13, 1996. At that point in time, Ms. Swierc sent Mr. Hartman a response by regular mail, not by fax or hand delivery. Her letter was not received by Mr. Hartman until May 20, 1996. It is that letter, the proposal outlined therein, and the responses to Mr. Hartman's previous questions, which Mr. Hartman is now evaluating in connection with a possible settlement. Mr. Hartman also had to prepare for and attend Meridian's lease sale in Midland this week.

In my letter of May 21, 1996, I requested that Meridian extend the May 24 deadline Ms. Swierc had articulated in her May 13, 1996 letter in light of the fact that seven (7) days were wasted in the mailing process. Your letter does not address that request. Instead, your letter seems to indicate that Meridian may not have any further

interest in pursuing settlement negotiations even though a settlement would resolve the dispute between Meridian and Hartman regarding both the Britt and Seymour leases which are the subject to the referenced applications. I am at a loss to understand why Meridian would prefer to press on with a force pooling hearing while negotiations are ongoing with Mr. Hartman regarding the very property at issue in the application. Is this a negotiating tactic?

You refiled the Seymour application on April 29, 1996 and requested at that time that the matter be scheduled for Examiner Hearing on May 30, 1996. As of April 29, you were aware that Bill Carr, who represents Four Star Oil & Gas Company, a party directly affected by Meridian's Seymour application and who fully participated in the proceeding Division hearing on Meridian's Seymour application, would be out of town on May 30. I have seen no indication that Four Star has agreed with Meridian's force pooling proposal, and Mr. Carr has indicated to me, and I understand to you also, that he and Four Star plan to fully participate in and oppose any application for force pooling which Meridian pursues in this case.

Notwithstanding your knowledge that Mr. Carr will not be in Santa Fe on May 30, 1996, you requested that the Seymour application be set for May 30. I can only interpret your letter as representative of another Meridian bullying tactic. You will recall that I agreed to a continuance of the May 16 Britt hearing at your request when you indicated that you would be out-of-town on that date attending your son's graduation in Austin, Texas.

It is my firm belief that the interests of the parties, as well as the resources of the Division, will all be best served and conserved by a continuance of the Seymour application to the June 13, 1996 docket. By copy of this letter to the Division, I am requesting such a continuance. I will look forward to your prompt response.

Very truly yours,

GALLEGOS LAW FIRM, P.C.

By 
MICHAEL J. CONDON

MJC:sa

cc: William J. LeMay (hand-delivered)
Michael Stogner (hand-delivered)
Rand Carroll (hand-delivered)
fx: Doyle Hartman
Carolyn Sebastian
ioc: J.E. Gallegos