



Texaco Exploration
and Production Inc
Denver Division

P O Box 2100
Denver CO 80201
4601 DTC Boulevard
Denver CO 80237

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 21, 1995

Meridian Oil, Inc.
P.O. Box 4289
Farmington, New Mexico 87499-4289

Attention: Mr. Alan Alexander

NM744529, NM750381
E/2-Section 23-31N-9W
San Juan County, New Mexico
Proposed Seymour #7A Well

Dear Alan,

Four Star Oil and Gas Company is in receipt of Meridian's application for compulsory pooling dated November 8, 1995 (received November 13, 1995) covering the captioned well. Additionally, Four Star Oil and Gas Company is in receipt of Meridian's proposal dated October 31, 1995 (received November 6, 1995) for the drilling of said well.

As you are aware, Meridian originally proposed this well on January 27, 1993. Texaco responded on March 19, 1993 with requested changes to the proposed Operating Agreement as presented by Meridian. Meridian, following up with their letter of April 12, 1993, asked for a response from all parties and only mentioned the fact that Texaco had requested changes to the Operating Agreement. The requested changes to the Operating Agreement were never addressed. Once again, on September 2, 1993, Meridian requested a response from all parties. Texaco responded on September 30, 1993 indicating that at that time, this well did not meet Texaco's economic requirements. Please note that our files do not indicate Meridian attempted to discuss a farmout, trade or sale pursuant to Texaco's decision not to participate in the drilling of said well.

Four Star Oil and Gas Company (successor in interest to Texaco) has recently received Meridian's "new" proposal dated October 31, 1995. Once again, it should be noted that none of the changes to the Operating Agreement originally requested by Texaco in 1993 have been addressed.

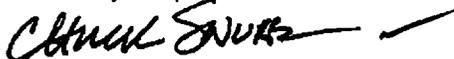
Although Four Star Oil and Gas Company appreciates the fact that Meridian wishes to drill this well in a timely manner, you should be aware that Four Star Oil and Gas Company is currently evaluating this new proposal and that Four Star Oil and Gas Company intends to respond in a timely manner. However, the fact that Meridian has chosen to initiate compulsory pooling

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proceedings immediately after sending out their new proposal without attempting to contact all parties (except for the proposal dated October 31, 1995), only works to undermine the cooperation needed for all parties involved. In fact, it appears that pursuant to that certain Operating Agreement dated April 10, 1953 governing all operations on this property (E/2 of Section 23-31N-9W, San Juan County, New Mexico as to the Mesaverde formation), Meridian is precluded from force pooling any party subject to said agreement. Unless amended, modified or terminated by the mutual consent of all parties and as long as the Communitization Agreement covering this property remains in force and effect, the 1953 Operating Agreement shall continue to govern all operations on this property.

Four Star Oil and Gas Company does not recognize Meridian's application for compulsory pooling as being valid. Please feel free to furnish Four Star Oil and Gas Company with documentation in support of your position should you not be in agreement with the ~~stated~~ ~~mentioned~~ ~~facts~~.

Yours very truly,



Chuck Snure
Rocky Mountain Business Unit

CAS:bw

cc: William J. LeMay, Director
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