

Central Resources, Inc.
1775 Sherman Street, Suite 2600, Denver, CO 80203
Phone (303) 830-0100 Fax (303) 830-9297

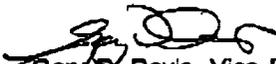
FACSIMILE TRANSMISSION

DATE: October 19, 1995
TO: Director, NMOCD
FROM: GARY DAVIS, CENTRAL RESOURCES, INC.
RECEIVING FAX NUMBER: 605/827-8177
SENDING FAX NUMBER: 303/830-9297
TOTAL PAGES (INCL. COVER): 4

MESSAGE: Dear Director,

The accompanying letters pertain to a force pooling hearing on today's docket brought by Medallion Production Company. These should be retained for the file. You will note that Medallion indicates that this matter should have been dismissed by their attorney so that a hearing is unnecessary.

Yours truly,


Gary B. Davis, Vice President
Business Development

DK
CASE FILE
11410

IN CASE OF TRANSMISSION DIFFICULTIES, CONTACT SENDER AT 303/830-0100.

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CENTRAL

RESOURCES, INC.

VIA FACSIMILE (918) 488-8182

October 18, 1995

Mr. Rock Quinn, Senior Landman
Medallion Production Company
7130 South Lewis Ave., Suite 700
Tulsa, OK 74136

Subject: Response to Farmout Request
S/2 Section 20, T15S, R28E
Chaves County, New Mexico

Dear Mr. Quinn,

This letter serves to memorialize our telephone conversation of October 17, 1995 wherein I committed to you verbally that Central Resources, Inc. ("Central") will agree to farm out certain lands to Medallion Production Company ("Medallion") under the following general terms:

1. All of Central's Operating Rights, insofar and only insofar as Central is capable of delivering such rights to Medallion, in the above-referenced lands, to a depth of 9,200 feet or adequate to test the Pennsylvanian Morrow formation.
2. Central will deliver a net revenue interest lease of 75.0% to Medallion, retaining an overriding royalty interest amounting to the difference between 25.0% and existing burdens, proportionately reduced.
3. Central will have the right, but not the obligation, at payout to convert its overriding royalty interest to a 25.0% working interest, proportionately reduced.
4. Medallion must establish production of hydrocarbons in paying quantities for a consecutive period of not less than 90 days to earn assignment, without warranty of title, from the surface to the depth described in #1 hereinabove.
5. If commercial hydrocarbon production is established, Central and Medallion will execute a mutually-acceptable Joint Operating Agreement in a timely manner.

Central will complete a formal farmout agreement and forward it to Medallion for execution, which agreement will supersede this letter.

Neither this letter, nor the forthcoming farmout agreement, obligates Central in any way to cure any title defects on behalf of Medallion. Central's intent is to seek reassignment of its operating rights from Matador Petroleum, who owes Central such a reassignment by virtue of the prior agreement between Matador and Central (which granted Matador assignment of such operating rights in return for specific performance, i.e. continuously

drilling on certain lands). Central will not extend its agreement with Matador.

A copy of this letter will be forwarded via fax to the New Mexico Oil and Gas Commission to indicate that Central has complied with Medallion's request to farmout or participate in the drilling of a Morrow well. In the event this does become an issue, please note that Central was not permitted 30 days to make its election in response to Medallion's Authority for Expenditure whether or not to join the well as stipulated in the governing Joint Operating Agreement.

Please note that Central has changed its address as shown in the letterhead and update your records to reflect this change.

Yours truly,



Gary D. Davis, Vice President
Business Development

fc: New Mexico Oil & Gas Commission



**Medallion
Production**

Medallion Production Company
7130 South Lewis Avenue
Suite 700
Tulsa, Oklahoma 74136
918 486-8282 Telephone
918 486-8182 Fax

October 19, 1995

SENT VIA FAX ONLY TO (303) 830-9297

Mr. Gary D. Davis
Central Resources, Inc.
2600 Mellon Center
1775 Sherman Street
Denver, CO 80203-4313

RE: S/2 Section 20-158-28E
Chaves County, NM

Dear Mr. Davis:

Thank you for your letter of October 18th confirming your intent to farmout in the captioned area. The letter incorrectly referenced the subject area as being located in Range 20 East rather than Range 28 East. In preparing the formal farmout agreement, please be sure that the lands are properly referenced as in the caption hereof.

Accordingly, I have instructed our attorneys to dismiss Medallion's application for compulsory pooling docketed for October 19th.

Very truly yours,



Rock A. Quinn
Senior Landman

RAQ:rkw

centralres