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OIL CONSERVATION DIVISION  
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**DOYLE HARTMAN**  
*Oil Operator*  
3811 TURTLE CREEK BLVD., SUITE 730  
DALLAS, TEXAS 75219  
\_\_\_\_\_  
(214) 520-1800  
(214) 520-0811 FAX

VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED  
AND FACSIMILE

November 15, 1995

Meridian Oil  
P.O. Box 4289  
Farmington, NM 87499-4289

*Case 11434*

Attn: Alan Alexander  
Senior Land Advisor

Re: 320-acre Seymour #7 Blanco Mesa Verde P.U.  
San Juan County, New Mexico  
E/2 Section 23, T-21-N, R-9-W  
Proposed Mesa Verde Infill Well

Gentlemen:

Reference is made to the captioned matter.

This will acknowledge receipt of and thank you for the following:

- 1) Certified Mail, Return Receipt Requested Meridian letter dated October 31, 1995 (received November 6, 1995) with proposed new JOA and AFE attached for the drilling of a Seymour #7A Mesa Verde infill well.
- 2) Certified Mail, Return Receipt Requested copy of letter dated November 8, 1995 (received November 13, 1995) from Kellahin and Kellahin addressed to William J. LeMay, Director, Oil Conservation Division pertaining to application of Meridian Oil, Inc. for Compulsory Pooling and Unorthodox Gas Well Location for Meridian's proposed Seymour #7A well.

A review of our files has produced several versions of operating agreements (but only one fully executed agreement) corresponding to the Seymour No. 7 320-acre Mesa Verde gas proration unit,

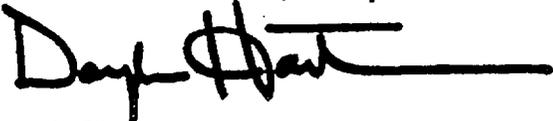
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with the fully executed agreement being the original 1953 operating agreement by and between Southern Union Gas Company, as Operator, and Skelly Oil Company, as Non-operator, dated April 10, 1953, as amended December 1, 1987. Therefore, it appears to us that we are subject to the 1953 agreement and if we are indeed subject to said 1953 agreement, such agreement between the parties does not contractually allow for the drilling of additional wells without the overriding mutual consent of all parties and obviously does not contain non-consent and corresponding penalty provisions. In light of the foregoing, since a binding contractual agreement between the parties is in place which defines the extent of the permitted joint development by the parties, force-pooling is not applicable and Meridian, as Operator, if it proceeds with the drilling of the Seymour #7A, is doing so at its own risk and, without our approval, shall be carrying (free of cost to us) our 12.75% working interest in and under same, being that we are contractually entitled to our proportional share of all production from the 320-acre proration unit.

If you are not in agreement that Hartman is covered by the 1953 Operating Agreement, please furnish this office with a fully executed copy of what you believe to be the current Operating Agreement between Meridian and Hartman as to the 320-acre Seymour No. 7 Mesa Verde proration unit while also providing proper documentation to back up your opinion. Additionally, please furnish any and all amendments thereto. Until Doyle Hartman is in receipt of substantiating documentation in this regard, Doyle Hartman is not subject to any constraints imposed by letter notices of October 31, 1995 and November 8, 1995 referred to hereinabove. Moreover, as previously discussed, this is a contractual matter and not a compulsory pooling matter and such proposed action and application by Meridian clearly amounts to an improper attempt by Meridian to circumvent an existing and binding contract that defines the original development intent of the parties, which intent provided that only one well would be drilled on the subject 320-acre Mesa Verde gas proration unit (VI-1 & 4 and XIII: "the well"). After the original well or any mutually-agreed-to wells cease to produce in paying quantities, the Communitization Agreement and Operating Agreement shall expire under their own terms, however not before this condition is met or earlier by mutual consent of all parties.

Very truly yours,

DOYLE HARTMAN, Oil Operator

A handwritten signature in black ink, appearing to read "Doyle Hartman", with a long horizontal line extending to the right.

Doyle Hartman

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cc: William J. LeMay, Director  
Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, NM 87505  
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W. Thomas Kellahin  
Kellahin and Kellahin  
P.O. Box 2265  
Santa Fe, NM 87504-2265  
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Texaco Exploration and Producing Inc.  
P.O. Box 46555  
Denver, CO 80201-6555

Williams Production Company  
P.O. Box 58900  
Salt Lake City, UT 84158-0900