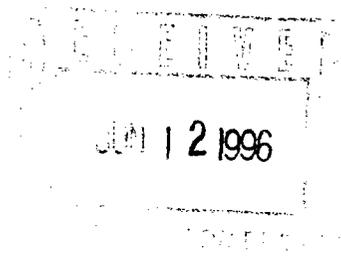


DOYLE HARTMAN

Oil Operator

500 NORTH MAIN
P.O. BOX 10426
MIDLAND, TEXAS 79702

(915) 684-4011
(915) 682-7616 FAX



Via Facsimile and Hand-Delivery

June 7, 1996

Case 11476

Meridian Oil Inc.
3300 N. A Street, Building 6
P.O. Box 51810
Midland, TX 79710-1810

Attn: Leslyn M. Swierc, CPL
Senior Staff Landman

Re: Final Settlement of the Meridian-Hartman
Rhodes, Britt and Seymour Matters
Lea and San Juan Counties, New Mexico

Gentlemen:

Please find enclosed an executed original of Meridian's Settlement Proposal Letter dated May 13, 1996 corresponding to a final and complete settlement of the Rhodes, Britt and Seymour matters, which has been fully executed by both Doyle Hartman and James A. Davidson ("Hartman"). This executed agreement is delivered to Meridian subject only to the following necessary additional terms and conditions:

1. Meridian to promptly proceed to obtain final management approval and immediately advise Hartman in writing once approval has been obtained.
2. Meridian to waive any and all requirements that makes Meridian's May 13, 1996 Settlement Proposal Letter between Meridian and Hartman subject to the prior approval of the NMFU (Conoco, Amoco, ARCO, Chevron). Meridian's May 13, 1996 Settlement Proposal Letter pertains to a settlement between Hartman and Meridian and cannot be successfully accomplished if four separate major oil companies (who are not parties to the Meridian-Hartman agreement) are allowed to exercise veto control or delay, for an indefinite period of time, the consummation of a Meridian-Hartman settlement.

Meridian Oil Inc.

June 7, 1996

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3. In the interest of saving valuable time, but subject to our quick two-day review and approval, Meridian's currently existing accounting information to be utilized for the purpose of establishing the magnitude of all gas production imbalances and net monies owing corresponding to the H.M. Britt Nos. 3 and 12 wells. Upon completion of the above referenced review and approval, we are willing to stipulate that Meridian's accounting as to the Britt Nos. 3 and 12 wells has been performed in good faith and reasonably represents all imbalances and/or net monies that are owing at this time as to the H.M. Britt Nos. 3 and 12 wells.
4. In the event the NMFU Partners are in receipt of net monies owing to Hartman corresponding to the H.M. Britt Nos. 3 and 12 wells, Hartman shall assume responsibility for collecting from the NMFU Partners such net monies that may be owed to us by the NMFU. Likewise, if net monies are presently owing by Meridian to the NMFU Partners, Meridian shall release any and all such NMFU funds to Hartman for immediate placement in a separate clearly earmarked escrow account for proper disbursement to and settlement with the NMFU. Thereafter, Hartman shall settle with each of the NMFU Partners and shall hold Meridian harmless and free from any liability whatsoever in this regard.
5. Meridian to agree to the foregoing procedure within seven (7) days from date of receipt of this letter and to close the herein contemplated transaction within fifteen (15) days from the date of this letter.

In consideration of the very significant amount of time that the H.M. Britt matter has already taken and, for the following additional reasons, it is imperative that a resolution of pending issues between Meridian and Hartman be promptly reached.

- 1) Today, we received Phillip's proposed farmout agreement corresponding to the drilling by Hartman and Davidson of an infill Eumont gas well on the 160-acre Hobbs lease consisting of the SW/4 Section 18, T-20-S, R-37-E, which agreement presently contains a short time fuse and mandates the immediate completion of Meridian's May 13, 1996 settlement proposal.
- 2) Offset Eumont drainage is presently occurring corresponding to the H.M. Britt lease and an agreement between Meridian and Hartman needs to be consummated at this time in order to minimize such drainage.
- 3) Offset drainage is also occurring corresponding to the Hartman/Texaco Dublin-Rhodes 160-acre Rhodes pool gas spacing unit and Texaco is insisting that a Rhodes gas well be promptly commenced in the SW/4 Section 23, T-26-S, R-37-E.

Meridian Oil Inc.

June 7, 1996

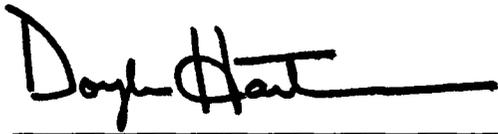
Page 3

- 4) The remaining presently pending NMOCD hearing matters between Hartman and Meridian also need to be promptly and amicably resolved and removed from the NMOCD's current hearing docket.

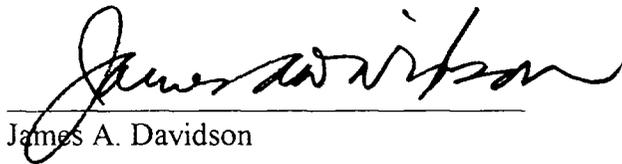
Therefore, in recognition of the foregoing, please let us hear from you within the time period specified herein.

Yours very truly,

DOYLE HARTMAN, Oil Operator



Doyle Hartman



James A. Davidson

ACCEPTED AND AGREED TO this _____ day of _____, 1996.

MERIDIAN OIL INC.

By: _____

Title: _____

Meridian Oil Inc.

June 7, 1996

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enclosure (1)

cc: James A. Davidson
214 W. Texas, Suite 710
Midland, TX 79701

Hunter Malson, V.P., Operations
Meridian Oil Production, Inc.
3300 North A Street, Building Six
P.O. Box 51810
Midland, TX 79710-1810

NMOCD
2040 S. Pacheco
Santa Fe, NM 87505
Attn: William J. LeMay
Rand Carroll
Michael E. Stogner
w/o enclosure

The Honorable Anne K. Bingaman
U.S. Department of Justice
Antitrust Division, Room 3109
10th Street & Constitution Avenue, N.W.
Washington, DC 20530
w/o enclosure

Don W. Davis, Regional Landman
Meridian Oil Inc.
3300 N. A Street, Building Six
P.O. Box 51810
Midland, TX 79710-1810

Dennis E. Sledge, Area Manager
Meridian Oil Inc.
3300 N. A Street, Building Six
P.O. Box 51810
Midland, TX 79710-1810

Meridian Oil Inc.

June 7, 1996

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Randy Mundt, Executive V.P., Land
Meridian Oil Inc.
5051 Westheimer, Suite 1400 (77056-2124)
P.O. Box 4239
Houston, TX 77210-4239

James Buchanan, Senior V.P., Operations
Meridian Oil Inc.
5051 Westheimer, Suite 1400 (77056-2124)
P.O. Box 4239
Houston, TX 77210-4239

Phillips Petroleum Company
4044 Penbrook
Odessa, TX 79762
Attn: J.S. Welin, Land Director
Paul Hall, Contract Landman
w/o enclosure

Conoco, Inc.
10 Desta Drive, Suite 100w
Midland, TX 79705-4500
Attn: W.L. Brignon
Laura Miller
Mim James
David Strople
Warren Richardson
w/o enclosure

James E. Baca
Chevron USA Inc.
P.O. Box 1150
Midland, TX 79710
w/o enclosure

Meridian Oil Inc.
June 7, 1996
Page 6

Chevron USA Inc.
1301 McKinney (77010)
P.O. Box 1635
Houston, TX 77252
Attn: Patrick S. Hobin
C.S. Branstetter
Cory Woolington
Robert Sample

ARCO Oil & Gas Company
P.O. Box 1610
Midland, TX 79702-1610
Attn: A.J. Best
John E. Lodge
Lee M. Scarborough
w/o enclosure

Amoco Production Company
P.O. Box 3092
Houston, TX 77253
Attn: Jerry D. West
Len E. Engstrom
w/o enclosure

Apache Corporation
2000 Post Oak Blvd., Suite 100
Houston, TX 77056-4400
Attn: Zurab Kobiashvili
Deborah Pruitt
Scott Bell
Stuart Scharborough
w/o enclosure

W. Thomas Kellahin
Kellahin & Kellahin
117 N. Guadalupe (87501)
P.O. Box 2265
Santa Fe, NM 87504
w/o enclosure

Meridian Oil Inc.

June 7, 1996

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Gallegos Law Firm
460 St. Michaels Drive, Building 300
Santa Fe, NM 87505
Attn: J.E. Gallegos
Michael E. Condon
w/o enclosure

Doyle Hartman, Oil Operator
Carolyn M. Sebastian, Landman
Linda Land, Controller
Don L. Mashburn, Engineer
Steve Hartman, Engineer
Cindy Brooks, Engineering Tech
Sheila Potts, Geologist