

**DOYLE HARTMAN**

*Oil Operator*

3811 TURTLE CREEK BLVD., SUITE 730

DALLAS, TEXAS 75219

(214) 520-1800

(214) 520-0811 FAX

January 30, 1996

**VIA: FEDERAL EXPRESS**

Alan Alexander, Senior Land Advisor  
Meridian Oil, Inc.  
3535 East 30th Street  
Farmington, New Mexico 87402-8891

RECEIVED

JAN 11 1996

Oil Conservation Division

Re:

Proposed Infill Well:  
Seymour #7A  
E/2 Section 23, T-31-N, R-9-W  
San Juan County, New Mexico

Gentlemen:

We are in receipt today of Meridian's letter to us dated January 25, 1996 (copy enclosed), regarding Meridian's proposed Seymour No. 7A Mesa Verde infill gas well to be located in the E/2 Section 23, T-31-N, R-9-W, San Juan County, New Mexico.

Although your January 25, 1996 letter to us you made several representations regarding the position of the NMOCD pertaining to the proposed Seymour No. 7A well, your letter contained no actual documentation of what you purport to be the NMOCD's official position on this matter.

So as to set the record straight, it is not our position that the NMOCD cannot authorize the drilling of an infill well on the subject 320 acre tract. We fully recognize that the NMOCD has the authority, through the issuance of infill orders, to authorize the drilling of infill wells, but, contrary to your letter, and absent supporting case law to the contrary, I do not believe that the NMOCD has the authority to modify or nullify, for the benefit of Meridian, a valid existing operating agreement between the various owners of the E/2 Section 23. Therefore, as to any infill well that the NMOCD authorizes Meridian to drill in the E/2 Section 23, such newly authorized well still must be drilled in accordance with the accounting and penalty provisions of the valid and binding 1953 Operating Agreement covering the entire E/2 Section 23.

If Meridian desires to proceed with the drilling of it's proposed infill well in accordance with the terms of the subject 1953 operating agreement covering the E/2 Section 23, we have no objection whatsoever with Meridian immediately proceeding with the drilling of it's proposed Seymour No. 7A infill well.

However, if Meridian does not wish to proceed with the drilling of it's proposed infill well in accordance with the terms of the currently valid 1953 Operating Agreement, we respectfully request that Meridian promptly furnish us with sufficient engineering, geological, and economic information to justify the drilling of the subject well. If, after Meridian has furnished the requested information, we do not desire to participate in the drilling of the subject well, we will be more than willing to attempt to negotiate with Meridian a voluntary agreement that will make Meridian more comfortable about proceeding with the drilling of it's proposed infill well.

Very truly yours,

DOYLE HARTMAN



Doyle Hartman

DH/jb

Enclosure

wd2:ocd1307A-7

cc: Mr. Michael Stogner  
New Mexico Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Mr. Gene Gallegos  
Gallegos Law Firm  
460 St. Michaels Drive  
Building 300  
Santa Fe, New Mexico 87505

William J. LeMay, Director  
Energy & Minerals Department  
Oil Conservation Division  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

Michael Condon  
Gallegos Law Firm  
460 St. Michaels Drive  
Building 300  
Santa Fe, New Mexico 87505

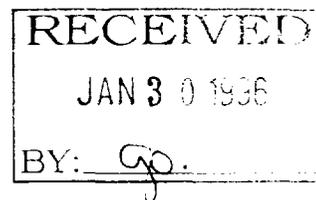
Mr. James A. Davidson  
P.O. Box 494  
Midland, Texas 79702

Mr. Don Mashburn  
500 North Main  
Midland, Texas 79702

Mr. Steve Hartman  
500 North Main  
Midland, Texas 79702

via Certified Mail

January 25, 1996



Mr. Doyle Hartman  
3811 Turtle Creek Blvd., Ste. 730  
Dallas, TX 75219

**RE: Infill Mesaverde Well Proposal  
Seymour #7A Well  
E/2 Sec. 23, T31N, R9W  
San Juan County, New Mexico**

Dear Mr. Hartman:

On behalf of Meridian Oil Inc., and in accordance with the decision made on January 12, 1996, by Examiner Michael E. Stogner of the New Mexico Oil Conservation Division in Case 11434, I wish to provide you with an additional opportunity to participate on a voluntary basis (either join or non-consent) in the Mesaverde Infill Well for the referenced spacing unit which was proposed by my letter to you dated October 31, 1995.

As your attorney may have told you, the Division rejected your argument that the 1953 Operating Agreement precluded the Division from exercising compulsory pooling authority but accepted your argument that you had not been provided sufficient time to accept Meridian's October 31, 1995 proposal. Examiner Stogner has directed that the parties shall have until March 11, 1996 to reach a voluntary agreement and if not, then the Division will resolve this matter pursuant to its compulsory pooling authority.

If you now agree with our proposal, please execute the JOA submitted by letter dated October 31, 1995 and return to my attention two (2) executed signature pages with acknowledgments, along with your signature on our proposed AFE.

In the alternative, if you disagree with our proposal, we would appreciate receiving your complete response no later than February 15, 1996 so that we will have sufficient time to study your response and to reply before the March 11, 1996 deadline. Your attorney advised the Division that he intended to call Mrs. Dana Delventhal as an expert witness on your behalf concerning Meridian's proposal AFE and the risk involved in this well. While we provided your attorney with a copy of all of our proposed exhibits, we were not provided with any of yours. Accordingly, we would appreciate you providing us with a copy of your proposed exhibits including those of Mrs. Delventhal, so that we may consider and reply to any objections you have to our well proposal.

If you have any questions, please do not hesitate to call me at (505) 326-9757.

Very truly yours,

A handwritten signature in cursive script that reads "Alan Alexander".

Alan Alexander  
Senior Land Advisor

AA/cj  
NM-9435