

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

January 7, 1993

Leslyn Swierc
Meridian Oil Company
3300 North "A" Street, Building Six
P.O. Box 51810
Midland, TX 79705-5406

Re: 3,700' Oil Test
S/2NE/4 Section 15, T-26-S, R-37-E

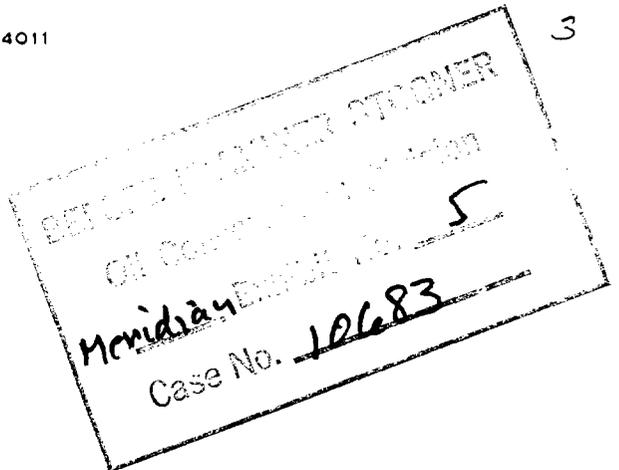
Dear Ms. Swierc:

Reference is made to your first well proposal to us of December 30, 1992 (received by us on December 31, 1992), corresponding to the drilling of a Rhodes Pool (Yates-Seven Rivers) well as to the presently undedicated 160 acres consisting of the NE/4 Section 15, T-26-S, R-37-E.

In your letter to us of December 30, 1992, you stated that Meridian was the owner of 100% of the leasehold interest as to the S/2NE/4 Section 15, T-26-S, R-37-E. A check of the leasehold estate corresponding to the S/2NE/4 Section 15, T-26-S, R-37-E, shows the S/2NE/4 Section 15, T-26-S, R-37-E, from the surface to 3,500' subsurface, to be owned, as to oil and casinghead gas rights, by Doyle Hartman and James A. Davidson, et al (Hartman Group). As to the S/2NE/4 Section 15, from the surface to a depth of 3,500' subsurface, the operating rights that are owned by the Hartman Group (and as depicted in Book 487, Page 688 of the Lea County records) were created

"under and by virtue of that certain Operating Agreement dated November 30, 1944, between Stanolind Oil and Gas Company and R. Olsen Oil Company, and that certain Sub-Lease of Oil and Gas Lease and Operating Agreement dated June 1, 1955, between Anderson-Prichard Oil Corporation and R. Olsen Oil Company, insofar as said Sub-Lease of Oil and Gas Lease and Operating Agreement relates to the following described oil and gas lease:

Oil and Gas Lease, dated July 29, 1937, being a "b" lease, issued by the Secretary of the Interior of the United States to R. Olsen Oil Company and Anderson-Prichard Oil Corporation, recorded in Book 33, Page 587,



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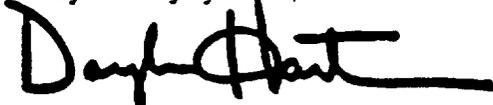
Leslyn M. Swierc, Petroleum Landman
Meridian Oil Company
January 7, 1993
Page 3

right (but not an obligation) to purchase any newly drilled Hartman well, for an amount equal to the actual drilling and completion cost incurred by Hartman, if the newly drilled Hartman well "is capable of producing gas only".

Also, in the event of a well "capable of producing gas only", we are agreeable to working out an arrangement whereby the entire 160 acres consisting of the NE/4 Section 15 can be dedicated to the newly drilled dry gas well. However, until we have had the opportunity to fully evaluate the oil and casinghead gas potential of the leasehold estate owned by Hartman and Davidson, et al, in the S/2NE/4 Section 15, we are not agreeable to contributing our ownership in the S/2NE/4 Section 15 nor in the NW/4NE/4 Section 15 to a 3,200' test to be drilled in the NE/4NE/4 Section 15.

So as to keep you fully informed as to our plans corresponding to the S/2NE/4 Section 15, we are enclosing for your review a copy of an AFE corresponding to our newly proposed well and we will also keep you informed as work corresponding to our proposed 3,700-foot oil test progresses. If you have any other questions at this time, please do not hesitate to promptly contact us.

Very truly yours,



Doyle Hartman

enclosures (3)

rcp
wp51\corresp.dh\rhodes.mer

cc: State of New Mexico
Energy, Mineral and Natural Resources Department
New Mexico Oil Conservation Division
State Land Office Building
Old Santa Fe Trail (87504)
P.O. Box 2088
Santa Fe, NM 87501
Attn: Jerry Sexton, Supervisor of District 1

State of New Mexico
Energy, Mineral and Natural Resources Department
New Mexico Oil Conservation Division
State Land Office Building
Old Santa Fe Trail (87504)
P.O. Box 2088
Santa Fe, NM 87501
Attn: Michael Stogner, Engineer

MERIDIAN OIL

First Notice to Participate
Gregory "B" No. 2 Well
NE/4 NE/4 Sec. 15
T-26-S, R-37-E

December 30, 1992

Ms. Carolyn Sebastian
Doyle Hartman Oil Operator
500 N. Main St.
Midland, Texas 79701

Buts Lease

Re: Well Proposal/Farmout Request
Gregory B #2
990' FNL & 660' FEL Section 15
T26S, R37E
Lea County, New Mexico

Dear Carolyn:

Meridian Oil Inc. is proposing the drilling of the captioned well to be located in the NE/4 NE/4 Section 15 which will require a 160 acre proration unit. El Paso Production Company (Meridian) owns 100% of the leasehold in the NE/4 NE/4 and S/2 NE/4 Section 15. A cursory examination of the county records indicate that Doyle Hartman owns 100% of the leasehold in the NW/4 NE/4 Section 15 from the surface to 4200 feet.

In order to comply with the standard 160 acre proration as prescribed by the NMOCD, Meridian requests that Doyle Hartman join in the drilling of this 3200' Yates & Seven Rivers development well by committing his 40 acres to a 160 acre drilling unit. An AFE is enclosed for your review and execution. Upon receipt of an approved AFE, a Joint Operating Agreement will be prepared to govern operations of said well.

In the alternative to participating in the Gregory B #2, Meridian requests that Doyle Hartman farmout his 100% working interest in the NW/4 NE/4 Section 15, delivering an 80% net revenue interest.

DOYLE HARTMAN
OIL OPERATOR
500 N. MAIN ST.
MIDLAND, TEXAS 79701

DEC 31 1992

Midland Region
P.O. Box 51810
Midland, Texas 79710-1810
(915) 688-6800

Date: _____
AFE No.: _____

**MERIDIAN OIL INC.
AUTHORITY FOR EXPENDITURE**

Lease/Well Name: Gregory "B" No. 2 DP No.: 28813A
Field/Prospect: Rhodes (Gas) Lease No.: 012851400
Location: 990' FNL & 660' FEL, Sec. 15, T26S-R37E County: Lea State: New Mexico
AFE Type: Development (01) Original Supplement Addendum Cost Center
API Well Type: Development (06) Operator: Meridian Oil Inc.
Objective Formation: Yates & Seven Rivers Authorized Total Depth (Feet) 3200
Project Description: Drill and complete new gas well

Est. Start Date: 07/15/92
Est. Completion Date: 07/29/92

Prepared By: Tom O'Donnell

GROSS WELL COST DATA

	DRILLING		WORKOVER	CONSTRUCTION	TOTAL
	DRY HOLE	SUSPENDED	COMPLETION	OR FACILITY	
DAYS:	6	6	6	2	14
THIS AFE:	95,200	122,800	114,000	47,000	283,800
PRIOR AFE's:					
TOTAL COSTS:	\$95,200	\$122,800	\$114,000	\$47,000	\$283,800

JOINT INTEREST OWNERS

COMPANY	WORKING INTEREST PERCENT %	NET \$ EXPENDITURES	
		DRYHOLE \$	COMPLETED \$
<u>Doyle Hartman</u>	<u>25.00000</u>	<u>23,800</u>	<u>70,950</u>
<u>MERIDIAN OIL INC.:</u>	<u>75.00000</u>	<u>71,400</u>	<u>212,850</u>
AFE TOTAL:	100.00000%	\$95,200	\$283,800

MERIDIAN OIL APPROVAL

Recommended: _____ Date: _____ Recommended: _____ Date: _____
Recommended: _____ Date: _____ Approved: _____ Date: _____
Recommended: _____ Date: _____ Title: _____

PARTNER APPROVAL

Company Name: _____ Authorized By: _____
Date: _____ Title: _____

Hartman Group Ownership
S/2 NE/4 Sec. 15, T-26-S, R-37-E
(Excerpt from that certain stipulation dated 1-2-86)

BOOK 167 PAGE 608

TRACT 59 - GREGORY LEASE

A-2

All operating rights under the

South Half of the Northeast Quarter (S/2 NE/4) and the Northwest Quarter of the Northwest Quarter (NW/4 NW/4) of Section 15, Township 26 South, Range 37 East, Lea County, New Mexico, to a depth of 3500 feet below the surface of the soil,

said operating rights being created under and by virtue of that certain Operating Agreement dated November 30, 1944, between Stanolind Oil and Gas Company and R. Olsen Oil Company, and that certain Sub-Lease of Oil and Gas Lease and Operating Agreement dated June 1, 1955, between Anderson-Prichard Oil Corporation and R. Olsen Oil Company, insofar as said Sub-Lease of Oil and Gas Lease and Operating Agreement relates to the following described oil and gas lease:

Oil and Gas Lease, dated July 29, 1937, being a "b" lease, issued by the Secretary of the Interior of the United States to R. Olsen Oil Company and Anderson-Prichard Oil Corporation, recorded in Book 33, Page 587, of the Oil and Gas Records of the Office of the County Clerk of Lea County, New Mexico, said lease bearing Serial No. Las Cruces 032510(b),

subject to the following:

- (1) Contract dated July 16, 1936, between Stanolind Oil and Gas Company, grantor, and Uscan Oil Company and Anderson-Prichard Oil Corporation, grantees, providing, among other things, for the payment to Stanolind Oil and Gas Company of \$500,000.00 payable from gross proceeds of the sale, disposal or utilization of 1/16th of the oil, casinghead gas and other hydrocarbon substances produced from the above described and other lands, as amended by Contract dated November 16, 1938, between Anderson-Prichard Oil Corporation, R. Olsen Oil Company and The W-K Royalty Company, parties of the first part, and Stanolind Oil and Gas Company, party of the second part.
- (2) An overriding royalty interest of 1/64th of the total production of oil, casinghead gas and similar hydrocarbons except dry gas and residue gas in favor of A. K. Barnes and assigns.
- (3) Contract dated May 31, 1939, between Anderson-Prichard Oil Corporation, R. Olsen Oil Company and The W-K Royalty Company, as oil operator and Stanolind Oil and Gas Company, as gas operator, which provides, among other things, that gas operator shall have the right to purchase and thereafter own and operate wells capable of producing gas only.

The fractional share of the oil, casinghead gas and other liquid hydrocarbons produced from the above described land above 3500 feet owned by Assignor is .796875.

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OWNERSHIP:

Hartman Group 1001