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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION RECOGNIZED SPECIALIST IN THE AREA OF NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

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May 13, 1996

HAND DELIVERED

Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: MOTION TO DISMISS
NMOCD Case 11529
Application of Doyle Hartman et al for Compulsory Pooling, for Amendment of Order R-5448, for Compensation Pursuant to the Oil & Gas Proceeds Payment Act and other relief, Lea County, New Mexico

Gentlemen:

On behalf of Meridian Oil Inc., an adversely affected interest owner, please find enclosed our MOTION TO DISMISS the referenced case. This case is currently set for hearing on the Examiner's Docket scheduled for May 30, 1996.

Very truly yours,

W. Thomas Kellahin

hand delivered:
Rand Carroll, Esq.
Attorney for NMOCD

Michael Condon, Esq.
Attorney for Doyle Hartman

cc: Meridian Oil Inc.
Attn: Don Davis

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF DOYLE HARTMAN, ET AL, FOR COMPULSORY POOLING, FOR AMENDMENT OF ORDER R-5448, FOR COMPENSATION PURSUANT TO THE OIL & GAS PROCEEDS PAYMENT ACT AND OTHER RELIEF, LEA COUNTY, NEW MEXICO

CASE NO. 11529

MOTION TO DISMISS

Comes now MERIDIAN OIL INC. ("Meridian"), by its attorneys, Kellahin and Kellahin, enters its appearance in this case as an interested party in opposition to the Applicant and moves the Division to dismiss this case for the following reasons:

(1) While Meridian has affirmative defenses which will bar Hartman from recovery, the Oil Conservation Division lacks jurisdiction to adjudicate claims made pursuant to the Oil and Gas Proceeds Payment Act, Section 70-10-1 to 70-10-5 NMSA (1978);

(2) That Hartman is attempting to have the Oil Conservation Division adjudicate his contractual dispute with certain companies for which the Division has no jurisdiction; and

(3) Hartman has violated Section 70-2-17(C) NMSA (1978) by instituting an application for compulsory pooling without submitting to Meridian Oil Inc. a specific well proposal and AFE;

(4) That Hartman is attempting to institute compulsory pooling within an existing spacing unit which is still subject to a valid and binding **DRILLING AND FARMING OUT CONTRACT** dated February 13, 1935 which provides a contractual means for the drilling of additional wells in the spacing unit and therefore precludes Hartman from utilizing the New Mexico Compulsory Pooling provision of the Oil & Gas Act, Section 70-2-17(C), because such a remedy is available only when the parties have not reached such a voluntary agreement;

(5) That Hartman's application is a collateral attack on a valid regulatory order of the Division, Order R-4558, which is still in full force and effect.

AND IN SUPPORT STATES:

(1) LOCATOR PLAT:

Hartman disputes certain matters within an existing 320-acre non-standard gas proration and spacing unit ("GPU") authorized by the Division and currently operated by Meridian Oil Inc. For convenience of identification, the 320-acre GPU consists of (a) a 200-acre tract consisting of the W/2NE/4, E/2NW/4 and NE/4SW/4 and (b) a 120-acre tract consisting of the W/2SE/4 and the SE/4SW/4 all within Section 7, T20S, R37E, Lea County, New Mexico. See Exhibit "A" attached.

(2) DRILLING AND FARMOUT CONTRACT:

The February 13, 1935 Drilling and Farmout Contract governs operations on the lands which controls the issues raised in Hartman's application with the Division.
See Exhibit "B" attached.

(3) HARTMAN'S TITLE DISPUTE IS WITH THE NMFU PARTNERS AND NOT WITH MERIDIAN

While Meridian is the current operator of the 320-acre GPU, it is not responsible for Hartman's title dispute with the NMFU Partners.

The 200-acre tract is owned by certain parties including the NMFU Partners which consists of Conoco, Inc. Amoco Production Company, Atlantic Richfield Company and Chevron USA Inc. The NMFU Partners have contractually agreed that all four NMFU Partners must unanimously agree to an assignment to a third party before that assignment is valid.

The NMFU Partners had assigned to Hartman interests in the MKA Lease which involves the 120-acre tract, but some of the NMFU Partners for some time took the position that that assignment did not include production from the Britt 3 Well and the Britt 12 Well which are physically located within the 200-acre tract but included along with the 120-acre tract in the 320-acre GPU. Hartman took the position that he was entitled to share in production from those two wells because those two wells were dedicated to the 320-acre GPU which included his interest in the 120-acre tract.

As is the custom and practice in the industry, it is essential that the selling parties (NMFU Partners) execute a transfer order which authorizes Meridian as operator to acknowledge that Hartman (as buyer) is entitle to receive proceeds/ production from these wells as of a certain date.

While Meridian as operator has never been responsible for recognizing or determine what interest, if any, Hartman had in the production, Meridian did attempt to facilitate a resolution of the dispute between Hartman and the NMFU Partners. By letter dated May 5, 1992, Meridian advised Mary Walta, attorney for Doyle Hartman, that in the event the NMFU Partners do not agree with Hartman, Meridian did not want to be caught in the middle of such a disagreement. See Exhibit "C" attached.

Hartman recognizes that his claim for revenues and joint interest billings attributable to his interest were predicated upon obtaining transfer orders from the NMFU Partners over whom Meridian has no control. See letter dated October 22, 1992 from Mary Walter, attorney for Doyle Hartman to Conoco concerning attempts to close on Hartman's interest. See Exhibit "D" attached.

By letter dated May 3, 1996, Meridian advised Michael Condon, attorney for Hartman, that Meridian was not responsible for resolving this dispute over production. See Exhibit "E" attached.

(4) TITLE OPINION DATED 12/30/91:

Hartman has asserted claims of ownership in this spacing unit arising from various sources.

Hartman contends that "Meridian has ignored its own title opinion which recognizes Hartman's interest" (See Paragraph 15 of Hartman Application)

Contrary to Hartman's contention, this title opinion only dealt with the title of record acquired by Hartman in the leases (in these instances certain operating rights, ie "working interests") and does not and cannot substitute for a **transfer order** which is the essential document by which the Operator is authorized to stop paying one party and start paying another party for a certain share of actual production.

(5) HARTMAN'S TITLE PROBLEM:

While this contractual dispute between Hartman and the NMFU Partners has been on going for some three (3) years, it is not Meridian's responsibility to resolve it. In fact Hartman recognizes that his claim for revenues and joint interest billings attributable to his interest were predicated upon obtaining transfer orders from the NMFU Partners over whom Meridian has no control. See letter dated October 22, 1992 from Mary Walter, attorney for Doyle Hartman to Conoco concerning attempts to close on Hartman's interest. See Exhibit "D" attached.

Prior to closing on Hartman's interest in the lease and wells within this GPU, Hartman and Meridian agreed that in order to verify Hartman's ownership, transfer orders would need to be executed by the assignors of Hartman (the NMFU Partners). See Purchase and Sale Agreement dated April 20, 1992. See Exhibit "F" attached.

An amendment was signed which required a subsequent closing on a portion of the properties in which Meridian did not close at the time of the original closing. Hartman and Meridian agreed that Meridian would purchase the second group of properties upon execution of transfer orders by all NMFU partners. See Amendment to Purchase and Sale Agreement (attached as Exhibit "G").

Hartman executed both the Purchase Agreement and the Amendment to Purchase and Sale Agreement acknowledging that a problem existed concerning his ownership.

(6) THE NMFU PARTNERS TRANSFER ORDERS:

As of February 9, 1993, there continued to exist differences of opinions among the NMFU Partners as to whether Hartman received any interest in the 200 acre tract of the GPU.

On February 9, 1993, Meridian advised Ms. Walta, attorney for Hartman, that "Until Meridian can obtain some satisfactory confirmation of these interest by all of the NMFU parties, Meridian and the Hartmans cannot go forward and close on the interest described ..." See Exhibit "H" attached.

On February 19, 1993, Meridian again advised Ms. Walta, attorney for Hartman, that Amoco and ARCO still had not signed the transfer orders. See Exhibit "I" attached.

(7) THIS DISPUTE IS BEING RESOLVED

By letter dated April 8, 1996 some twenty one (21) days after Hartman filed his Application in this case, Meridian wrote Hartman advising that Meridian was preparing a final reconciliation concerning the expenses and revenues attributed

to the subject wells and upon review by the NMFU Partners and Mr. Hartman this matter would be resolved. See Exhibit "J" attached.

(8) THE DIVISION DECLINED JURISDICTION OVER A SIMILAR DISPUTE IN THIS SPACING UNIT:

This contractual dispute between Hartman and the NMFU Partners concerning obtaining transfer orders for production from the Britt 3 and 12 Wells is no different than the 1991 contractual dispute between Hartman and Union Texas Petroleum over production from these same wells.

By letter dated October 11, 1991, the Division advised Hartman that the "disputes between Doyle Hartman and Union Texas Petroleum and Meridian Oil Inc is contractual and the Oil Conservation Division does not have the jurisdiction or authority to enter into or resolve such disputes" See Exhibit "K" attached.

WHEREFORE Meridian Oil Inc. requests that the Division Hearing Examiner grant this motion and dismiss Oil Conservation Division Case 11529 because:

(a) Section 70-2-17 NMSA (1978) is applicable only for those instances in which a spacing unit is available and the parties in that spacing unit cannot agree to pool their interests;

(b) In this case, the E/2W/2 and W/2E/2 of Section 7 is already committed on a voluntarily basis and with the approval of the Division to existing Eumont Gas Pool wells and therefore cannot be made the subject of a compulsory pool case as proposed by Hartman without violating the provisions of Section 70-2-17 NMSA (1978);

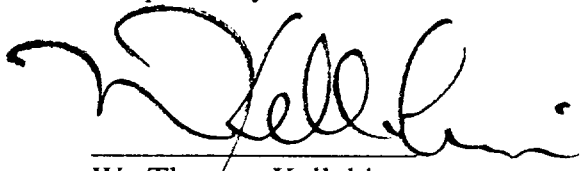
(c) Hartman filed his Compulsory Pooling Application prior to properly proposing the drilling of a specific well within this existing spacing unit;

(d) Contrary to the custom and practice before the Division and in violation of Section 70-2-17 (c) NMSA (1978), Hartman has instituted compulsory action against Meridian seeking to form a spacing unit which cannot be approved by compulsory pooling;

(e) There are existing contracts which determine Hartman's obligations and remedies all of which are consistent with Division Rules and Regulations thus precluding the exercise of Division jurisdiction; and

(f) Hartman raises disputes which are contractual and statutory claims over which the Division has no jurisdiction.

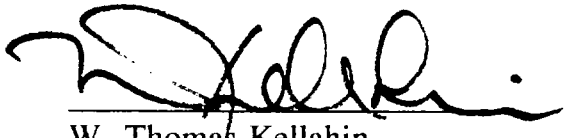
Respectfully submitted,



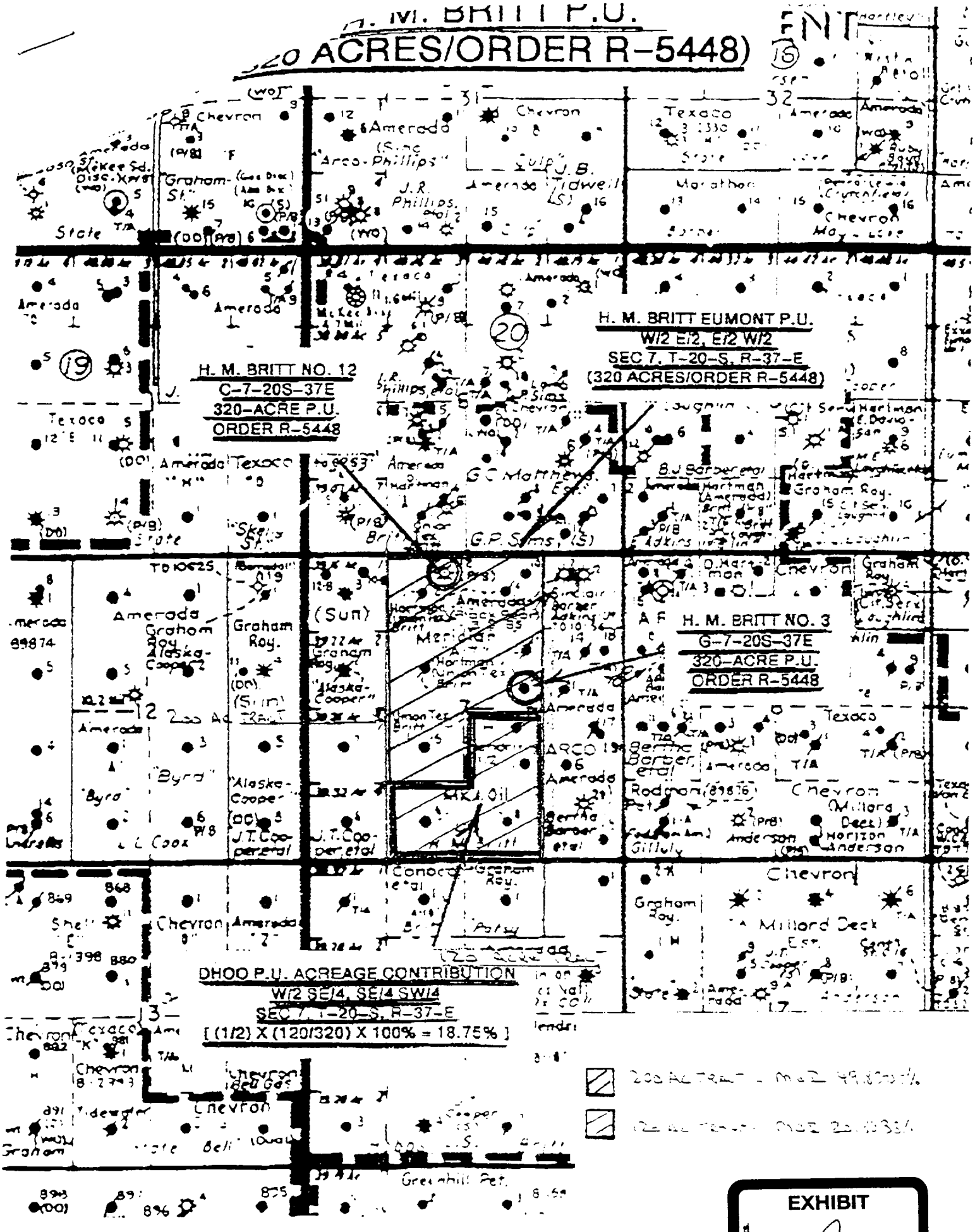
W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing pleading was hand delivered this 13 day of May, 1996 to all counsel of record in this case.



W. Thomas Kellahin


H. M. BRITT P.U.
320 ACRES/ORDER R-5448)
H. M. BRITT NO. 12
C-7-20S-37E
320-ACRE P.U.
ORDER R-5448
H. M. BRITT EUMONT P.U.
W/2 E/2, E/2 W/2
SEC 7, T-20-S, R-37-E
(320 ACRES/ORDER R-5448)
H. M. BRITT NO. 3
G-7-20S-37E
320-ACRE P.U.
ORDER R-5448
DHOO P.U. ACREAGE CONTRIBUTION
W/2 SE/4, SE/4 SW/4
SEC 7, T-20-S, R-37-E
[(1/2) X (120/320) X 100% = 18.75%]
EXHIBIT
A

DRILLING AND FARMING OUT CONTRACT. C-3322.

STATE OF NEW MEXICO)
(
COUNTY OF LEA)

THIS AGREEMENT, Made and entered into by and between CONTINENTAL OIL COMPANY, a Delaware corporation, and THE CALIFORNIA COMPANY, a Montana corporation, both qualified to do business in New Mexico, hereinafter called First Parties, and R. H. HENDERSON, of Midland, Texas, hereinafter called Second Party;

WITNESSETH:

WHEREAS, on the 18th day of June, 1925, pursuant to an application therefor, there was issued to Alva Nye Etz, under Section 13 of the Act of Congress, Approved February 25, 1920 (41 Stat. 437), a Permit, Serial No. 029464, Las Cruces, New Mexico, Land Office, and Serial No. 052888, Roswell, New Mexico Land Office, granting to him the exclusive right for a period of two years from the date thereof to prospect for oil and gas upon the following described land situate in Lea County, State of New Mexico, to-wit:

Corporate Seal

All Secs. 11 and 12; N½, N½ S½ Sec. 14; N½, N½ S½ Sec. 13; N½ Sec.25; T. 21 S., R. 32 E., N.M.P.M. containing 2560 acres, more or less;

AND, WHEREAS, the said Continental Oil Company is the present owner of an undivided three-fourths (3/4) interest, and the said The California Company is the present owner of an undivided one-fourth (1/4) interest in and to all of the right, title and interest formerly owned by the Marland Oil Company of Colorado in, to and under that certain DRILLING AND OPERATING AGREEMENT entered into on the 21st day of January, 1927, by and between Alva Nye Etz, designated therein as "OWNER", and Marland Oil Company of Colorado, designated therein as "CONTRACTOR" in so far as the said drilling and operating agreement affects the lands described therein; and,

WHEREAS, on the 19th day of May, 1925, pursuant to an application therefor, there was issued to Monico Jiminez, under Section 13 of the Act of Congress, Approved February 25, 1920 (41 Stat. 437), a Permit, Serial No. 030469, Las Cruces, New Mexico, Land Office, granting to him the exclusive right for a period of two years from the date thereof, to prospect for oil and gas upon the following described lands situate in Lea County, State of New Mexico, to-wit:

Corporate Seal

Lots 1 to 8 inclusive Sec. 6, T. 21; N½W¼, S½ Sec. 10; S½ Sec. 11; S½ Sec. 12; N½ S½ Sec. 18; NE¼, S½ Sec. 21; NW¼, N½ SW¼, SW¼ SW¼ Sec. 22, T. 20 S., all in R. 33 E., N.M.P.M., containing 2286.39 acres, more or less;

AND, WHEREAS, on the 31st day of August, 1926, Monico Jiminez, assigned, with the approval of the Secretary of the Interior, said Permit unto Peter L. Rapkock; and,

WHEREAS, the said Continental Oil Company is the present owner of an undivided three-fourths (3/4) interest, and the said The California Company is the present owner of an undivided one-fourth (1/4) interest in and to all of the right, title and interest formerly owned by the Marland Oil Company of Colorado in, to and under that certain DRILLING AND OPERATING AGREEMENT entered into on the 2nd day of February, 1927, by andbetween Peter L. Rapkock, of Las Cruces, New Mexico, therein designated as "OWNER", and Marland Oil Company of Colorado, therein designated as "CONTRACTOR", in so far as the said drilling and operating agreement affects the lands described therein; and,

WHEREAS, on the 11th day of November, 1926, pursuant to an application therefor, there was issued to Harry M. Britt, under Section 13 of the Act of Congress, Approved February 25, 1920 (41 Stat. 437), a Permit, Serial No. 031621, Las Cruces, New Mexico Land Office, granting to him the exclusive right for a period of two years from the date thereof, to prospect for oil and gas upon the following described lands situate in Lea County, State of New Mexico, to-wit:

EXHIBIT
B

C-816

NE¼ SW¼ Sec. 3; SE¼ [illegible] Sec. 5; SW¼ Sec. 8; NW¼ SW¼ Sec. 11; all Secs. 15 and 19 T. 20 S., R. 37 E., N.M.P.M., containing 2315.05 acres;

AND, WHEREAS, the said Continental Oil Company is the present owner of an undivided three-fourths (3/4) interest, and the said The California Company is the present owner of an undivided one-fourth (1/4) interest in and to all of the right, title and interest formerly owned by the Marland Oil Company of Colorado in, to and under that certain DRILLING AND OPERATING AGREEMENT entered into on the 23rd of February, 1927, by and between Harry M. Britt, designated therein as "OWNER", and Marland Oil Company of Colorado, designated therein as "CONTRACTOR," in so far as the said drilling and operating agreement affects the lands described therein; and,

Corporate Seal

WHEREAS, all rights and privileges granted to the above-named permittees and their assigns have been extended by the Department of the Interior until May 1,1935, subject to the terms and conditions of the agreement evidencing such extension, bearing dates Apr. [illegible], 1934 and July [illegible], 1934, and signed by the Secretary of the Interior; and,

WHEREAS, it is the desire of all the parties hereto that the land hereinafter described be tested for oil and gas; and,

WHEREAS, second party, for the considerations hereinafter stated, is ready, able and willing to commence operations for the drilling of three wells on the land above described, at the locations and within the time hereinafter stated, and continue the drilling of each of said wells with due and reasonable diligence, free of all cost to first parties, to the depths hereinafter specified;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS:

That for and in consideration of the premises and of the faithful performance of the covenants, it is agreed;

ARTICLE 1.

Test Wells. Second party agrees, at his sole cost and expense, to drill and complete three wells for oil and gas mining purposes, at the following locations and to the following depths, to-wit:

(a) One well to be located in the southwest quarter of Section 12, Tp. 21 S, R-32 E, above described, actual drilling operations thereon to be commenced on or before March 5, 1935, and continued with due and reasonable diligence to a depth of 4200 feet, unless production of oil and/or gas, or a hole full of sulphur water, be encountered at a lesser depth.

Corporate Seal

(b) One well to be located on the southwest quarter of Section 11, Tp. 20 S, R 33 E, above described , actual drilling operations thereon to be commenced on or before March 15, 1935, and continued with due and reasonable diligence to a depth of 4000 feet, unless production of oil and/or gas, or a hole full of sulphur water, be encountered at a lesser depth.

(c) One well to be located either on the east half of west half or west half of east half of Section 7, above described, actual drilling operations thereon to be commenced on or before March 15, 1935, and continued with due and reasonable diligence to a depth of 4000 feet, unless production of oil and/or gas, or a hole full of sulphur water, be encountered at a lesser depth.

ARTICLE II.

INSPECTION AND INFORMATION- First parties shall, at all times, have free access to the wells hereinabove provided for, and to any and all information available pertaining to the drilling of the same, including daily logs and changes in formations and samples of all cuttings or fluids which may be encountered in the drilling thereof. First parties shall have the right to procure samples of all such formations and fluids and second party shall not drill into any known producing horizon without first giving first parties sufficient notice thereof

[illegible] party [illegible] have a representative on the ground to witness the drilling in of such wells, if they so desire. In the event such wells shall be unproductive of oil or gas in paying quantities at the total depths hereinabove provided for, then second party shall notify first parties before the same shall be plugged, in order that first parties may have a representative on the ground for the purpose of taking a joint measurement or to witness the measurement of such well or wells.

Corporate Seal

ARTICLE III.

Log, Reports and Plugging- Second party shall keep a true and accurate log of such wells and a correct tally of the various sizes and lengths of casing that may be set in said wells, and, upon completion thereof, shall deliver to first parties a true and complete log of said wells, together with a true and accurate record of all casing set therein, showing the make, size, weight, thread and lengths thereof, and the point at which such casing shall have been set. Second party shall furnish to first parties semi-weekly written reports of the progress of said wells, mailing the same to Production Department, Continental Oil Company, P.O. Box 2200, Fort Worth, Texas. Any and all wells abandoned by second party shall be plugged at his expense, and in full compliance with the rules and regulations of the State of New Mexico, or any other Governmental Agency.

ARTICLE IV.

Insurance-

(a) Second party agrees to hold first parties harmless from and against all claims, expenses, loss and damage arising from any cause whatsoever in connection with the work to be performed under this contract, regardless of whether such work be performed by second party or by his employes, or by sub-contractors under second party or employes of such sub-contractors, or by both, or all.

Approved J. H. Johnson
Insurance Division (Marginal Notation)

(b) Second party shall carry and pay for workmen's compensation insurance which shall comply with the workmen's compensation laws of the State of New Mexico, and shall cover all of second party's employes engaged in the work to be performed under this contract. Second party shall carry and pay for employers' liability insurance with liability limits of not less than $25,000 as to any one employe, and not less than $50,000 as to any one accident. Second party shall also see to it that each and every sub-contractor under him shall carry and pay for workmen's compensation insurance and employers' liability insurance covering all of such sub-contractor's employes engaged in any work under this contract. The workmen's compensation insurance provided by such sub-contractors shall comply with the laws of the State of New Mexico. The liability limits of such employers' liability insurance carried by such sub-contractor shall not be less than $25,000 as to any one employe, and $50,000 as to any one accident. Employers' liability insurance policies obtained and carried either by second party or by a sub-contractor, when not written as a part of the workmen's compensation policies, shall include the names of all the parties hereto as the assured.

Corporate Seal

Approved J.H.Johnson Insurance Division

(c) Second party shall also carry and pay for public liability insurance covering all work to be performed under this contract with limits of not less than $25,000 as to any one person, and $50,000 as to any one accident, and shall carry and pay for insurance against property damage liability arising out of all work to be performed hereunder with a limit of not less than $10,000 for such accident. All such public liability insurance policies and property damage liability insurance policies shall include the names of all the parties hereto as the assured; or, in the alternative, second party shall provide and pay for owners contingent public liability and property damage insuracne policies issued in the names of Continental Oil Company and The California Company, with public liability limits of not less than $25,000 as to any one person, and $50,000 as to any one accident, and with a property

[illegible] than $10,000. Such contingent policies shall be delivered to and retained by Continental Oil Company.

Corporate Seal

Approved J. H. Johnson
Insurance Division (Marginal Notation)

(d) Second party shall provide automobile public liability insurance with limits of not less than $25,000 as to any one person, and not less than $50,000 as to any one accident, and shall also provide automobile property damage insurance with a limit of not less than $5,000 to cover all automotive equipment used by second party in the operations contemplated and to be performed under this contract. All such automobile insurance policies shall include the names of all the parties hereto as the assured.

Approved J. H. Johnson
Insurance Division. (Marginal Notation)

(e) All such policies of insurance shall be delivered to Continental Oil Company at its office in Ponca City, Oklahoma, for examination and return to second party, and, in addition thereto second party shall furnish to Continental Oil Company, at its said office, a certificate or certificates of insurance on Continental Oil Company's form F 6-32-S, each of which shall be attested by a duly authorized representative of the insurance company writing the respective policy, and shall contain an agreement on the part of the insurer that the insurance concerning which the certificate is given shall not be canceled without at least ten days' notice to the Insurance Division of Continental Oil Company at Ponca City, Oklahoma.

Approved J. H. Johnson
Insurance Division (Marginal Notation)

ARTICLE V.

Abandonment- It is agreed by and between the parties hereto that time is of the essence of this contract and that in the event second party shall fail or neglect to commence the actual drilling operations of any of the wells hereinabove provided for, within the time herein specified, or if, after having commenced the drilling thereof he shall fail to complete any of said wells as herein provided, this contact shall fully terminate and be of no further force and effect, and first parties shall be under no obligation to make and deliver the assignments hereinafter mentioned. If second party shall fail or neglect , except where such failure or neglect is due to or the result of strikes, lockouts, fire, unusual delay in transportation, unavoidable casualties, accidents, or any causes beyond his control, to continue the operations on said wells, or any of them, for a period of five (5) days after having commenced the drilling thereof, without first having obtained the written consent of first parties so to do, such neglect or discontinuance shall, of itself, and without any notice or demand by first parties, constitute an abandonment by second party of his rights under the terms of this contract, and first parties shall have, within sixty (60) days after such abandonment, in addition to their lawful and equitable remedies, the right to take possession of such well or wells, and, in such event, shall have the free use of all tools, appliances and machinery thereat belonging to or under the control of second party, for the purpose of drilling and /or completing said well or wells, without any liability whatsoever to second party for the use of such tools, appliances, machinery and equipment, except for loss or damage thereto not occasioned by the usual wear and tear incident to such use, and, in such event, first parties shall be under no obligation to deliver to second party the assignments hereinafter mentioned.

Corporate Seal

ARTICLE VI.

Assignments-

(a) For and in consideration of the drilling and completing by second party of the three test wells referred to in Article I above, in the manner and within the time therein mentioned, first parties, upon the completion of all of said wells, and the furnishing to

them of true and accurate logs thereof, duly certified to, subject to the conditions and reservations hereinafter provided, make, execute and deliver to second party, an assignment covering all their right, title and interest in, to and under the above-mentioned Alva Nye Etz permit and drilling and operating agreement, dated January 21, 1927, in so far as the same cover the following described land situated in Lea County, New Mexico, to-wit:

Corporate Seal

NE¼ and SW¼ Sec. 11; NW¼ and SW¼ Sec. 12; NE¼ and N½ SE¼ Sec. 14; NE¼ and N½ SE¼ Sec. 13, and NW¼ Sec. 25, T. 21 S., R. 32 E., N.M.P.M., containing 1120 acres, more or less;

and will, subject to the conditions and reservations hereinafter provided, make, execute, and deliver to second party, an assignment covering all their right, title and interest in, to and under the above-mentioned Monico Jiminez permit and Peter L. Hopkock (assignee of the said Monico Jiminez) drilling and operating agreement, dated February 2, 1927, in so far as the same cover the following described land situated in Lea County, New Mexico, to-wit:

Lots 1, 2, 7 and 8 (being the NE 160 acres Sec. 6) T. 21; N½ NW¼ and SE¼ Sec. 10; NW¼ Sec. 11; E½ Sec. 12; N½ SE¼ Sec. 18; NE¼ and W½ SW¼ Sec. 21; N½ SW¼ and SW¼ SW¼ Sec. 22, T. 20 S., all in R. 33 E., N.M.P.M., containing 1160 acres, more or less;

and will, subject to the conditions and reservations hereinafter provided, make, execute, and deliver to second party, an assignment covering all their right, title and interest in, to and under the above mentioned Harry M. Britt permit and drilling and operating agreement, dated February 23, 1927, in so far as the same cover the following described land situated in Lea County, New Mexico, to-wit:

Corporate Seal

E½ SW¼ Sec. 6; SE¼ SW¼ Sec. 5; NE¼ and SW¼ Sec. 18, T. 20 S., R. 37 E., N.M.P.M., containing 440 acres, more or less;

and will, subject to the conditions and reservations hereinafter provided, make, execute and deliver to second party an assignment covering an undivided one half of their right, title and interest in, to and under the above-mentioned Harry M. Britt permit and drilling and operating agreement of February 23, 1927, in so far as the same cover the following described land situated in Lea County, New Mexico, to-wit:

E½ NW¼ and W½ SE¼ Sec. 7, T. 20 S., R. 37 E., N.M.P.M., containing 320 acres, more or less;

said assignments to be without covenants of general warranty; but first parties shall covenant therein that they will warrantand defend the title to the interest thereby assigned against the claims of any and all persons whomsoever claiming, by, through or under them, but not otherwise; and, that they have good right and authority to thus transfer and assign their said interest. It is understood that said assignments shall be subject to the royalties reserved or payable to the above named "OWNERS", respectively, in the three drilling and operating agreements above mentioned, as well as any and all royalties that may be reserved to the United States Government in any and all oil and gas leases that may be issued by it under or in pursuance of, the three permits above described, in so far as such leases cover and affect the land to be described in said assignments.

(b) It is further agreed by and between the parties hereto that, beginning with the date of this contract and from thenceforth all gross production taxes chargeable against the oil and gas produced from the land to be covered by and described in the above-mentioned assignments, except as to the east 1/2 of the west 1/2 and west 1/2 of the east 1/2, Section 7, above described, and all taxes assessed against any oil and gas lease that may hereafter be executed covering said land, together with all leasehold equipment thereon situated, shall be assumed and paid by second party; and that from henceforth all gross production taxes

Corporate Seal

chargeable against the oil and gas that may be produced from the said east 1/2 of the west 1/2 and west 1/2 of the east 1/2 of Section 7, and all taxes assessed against any oil and gas lease that may be executed covering said last described 320 acres of land, together with all

lease equipment thereon situated shall be paid jointly by the parties hereto; that is to say, first parties shall pay one half of such tax and second party one half thereof.

(c) First parties shall be under no obligation to deliver the assignments hereinabove provided for, until and unless all claims, charges, liens, and encumbrances of every character that may have been incurred on said premises by second party during the drilling of said wells shall have been paid, satisfied and discharged, and if, after the completion of said wells, second party shall allow or permit any liens to be fixed against said premises, first parties shall have the right, without being obligated to do so, to pay any and all such lien charges thereon and be subrogated to the rights of the holders thereof.

ARTICLE VII.

Right to Purchase Oil and Gas- It is understood and agreed, and the assignments above mentioned to be executed as hereinabove provided shall so provide, that first parties shall have the right, but shall not be subject to the obligation, to purchase for their own account all the oil and /or gas produced from said land under the provisions of this contract at not less than the average prevailing market price in said field. Each party hereto shall be entitled to receive directly payment for its or his respective share of the proceeds of the sale of oil and /or gas produced, saved and sold from said premises and on all such purchases or sales joint division orders or contracts of sale shall be executed by all the parties hereto. First parties' option to purchase the oil and gas as herein provided shall terminate at the request of the second party, should he sell or transfer all or any portion of the interest or estate which he shall acquire by and under the above-mentioned assignments.

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ARTICLE VIII.

Purchase of Conoco Products- It is agreed by and between the parties hereto that as a part of the consideration for the execution of this agreement, second party shall purchase from Continental Oil Company, if available, all lubricating oils and greases used and consumed, either directly or indirectly in second party's operations hereunder.

ARTICLE IX.

Code Compliance- Second party agrees that all persons employed by him to work in or about the performance of this contract shall receive not less than the rates of pay designated for the respective class of work of such employes by the Code of Fair Competion for the Petroleum Industry signed by the President of the United States on August 19, 1933, and amendments thereto, and that such employes shall not work in excess of the schedule of hours fixed by said code and amendments for the respective class of work performed by them.

ARTICLE X.

Unit Plan- Second party agrees to conform to and abide by the provisions of subdivisions (a), (c), (d),(e), (f) and (g) of the FORM OF STIPULATIONS TO BE EXECUTED BY APPLICANT AND/ OR PERMIT HOLDER UNDER PARAGRAPH 1 OF DEPARTMENTAL ORDER OF APRIL 4, 1932, which said form has heretofore been executed by the above named permittees or their attorney in fact, J. C. Frazier.

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ARTICLE XI.

Jointly Owned Property- It is understood and agreed that the test well to be drilled on either the east 1/2 of the west 1/2 or the west 1/2 of the east 1/2 of Section 7, above mentioned, when completed, together with all the right, title and interest now owned by first parties in and to the above-mentioned Harry M. Britt permit and drilling and operating agreement, or any lease that may hereafter be executed thereon by the United States Government under and by virtue of the said Harry M. Britt permit or any extension thereof, in so far as the same cover and affect said 320 acres of land, shall be owned jointly by the parties hereto; that is,

it being understood in this connection that should said test well be completed as a purducer the same shall be completed into the tanks, free of all cost to first parties, except that after such completion first parties will reimburse second party for one half the cost of all material, including tanks used in connecting said well from the well head into the tanks.

ARTICLE XII.

Designation of Operator- In the event the test well on the land described in Article XI above be completed as productive of oil and/or gas in paying quantities, second party is hereby designated and appointed as the "OPERATOR," and first parties are hereby designated as "NON-OPERATOR," of said jointly owned property as described in said Article XI, and second party shall from thenceforth have full and complete charge and control of all future drilling and producing operations on said 320 acres, subject, however, to the terms and provisions of this contract as herein contained.

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ARTICLE XIII.

Division of Production- The production of oil and gas from the above described 320 acres of land last above described, after the payment of all royalties due and payable under the terms of the above-mentioned drilling and operating agreement executed by and between the said Harry M. Britt and Marland Oil Company of Colorado, on the 23rd day of February, 1927, and all royalties due and payable to the United States Government under the provisions of any oil and gas lease that may hereafter be executed by it pursuant to the provisions of said Harry M. Britt permit or any extension or extensions thereof, or in pursuance of the provisions of Section 13 of the Act of Congress, Approved February 25, 1920 (41 Stat. 437), or any amendments thereto, shall be owned by the parties hereto in the following proportions, to-wit:

R. H. Henderson	1/2
Continental Oil Company	3/8
The California Company	1/8.

All cost and expense of future development and operations for oil and gas on said 320 acres shall be borne and paid by the parties hereto in the following proportions, to-wit:

R. H. Henderson	1/2
Continental Oil Company	3/8
The California Company	1/8.

ARTICLE XIV.

Additional Drilling-Operator agrees to use his best skill and judgment at any and all times during the operation of said 320 acres last above described for oil and gas mining purposes, and that, in the event it becomes necessary to drill any additional well or wells on said 320-acre tract, conferences shall be held between the parties hereto for the purpose of discussing the advisability of and determining such drilling, the location and number of wells to be drilled, the time of commencement of drilling and the necessary equipment to be used, including the spacing, design and equipment of such wells, engineering and operating methods and detailed estimates of cost. Operator also agrees to keep said premises, at all times, free and clear from all labor, material or other liens and encumbrances.

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ARTICLE XV.

Expenditures- It is further understood and agreed that no well orwells shall be drilled or expenditures incurred by operator on the joint property in excess of $2,000 without the written consent of other party first having been obtained,and on all expenditures totaling $400 or more operator will furnish first parties with copies of authorizations therefor; further provided, however, that if one of the parties hereto desires to drill a well on the said premises and the other party does not give its written consent to same, then and in that event the party desiring such well to be drilled may advance to the operator all moneys necessary to drill and complete the well. The operator will thereupon drill or cause to be

drilled, the desired well at the location specified by party advancing funds for same. If the well so drilled is a dry hole the party advancing funds for same absorbs the entire loss and no part of same can be charged to the other party to this agreement. If the well is productive, the party advancing funds for drilling of the well is entitled to and shall receive all revenue from the sale of oil and/or gas produced by the well until such time as it has been reimbursed for its entire cost of drilling, equipping and operating said well, plus interest on such cost at rate of 6% per annum. When the production from said well has repaid party advancing cost of same, as above provided, the well shall then become the property of the joint account and all expenses of operating same and revenue from sale of oil and/or gas produced shall be handled in the same manner as expenses and revenue on other wells on the joint lease.

Notwithstanding anything to the contrary, no part of the above shall be construed as relieving any party hereto from its or his obligation to participate in the cost of drilling any necessary offset wells as required by law.

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ARTICLE XVI.

Access to Property and Records- Each party hereto shall have access to said jointly owned property and to any and all information pertaining to wells drilled, production secured, oil and/or gas marketed therefrom and shall be permitted to inspect and observe operations of every kind and character upon said jointly owned property and shall have access to the books, records and vouchers relating to the operation thereof at all reasonable times.

ARTICLE XVII

Drilling Reports- Operator shall furnish non-operator daily drilling reports and true and complete copies of logs on all wells drilled on the joint property. All subsequent changes in logs of any well on the joint property, such as deepening, plugging back, change in casing pattern, etc., shall be reproted to non-operator. Samples of any sands encountered in drilling of any well on the joint property shall also be furnished to non-operator if written request is made for same.

ARTICLE XVIII.

General Reports- Operator agrees to prepare and furnish to the State and Federal Governments, through their proper agencies or departments, as well as to such other persons, entitled to same, any and all reports, statements and information they may request or be entitled to receive.

ARTICLE XIX.

Rentals- It is understood and agreed that the operator shall pay all lease rentals maturing and payable under the terms of any oil and gas lease that may hereafter be executed by the Government pursuant to the terms of said Harry M. Britt permit on said jointly owned property. Such rental payments are to be made by the operator and they will be charged to the joint account and non-operator shall reimburse operator for its proportionate part of all such rental payments.

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ARTICLE XX.

Payment of Bills- Second party, as operator of the joint property hereinabove referred to, shall advance and pay all costs and expenses necessary for the proper development and operation of the joint property in accordance with the terms of this contract, and shall bill non-operator for such costs and expenses in accordance with its interest in the joint property.

ARTICLE XXI.

Accounting - Unless otherwise mutually agreed upon, and except as herein otherwise provided, charges and credits for material, supplies, and operating expenses, furnished or expended in connection with the development and operation of the joint property, shall be in accordance with the schedule thereof hereto attached and marked Exhibit "A" and made a part

Operator agrees to furnish non-operator with itemized statements of all expenditures, receipts, charges and credits covering each month's business and that such statements covering the preceding month 's business shall be mailed by operator to non-operator on or before 30 days thereafter; and within 15 days thereafter non-operator shall pay operator, subject to further audit and adjustment, if necessary, at Midland, Texas, its proportionate part of all sums expended for and in the development and operation of said jointly owned property and upon failure of non-operator to pay operator within 15 days, as aforesaid, the said sum or sums shall bear interest at the rate of six (6%) per cent per annum until so paid.

In order to secure operator in the operation and/or development of said premises and each of them for oil and gas mining purposes, for all sums properly due from non-operating party, incurred by operator in the operation of said jointly owned property, operator shall at any and all times during the continuance of this contract have a first and prior lien upon all right, title and interest or estate of non-operating party in said jointly owned property covered by this contract, including all equipment thereon and all oil, gas and casinghead gas produced or to be produced and saved therefrom, owned by or accruing to the credit of non-operating party to the full extent of said sum paid by operator for non-operating party's account in the operation of said premises covered by this contract for oil and gas mining purposes.

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ARTICLE XXII.

Purchase Option- It is further understood and agreed by and between the parties hereto that if at any time either party desires to sell its or his interest, or any part thereof, in the above described jointly owned property, and finds a purchaser or purchasers ready, able and willing to purchase the same at a bona fide price, the other party shall have an option for a period of ten days after written notice of such offer to purchase at such price the interest of the party so desiring to sell. If the option is not exercised within such period, then the party so desiring to sell may dispose of its or his interest or interests to such purchaser or purchasers; provided, however, that should any of the parties hereto merge or become consolidated with any corporation or corporations, such change shall not be considered a sale within the meaning of the provisions of this article.

ARTICLE XXIII.

Governmental Regulation- Nothing herein contained shall be construed as being in any manner in derogation of the terms, conditions and provisions of the Act of Congress under and by virtue of which said above-mentioned permits were issued, or of any regulations of the Department of the Interior of the United States lawfully promulgated thereunder; but on the contrary, this agreement shall, in all particulars, be deemed amenable to reformation to eliminate or modify any portions thereof found to be in contravention of the provisions of said act or such regulations, and shall remain and be in full force and effect as to all provisions not so eliminated or modified.

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ARTICLE XXIV.

Non-Partnership- It is further expressly understood and agreed by and between the parties hereto that this contract shall never be construed as constituting a partnership between the parties hereto and that the liability of the parties is limited to the provisions of this contract.

ARTICLE XXV.

Notices- All notices required to be given or served by either of the parties hereto upon the other shall be in writing and shall be served in the following manner.

By first parties upon second party by depositing such notice in the registered United

States mail, postage prepaid, addressed to R. H. HENDERSON, P. O. Box 1816, Midland, Texas, or by delivery of such notice by meassenger or by telegram at the same address.

By second party upon first parties by depositing one copy of such notice in the registered United States mail, postage prepaid, and addressed to CONTINENTAL OIL COMPANY, P.O. Box 2220, Fort Worth, Texas, or by the delivery of such notice by messenger or by telegram at 1615 Fair Building, Fort Worth, Texas, and by depositing one copy of such notice in the registered United States mail, postage prepaid, and addressed to THE CALIFORNIA COMPANY, Tower Petroleum Building, Dallas, Texas, or by the delivery of such notice by messenger or by telegram at the 17th floor, Tower Petroleum Building, Dallas, Texas.

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ARTICLE XXVI.

Duration- This agreement and each and all of the terms, conditions and provisions thereof, in so far as the same affect or pertain to the jointly owned property described in Article VI hereof, shall be and remain in full force and effect so long as oil, gas or casinghead gas is or canbe produced in paying quantities therefrom.

ARTICLE XXVII.

This agreement shall extend to, and be binding upon the heirs, successors and assigns of the parties hereto; provided, however, second party shall have no right to assign his rights or interests under the terms of this contract prior to the completion of the wells hereinabove provided for, without first having obtained the written consent of first parties to do so.

IN WITNESS WHEREOF, the parties hereto have executed this contract, in triplicate, this 13th day of February, 1935.

Corporate Seal

CONTINENTAL OIL COMPANY

BY W. E. Haggard, Its Attorney in Fact.

APPROVED. Approved as to form. JFR. Attorney.

ATTEST:

G. W. Lost, Assistant Secretary.

THE CALIFORNIA COMPANY

By R. H. Stoner, Its Vice-President.

First Parties.

R. H. Henderson, Second party.

(Corporate seal)

STATE OF OKLAHOMA)
COUNTY OF MAY)

On this 9th day of March, 1935, before me, a Notary Public within and for the County and State, aforesaid, personally appeared W. E. Haggard, to me personally known, who, being by me duly sworn did say that he is the Attorney in Fact, of Continental Oil Company and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed inbehalf of said corporation by authority of its Board of Directors, and said W. E. Haggard acknowledged said instrument to be his free and voluntary act and deed and the free and voluntary act and deed of said corporation for the uses specified therein.

WITNESS my hend and seal this 9th day of March, 1935.

M. E. Booten, Notary Public, May County, Oklahoma.

My Commission expires
Oct. 15, 1937.

(Notarial seal)

STATE OF CALIFORNIA)
CITY AND COUNTY OF SAN FRANCISCO.)

On this 22nd day of March, 1935, before me, a Notary Public within and for the County and State, aforesaid, personally appeared R. H. STONER, to me personally known, who, being by me duly sworn did say that he isthe Vice-President of The California Company, and that the seal

and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said H. G. Stoner, acknowledged said instrument to be his free and voluntary act and deed and the free and voluntary act and deed of said corporation for the uses specified therein.

WITNESS my hand and seal this 22nd day of March, 1935.

Frank L. Owen, Notary Public in & for the City & County, of San Francisco, State of California

My Commission expires Nov. 22, 1937.

(Notarial seal)

STATE OF TEXAS, }
COUNTY OF TARRANT }

I, Ora Thomas, a Notary Public in and for said County in the State aforesaid, do hereby certify that R. M. Henderson, personally known, to me to be the person whose name is subscribed to the annexed instrument, appeared before me this day in person and acknowledged that he signed, sealed and delivered the said instrument of writing as his free and voluntary act, for the uses and purposes therein set forth .

GIVEN under my hand and seal this 13th day of February, 1935.

Ora Thomas, Notary Public, Tarrant County, Texas.

My commission expires:

June 1, 1935.

(Notarial seal)

EXHIBIT "A"

ACCOUNTING PROCEDURE

(Unit and Joint Lease Schedule)

1. DEVELOPMENT AND OPERATING CHARGES:

Subject to the limitations hereinafter prescribed under Article II "Basis of Charges to Joint Account," Operator shall charge the joint lease account with the following items:

(1) Royalties, when not to be paid direct to royalty owners by purchasers of the oil, gas, casinghead gas or other products of the lease.

(2) Labor, transportation and other services necessary for the development, maintenance and operation of the property.

(3) Materials, equipment and supplies purchased, and /or furnished by Operator from his warehouse stocks or from his other leases, for use on the joint lease.

(4) Moving material to the joint lease from vendor's or from Operator's warehouse in the district or from other leases of Operator, but in either of the last events the distance charged to the joint lease shall not exceed the distance from the nearest reliable supply store or railway receiving point.

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(5) Moving surplus material from the joint lease to outside Vendees, if sold f. o. b. destination, or minor returns to Operator's warehouse, but no charge shall be made against the joint lease account for moving major surplus material to Operator's warehouse, exceeding the cost of moving such material to the nearest reliable supply store or railway receiving point, or for moving material to other leases belonging to the Operator, except by special agreement with Nonoperator.

(6) Use of and service by Operator's exclusively owned equipment and facilities at rates nor exceeding those prevailing in the district where the joint lease is located, unless definitely Stated under Section II, " Basis of Charges to Joint Account." Before permanent or extensive charges for use of Operator's facilities are instituted, it shall first be determined by mutual agreement, whether or not it would be desirable and economical for such facilities to be owned by the joint account.

causes. Written notice of such loss or damage is to be furnished Nonoperator as soon as practical after report of same has been received by Operator.

(8 a) Expenses of litigation, including outside attorney's fees and expenses, judgments, claims, etc., involving the lease or incident to its development and operation. Actual expenses incurred by Operator 's or Nonoperator's staff in securing evidence, etc., shall be a proper charge against the lease.

(8b) Should any case, by prior agreement, be handled by Operator's or Nonoperator's legal staff, thereby eliminating the retaining of outside counsel, a charge commensurate with the services rendered and actual time consumed may be made against the joint lease account. No charges of this nature will be rendered, however, until the proper amount has been determined by mutual agreement. Should both Operator and Nonoperator be represented in any litigation by each furnishing its own counsel, no charges will be made to the joint account by either party.

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(9) Ad Valorem taxes, gross production and other property taxes. Receipts or income taxes shall be rendered and paid direct by Operator and Nonoperator covering their respective interests and shall not be reported and paid as a joint lease charge, except where required by law or by the terms of the contract to which this Exhibit is attached.

No charge shall be made to joint account for Operator's accruals of any form of taxes, except by special agreement.

(10) Premiums for insurance required to be carried for the joint account by the contract to which this Exhibit is attached: (a) Workmen's compensation, public liability, employer's liability insurance, together with all expenditures incurred and paid in settlement of claims, judgments, etc., not recovered from insurance carrier.

(b) Public liability and property damage insurance on automotive equipment owned by and operated for the joint lease, as well as any other expenditures incurred and paid in settlement of claims, judgments, etc., not recovered from the insurance carrier to fully discharge all liability of Operator ensuing from an accident occurring on or in connection with work done by such jointly owned automotive equipment for the benefit of the joint lease.

(11) A proportionate share of the salary and expense of Operator's District Superintendent and other general district employes below the grade of District Superintendent, actively serving on the joint lease, whose time is not allocated directly to the lease and therefore may be apportioned on an equitable basis over all leases served. Charge for services and expenses of district geologists, engineers and other technical employes whose services are not covered by the Administrative Overhead Charge, shall be made only for such employes performing work for the mutual benefit of Operator and Nonoperator.

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(12) A proportionate share of maintaining and operating a District Office in conducting the management of operations on the joint lease and other leases owned by Operator in the same district, such expense to be apportioned on an equitable basis over all leases served. The personnel of such District Office to include only employes actually necessary for preparation of original reports affecting operations and shall not include clerks and employes engaged in compiling general information for the benefit of the Operator or performing clerical duties such as are customarily done in the Division or General Office of Operator. Warehouse clerks or other warehouse employes shall not be considered as part of such District Office expense.

(13) Camp Expense: The expense of providing and maintaining on or in the vicinity of the joint lease all necessary camps, housing facilities for employes, and boarding employes if necessary. When leases other than the joint leases are served by these facilities, then an equitable distribution of expense, including depreciation, or a fair monthly rental in lieu of the investment, maintenance and operating cost of buildings, etc.,

shall be protected against all leases served.

(14) Articles Nos. 11, 12 and 13 refer to an equitable method of prorating the expenses defined. This proration shall be on the actual pay roll labor basis to all leases and miscellaneous accounts to which pay roll labor in the district is charged, or on some other equitable method consistent with the operator's accounting practice, and agreeable to the nonoperator.

(15) Handling Charges: To cover the cost of handling material into and in the warehouse a handling charge not in excess of 5% of the net cost of the material, new or second hand, placed upon the lease from Operator's warehouse, may be assessed against the joint account. On tanks, derricks, tubular goods (2" and over), boilers, engines, compressors, and pumps, the handling charges shall not exceed 2 1/2 % of the net cost.

(16) Overhead charges, applicable to each individual lease, which shall be in lieu of any charges for any part of the compensation or salaries paid to managing officers and employes of the Operator, down to and including the division superintendent, geologists and technical engineers, and any portion of the office expense of the principal business office of the Operator, as follows :

(a) $100.00 per month for each drilling well, beginning on the date well is spudded and terminating when it is on production or plugged, as the case may be, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.

(b) $25.00 per well per month for the first 10 producing wells.

(c) $15.00 per well per month for the second 10 producing wells.

(d) $10.00 per well per month for all producing wells over 20.

In connection with overhead charges, input or key wells, salt water disposal wells, gas wells, permanent andtemporarily shutdown wells shall be treated as follows:

(1) Input or Key wells shall be included in overhead schedule same as producing oil well

(2) Salt water disposal wells shall not be included in overhead schedule.

(3) Producing gas wells shall not be included in overhead schedule same as producing oil wells.

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(4) Wells permanently shut down, but on which plugging operations are deferred, shall be dropped from overhead schedule at time shutdown is effective. When such wells are plugged, overhead shall be charged at the producing well rate during time required for the plugging operation.

(5) Various wells are shut down temporarily and later replaced on production. If and when a well is shut down for a period of 30 or more consecutive days it shall be adjusted on the overhead schedule.

The above specific overhead rates may be amended from time to time by agreement between Operator and Nonoperator, if in practice they are found to be insufficient or excessive.

(17) Any other items of cost and expense necessarily incurred by operator for the proper development, equipment, and operation of the joint leases.

II BASIS OF CHARGES TO JOINT ACCOUNT:

(1) Outside Purchases: All materials and equipment purchased and all service procured from the outside sources will be charged at their actual cost to Operator, after deducting any and all trade and confidential and/or cash discounts actually allowed off invoices, or received by Operator.

(2) New materials furnished by Operator(Condition "A") New materials transferred to lease from Operator's warehouse or other leases shall be priced, f.o.b. the nearest supply store or railway receiving point, at replacement cost of the same kind of materials. This will ~~include large equipment such as tanks, rigs, pumps, boilers, and engines. All tubular goods~~

(2" and over) will be charged on the basis of mill-shipment, or carlot price. Other materials, where the replacement cost cannot be readily ascertained, may, for the purposes of consistency and convenience, be charged on the basis of a reputable Supply Company's Preferential List Price, f. o. b. nearest supply store on railway receiving point to the lease, prevailing on the date of transfer of the materials to the lease.

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(3) Secondhand materials furnished by Operator (Conditions "B" and "C"):

(a) Tubular goods (2" and over), fittings, registered machinery and other equipment which is in sound and serviceable condition at date of transfer, will be classed as Condition "B" and charged at 75% of the price of new materials, in accordance with the provisions of paragraph No. 2 above.

(b) Tanks, derricks and buildings or other equipment involving erection costs, will be charged on a basis not to exceed 75% of knock-down new price for similar materials.

(c) Other second hand materials, such as units of machinery or other equipment that is serviceable, but substantially not good enough to be considered first-class secondhand material when transferred to the lease, will be classed as Condition "C" and charged at 50% of new price.

(d) There may also be cases when some items of equipment, due to their unusual condition, should be arbitrarily priced at an appraised figure.

(e) It is agreed that in determining the value of any secondhand equipment, all special and preferential discounts shall be allowed but the regular 2% cash discount will not be considered.

(4) In so far as is reasonably practical and consistent with efficient and economical operations, only such material will be purchased for or transferred to the joint lease as is required for immediate use, and the accumulation of warehouse and /or lease stocks will be avoided.

(5) Whenever practical, Nonoperator shall be given opportunity of furnishing material requirements, not available in Operator's surplus stock in the district, provided that same can be furnished at time such material is required and further provided that any such material do furnished shall be charged to the joint lease account on same terms and conditions as are provided herein to cover the purchase and furnishing of materials by the Operator.

(6) Warranty of Materials: Materials furnished to a joint lease by either Operator or Nonoperator are not warranted beyond or back of the dealer's or manufacturer's guaranty, and in case of defective materials, credit shall not be passed until adjustment has been received by party furnishing materials, from the manufacturers or their agents.

(7) Operator's Exclusively Owned Facilities: The following rates shall apply to service rendered to the joint lease by facilities owned exclusively by Operator:

(a) Water service, gas fuel, teaming, power furnished: all at rates currently prevailing in the field where the joint lease is located. Nonoperator shall be notified in advance of rates to be used by Operator.

(b) Automobiles: At per diem rates commensurate with cost of operation, but in no event to exceed the following: Fords, Chevrolets, and cars of like class-$3.50 per day. Dodges, Buicks, and cars of like class-$5.00 per day.

(c) When practical, trucks, tractors, and special units will be assigned and charges to the joint account will be based on actual operating costs, plus depreciation. Charges for use of such equipment, when not assigned, shall be at rates commensurate with actual operating costs, plus depreciation, but in no event to exceed the following:

Trucks-1 ton or less	$1.00 per hour
Trucks-1 1/2 tons	1.50 per hour
Trucks- 2 tons	2.50 per hour
Trucks- 2 1/2 tons	3.00 per hour
Trucks- 3 tons and over	4.00 per hour

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Tractors- [illegible] of comparable cost	1.50 per hour
Tractors- Ford and others of comparable cost	2.00 per hour

Caterpillar tractors-for each one ton rated capacity or stated size of the unit

	.50¢per hour
Tractors and pulling machine units	2.00 per hour
Combination Rod and Tubing Outfits	2.00 per hour

(d) Automobile, truck and tractor charges shall be based on actual time unit is in operation. Daily rates stated above for use of automobiles are in lieu of all expenses, including depreciation, and the hourly rates for trucks and tractors are also in lieu of wages and expenses of driver or operator. In the event any truck or tractor units are charged at a driverless rate, the rate so charged shall be as shown above less 50¢ per hour.

(e) Tool Rentals:

(1) For a string of drilling, cleaning out or swabbing tools, when the power for operation of same is not included in the tools furnished, but is a part of the fixed assets of the lease-$20.00 per string per day of 12 hours, or fraction thereof.

(2) For a string of drilling, cleaning out or swabbing tools, when the power, such as steam engine and boiler, is furnished with the tools $30.00 per string per day of 12 hours or fraction thereof.

(3) For use of a drilling machine and tools for drilling, cleaning out , and swabbing $30.00 per unit per day of 12 hours, or fraction thereof.

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The rates hereinabove quoted for the use of tools cover only the rental of the equipment defined. All labor employed in the use of any of the above equipment shall be charged to the lease or property on the regular field time sheet. Repairs and replacements resulting directly from operation of such equipment on the lease, including necessary supplies for operation, shall be charged directly to the lease or property. Wire lines and cordage are to be considered as included in the rental charge and will not be charged to the joint lease.

The Nonoperating parties shall have the right at any time to request that the practice of renting tools for drilling, cleaning out, and swabbing be discontinued and any such tools needed be purchased outright for the joint account.

(f) Miscellaneous: For all items of machinery or equipment not listed herein a fair rental charge shall be made for the use thereof, said rental charge to be in an amount sufficient to cover the depreciation of and damages to the equipment furnished.

(g) Rates charged for use of Operator's facilities shall be amended from time to time if in practice they are found to be either insufficient or excessive.

III. DISPOSAL OF LEASE EQUIPMENT AND MATERIALS:

(1) Materials purchased by Operator from the joint lease shall be credited by him to the joint lease account and included in the monthly statement of operations for the month in which the materials are removed from the lease.

(2) Materials purchased by Nonoperator from the joint lease shall be invoiced to him by Operator and paid for by Nonoperator to Operator immediately following receipt of invoice and delivery of materials. The Operator will thereupon immediately pass credit to the joint lease account and include same in the monthly statement of operations for the month in which the materials were paid for by Nonoperator.

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(3) Division of materials in kind, if made between Operator and Nonoperator, shall be in proportion to their respective interests in the joint lease. Each party will thereupon be charged individually with the value of the materials received or receivable by him, and corresponding credits will be made to the joint lease account by Operator, and both credits shall appear in the same monthly operating statement.

(4) If the parties hereto agree that it is advisable to dispose of surplus stocks, equipment and/or junk which is not in demand by either party, the sales value of same shall be

determined by joint appraisal. Bids from outside parties shall be solicited and in case of high offer received being less than appraised value, the materials may be sold, subject to the approval of the parties hereto.

No sales of material involving values in excess of $500 are to be made to outside parties without the written approval of Nonoperator as to both terms and price first having been obtained. In case of losses through failure to collect, after such approval has been given, such losses shall be charged to the Joint account.

IV. BASIS OF PRICING MATERIALS TRANSFERRED FROM JOINT LEASE:

Materials and equipment purchased by either Operator or Nonoperator, divided in kind between them, sold to outside parties, or transferred from lease to lease, unless otherwise agreed, shall be valued on the following basis of condition and price: (New price as used in the following paragraphs shall have the same meaning and application as that used above in numbered paragraph (2) under "Basis of Charges for Materials Furnished by Operator.")

(1) New Materials: (Condition "A") being new equipment or supplies purchased or procured for the lease but never used thereon; at 100% of current new prices.

(2) Good Secondhand Materials: (Condition "B") being good serviceable materials which are further usable without repair, at:

(a) 75% of current new prices, if they were originally new materials when charged to the joint lease.

(b) 75% of current new prices, less depreciation consistent with their usage on and service to the joint lease, if materials were originally charged to the lease as second-hand at 75% of New prices.

(3) Other Used Materials : (Condition "C") being materials further usable for their original function only after repairs and recondition; at 50% of current new prices.

(4) Bad Order Materials; (Condition "D") being materials not furhter usable for their original function but for possible other service; at 25% of current new price.

Corporate Seal

(5) Junk; (Condition "E") being obsolete and unserviceable materials; at prevailing junk prices in the district. Where practicable, junk should be disposed of at the lease.

(6) Temporarily Used Materials: When the use of certain items of equipment on the joint lease was only temporary, and the time of actual use thereon does not justify the deduction of depreciation as listed in paragraphs (2) (a) and (b) above, such materials will be priced on a basis that will leave a net charge against the lease account consistent with the services rendered and adequate for the time the materials were in use.

V. INVENTORIES:

(1) Physical inventories covering such materials and equipment as are ordinarily considered controllable by Operators of oil and gas properties, shall be taken jointly by the parties at interest, when, in the judgment of either party, such inventories are considered desirable.

Corporate Seal

(2) Notice of intention to take inventory shall be given by Operator to Nonoperator week before any inventory is to begin, so that Nonoperator may be represented when any inventory is being taken.

(3) Special inventories shall be taken whenever there is any sale or change of interest in the joint lease, and it shall be the duty of the party selling to notify that other party as quickly as possible after the transfer of interest takes place. In such cases both the seller and the purchaser shall be represented and shall be governed by the joint inventory.

(4) If the initial test on a joint lease or leases is a dry hole and no further tests thereon are immediately contemplated, the Nonoperator may ask that a joint inventory be taken of all materials as soon as the casing, etc., has been recovered from the well, and that

the materials be classified and conditioned before any materials are removed from the joint lease by Operator or otherwise disposed of.

(5) Failure of either party to be represented at the physical inventory, after proper notice has been given, by party desiring such inventory shall bind him to accept the inventory taken, and in that event, copy thereof shall be furnished to party not represented.

(6) Reconciliation of inventory with charges to the joint lease account shall be made by each party at interest, and a list of overages and shortages shall be jointly determined by Operator and Nonoperator.

(7) Inventory adjustments shall be made by Operator on the joint lease account for overages and shortages. Operator is held accountable to Nonoperator for shortages not definitely determined as being reasonable operating losses.

(Corporate seal)

STATE OF NEW MEXICO, }
} SS
County of Lea. }

Filed for Record Nov. 15, 1935, at 5 o'clock P.M.

Grace M. Beauchamp, County Clerk

(Official seal) (CORPORATE SEAL)

FTE #4949

ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS: That,

WHEREAS, On the 13th day of February, 1935, a certain "Drilling and Farming Out Contract" was made and entered into by and between Continental Oil Company and The California Company, as parties of the first part, and R. H. Hendepson, as party of the second part, wherein the said Continental Oil Company and The California Company agreed that upon the full and complete performance of the covenants and agreements therein contained, on the part of Henderson to be kept and performed, subject to the reservations therein contained, to make, execute and deliver unto R. H. Henderson an assignment of all of their right, title and interest in, to and under a certain Prospecting Permit issued to Alve Nye Etz, bearing Las Cruces Serial Number 029464 and Roswell Serial Number 052888, and the Drilling and Operating Agreement dated January 21, 1927, executed by said Permittee, as owner, and Marland Oil Company of Colorado, as contractor, insofar as said Permit and said Drilling and Operating Agreement cover the following described land situated in Lea County, New Mexico, to-wit:

> Northeast Quarter (NE¼) and Southwest Quarter (SW¼) of Section 11; Northwest Quarter (NW¼) and Southwest Quarter (SW¼) of Section 12; Northeast Quarter (NE¼) and North Half of Southeast Quarter (N½ SE¼) of Section 14; Northeast Quarter (NE¼) and North Half Southeast Quarter (N½ SE¼) of Section 13; and Northwest Quarter (NW¼) of Section 25, Township 21 South, Range 32 East, New Mexico Principal Meridian, containing 1280 acres, more or less.

And, upon the same terms and conditions, said Continental Oil Company and The California Company agreed to make, execute and deliver to said R. H. Henderson an assignment covering all of their right, title and interest in, to and under a certain Prospecting Permit issued to Monico Jiminez bearing Las Cruces Serial Number 030469, and the Drilling and Operating Agreement dated February 2nd, 1927, executed by Peter L. Rapkoch, as owner, and the Marland Oil Company of Colorado, as contractor, insofar as said Permit and said Drilling and Operating Agreement cover the following described lands situated in Lea County, State of New Mexico, to-wit:

> Lots One (1), Two (2), Seven (7), Eight (8), inclusive (being the Northeast (NE) 160 acres of Section 6), Township 21; North half of Northwest Quarter (N½ NW¼) and Southeast Quarter (SE¼) of Section 10; Southwest Quarter (SW¼) of Section 11; Southeast Quarter (SE¼)

MERIDIAN OIL

Thomas H. Owen
Associate General Counsel

May 5, 1992

Ms. Mary E. Walta
Gallegos Law Firm
141 East Palace Avenue
Santa Fe, New Mexico 87501

Re: Hartman/Davidson and Meridian Purchase and Sale

Dear Mary:

Thank you for your recent letters regarding Hartman's 18.75% working interest in the Eumont Gas Proration Unit Britt Nos. 3 and 12 wells, and various working interests in other less important wells which I will not attempt to address in this letter. The 18.75% interest is tied to an August 25, 1989, assignment (the "Assignment") from Conoco, Amoco, Atlantic Richfield, and Chevron (collectively the "NMFU Partners") to Hartman. Meridian has inquired whether all parties intended that the Assignment convey to Hartman an interest in wells which are not located on Section 7, SE/4 SW/4, W/2 SE/4, Township 20 South, Range 37 East, but such acreage is included within the State proration unit. Hartman has answered in the affirmative, and you have sent us information to support this answer, all of which is very informative. While we might be able to come to a conclusion on the question of the parties' intent on the Assignment, I do not believe that Meridian's opinion of the effect of the Assignment will have any impact on the NMFU Partners. I feel the best way to resolve the question concerning the effect of the Assignment is to notify each of NMFU Partners of Hartman's interpretation of the Assignment and see what they say. As we have discussed, in the event they do not agree with Hartman, Meridian does not want to be caught in the middle of such disagreement.

In order to finalize our transaction, please find enclosed an Amendment to Purchase and Sale Agreement, a revised Closing Settlement Statement, and a Reconciliation. I propose that we partially close this transaction on the date you have suggested, Wednesday, May 6, 1992. At the closing, Meridian would pay Hartman a total of $1,577,849 which breaks down as follows: (a) $1,532,352 (a partial payment of the purchase price) and (b) $45,497 (the gas balancing settlement).

EXHIBIT C

The remainder of the purchase price, $317,772, will be paid upon the NMFU Partners' execution of a transfer order, stipulation of interest or other similar document confirming Hartman's interpretation of the Assignment. Meridian, as operator, could help in this process. If Hartman will request a transfer of the 18.75% interest, we will put this interest in suspense, and promptly send out transfer orders and a stipulation of interest to the NMFU Partners.

Please give me your thoughts along these lines. If you have any comments or questions about this proposal, please feel free to give me a call. Thank you for working with us to allow this transaction to go forward.

Very truly yours,

Thomas H. Owen, Jr.

Thomas H. Owen, Jr.

THO/cwh
Enclosures

NM35488

GALLEGOS LAW FIRM

A Professional Corporation

141 East Palace Avenue
Santa Fe, New Mexico 87501
Telephone No. 505 • 983 • 6686
Telefax No. 505 • 986 • 0741

MARY E. WALTA

October 22, 1992

Our File No. 91-1.50

VIA TELEFAX - (405) 767-5479
and FEDERAL EXPRESS

Conoco, Inc.
Real Property Administration
P. O. Box 1267
1000 South Pine
Ponca City, Oklahoma 74602

Attention: Judy Nimmo/Sharon Smith

Re: Transfer Order - H. M. Britt Lease
Lea County, New Mexico

Dear Ms. Nimmo and/or Ms. Smith:

We represent Doyle Hartman, Oil Operator ("Hartman") of Midland, Texas. Hartman owns an 18.75 net working interest in the Eumont Gas Proration Unit, Britt Nos. 3 and 12 wells, conveyed to him by virtue of an August 25, 1989 assignment from the NMFU partners covering a 50% working interest in the 120 acre Britt Federal MKA Lease, SE/4SW/4, W/2SE/4, Section 7, T20S, R7E, Lea County, New Mexico, a copy of which is attached. Hartman has confirmed with the New Mexico Oil Conservation Division ("NMOCD") that anyone owning a working interest in the E/2W/2, W/2E/2 of Section 7 is allocated production from the Britt Nos. 3 and 12 wells, since the NMOCD's Order No. R-5448 approving the Eumont Proration Unit specifically provides that all the gas from the acreage in the proration unit has been dedicated to the Britt Nos. 3 and 12 wells. See letter dated October 11, 1991 from William LeMay, NMOCD, and NMOCD Order No. R-5448 attached hereto.

Inadvertently no letter in lieu or amended division order was issued after Hartman's acquisition, even though Union Texas, the former unit operator, was clearly notified of the assignment. Consequently, the NMFU parties continued to receive both the revenues and joint interest billings attributable to Hartman's interest. This oversight was discovered during the pending sale of this interest to Meridian Oil, Inc., the new unit operator.

EXHIBIT

On approximately May 19, 1992, Meridian sent Hartman, Conoco and the other NMFU partners a Transfer Order requesting confirmation of the NMFU's assignment of Hartman's interest. We are enclosing a copy of the Conoco-Hartman Transfer Order executed by Hartman. Please note that Hartman has corrected Exhibit A to the Transfer Order. We assume that Meridian provided Conoco with the corrected Exhibit and that Conoco has not been confused by the original Exhibit A. To date none of the NMFU partners have taken action on this request. Furthermore, neither Meridian nor Hartman have been notified of any possible problems regarding this request. Consequently, we must assume that this confirmation had been delayed due solely to the press of other matters. Hartman and Meridian have waited patiently for five months for approval of the Transfer Order. However, Hartman must close its pending sale with Meridian no later than November 13, 1992 or the agreement to sell will expire. Hartman is most anxious to get this matter wrapped up. Since Conoco is the operating partner for the NMFU, we are requesting your assistance in getting the Transfer Order executed and returned so the sales transaction between Hartman and Meridian can be consummated. Due to the time constraints now imposed by the passage of several months, we are requesting that this matter be expedited and that the executed Transfer Order be returned to Meridian as soon as possible. We have provided the attached documents to facilitate prompt action by Conoco in this regard. We would appreciate a brief note from you acknowledging receipt of this letter and indicating when you will be able to respond and whether there are any problems which might cause further delay. Additionally, we would appreciate a copy of the executed Transfer Order upon its return to Meridian. We look forward to hearing from you soon.

Very truly yours,

GALLEGOS LAW FIRM, P.C.

By Mary E. Walta
MARY E. WALTA

MEW:car

cc: Doyle Hartman
Carolyn Sebastian
Tom Owen
Don Davis - Meridian Oil Inc.

ioc: JEG

MERIDIAN OIL

Thomas H. Owen, Jr.
Vice President
Law

May 3, 1996

Mr. Michael J. Condon
Gallegos Law Firm
460 St. Michael's Drive
Building 300
Santa Fe, New Mexico 87505

Re: NMFU Partners' Assignment
Lea County, New Mexico

Dear Mr. Condon:

I am in receipt of your letter dated April 15, 1996, regarding the above captioned matter.

It is not, and it has never been, Meridian Oil's responsibility to recognize or determine what interest, if any, is owned by Doyle Hartman, Oil Operator, in the Eumont Gas Proration Unit Britt Nos. 3 and 12 Wells. Obviously you have not taken the time to review the files on this matter. If you had, you would have noted that this subject was thoroughly discussed with representatives of Hartman in 1992. This issue was the purpose of my letter dated May 5, 1992, to Mary Walta, previously of the Gallegos Law Firm. A copy of this letter (with confidential portions redacted) is enclosed. Hartman agreed to the proposals set forth in the letter, and subsequently executed an agreement that instructed Meridian Oil, as operator, to suspend revenues related to the interest until the title was resolved. There must have been some uncertainty regarding the intent of the NMFU Partners' conveyance. It took over three years to obtain the execution of transfer orders.

Although Meridian Oil undertook to aid in securing the appropriate documentation to affirm ownership, we did so as operator of the Wells. Title to the interest has always been a matter between the parties to the original

5051 Westheimer, P.O. Box 4239, Houston, Texas 77210-4239 Telephone 713-624-9246

EXHIBIT
E

assignment, Hartman and the NMFU Partners, not Hartman and Meridian Oil. Therefore, your threat of litigation against Meridian Oil is misdirected.

As noted in Don Davis' letter dated April 8, 1996, now that the title matter has been resolved, Meridian Oil, as operator, is willing to prepare a reconciliation. Any accounting related to matters prior to the time Meridian Oil assumed operatorship will need to be approved by Hartman and the NMFU Partners.

Jim Behrmann, an attorney in Meridian Oil's Midland office, will be handling this matter. You should direct any further correspondence to him.

Very truly yours,

Thomas H. Owen, Jr.

THO/lb
Enclosure
cc: Atlantic Richfield Company
Chevron USA
Conoco Inc.
Apache Corporation

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT dated this 20th day of April, 1992, is between DOYLE HARTMAN and wife, MARGARET HARTMAN, individually (collectively "Seller"), with an address of Post Office Box 10426, Midland, Texas 79702 and MERIDIAN OIL PRODUCTION INC., a Delaware corporation ("Buyer"), with offices at 3300 North "A" Street, Building 6, Midland, Texas 79705.

WHEREAS, Seller desires to sell, and Buyer desires to purchase, upon and subject to the terms and conditions hereinafter set forth, all of Seller's right, title and interest in and to the following:

(i) All of Seller's interest in, to and under oil and gas leases, leasehold interests, mineral fee interests, rights and interests attributable or allocable to the oil and gas leases or leasehold interests by virtue of pooling, unitization, communitization, and operating agreements, licenses, permits and other agreements, all more particularly described on Exhibit "A" hereto, together with identical undivided interests in and to all the property and rights incident thereto (collectively the "Leases"), including, but not limited to, all rights in, to and under all agreements, product purchase and sale contracts, including any and all past, present and future take-or-pay claims, leases, permits, rights-of-way, easements, licenses, farmouts, farmins, options, orders and other contracts or agreements of a similar nature in any way relating thereto;

EXHIBIT F

(ii) All of Seller's interest in and to all of the wells, equipment, materials and other personal property, fixtures and improvements on the Leases as of the Effective Time, appurtenant thereto or used or obtained in connection with the Leases or with the production, treatment, sale or disposal of hydrocarbons or waste produced therefrom or attributable thereto, and all other appurtenances thereunto belonging (the "Equipment");

(iii) All other leasehold interests, royalty and overriding royalty interests owned by Seller in, to and under the Leases or attributable to production therefrom as of the Closing Date (as hereafter defined);

(iv) All unitization, communitization, pooling and operating agreements, and the units created thereby which relate to the Leases or interests therein described in Exhibit "A" or which relate to any units or wells located on the Leases, including any and all units formed under orders, regulations, rules and other official acts of the governmental authority having jurisdiction, together with any right, title and interest created thereby in the Leases;

(v) All rights to claim revenues or gas resulting from any underproduction attributable to Seller's interest in the Leases; and

(vi) All lease files, land files, well files, oil and gas sales contracts files, gas processing files, division

order files, abstracts, title opinions, and all other books, files, maps, logs and records, and all rights thereto, of Seller related to and necessary to the realization of value by Buyer of any of the property purchased thereunder (the "Records").

All of Seller's interest in the above-mentioned assets is herein collectively referred to as the "Interests".

NOW, THEREFORE, in consideration of the above recitals and of the covenants and agreements herein contained, Seller and Buyer agree as follows:

1. **Purchase and Sale.** Subject to and upon all of the terms and conditions herein set forth, Seller shall sell, transfer, assign, convey and deliver the Interests to Buyer, and Buyer shall purchase, receive, pay for and accept the Interests from Seller, effective September 1, 1991, 7 a.m. local time (the "Effective Time"). Except as otherwise specifically provided in this Agreement, all costs, expenses and obligations relating to the Interests which were incurred or accrue prior to the Effective Time shall be paid and discharged by Seller; and all costs, expenses and obligations relating to the Interests which were incurred or accrue after the Effective Time shall be paid and discharged by Buyer.

2. **Purchase Price.** The purchase price for the Interests shall be ONE MILLION EIGHT HUNDRED FIFTY THOUSAND ONE HUNDRED TWENTY-FOUR DOLLARS ($1,850,124), subject to any applicable purchase price adjustment as provided for herein.

3. **Representations of Seller.** Seller represents to Buyer that:

(a) Seller is an individual and is duly qualified to own its properties and assets and to carry on its business as now being conducted;

(b) Seller has the requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby;

(c) This Agreement has been duly executed and delivered by Seller and constitutes the valid and binding obligation of Seller, enforceable against it in accordance with the terms hereof, subject to the effects of bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights. No other act, approval or proceeding on the part of Seller or any other party is required to authorize the execution and delivery of this Agreement by Seller or the consummation of the transactions contemplated hereby;

(d) This Agreement, and the execution and delivery hereof by Seller, does not and the consummation of the transactions contemplated hereby will not (i) violate, or conflict with, or constitute a default under, or result in the creation or imposition of any security interest, lien or encumbrance upon any property or assets of Seller under any mortgage,

indenture or agreement to which it is a party or by which the Interests are bound, which violation, conflict or default might adversely affect the ability of Seller to perform its obligation under this Agreement, or (ii) violate any statute or law or any judgment, decree, order, writ, injunction, regulation or rule of any court or governmental authority, which violation might adversely affect the ability of Seller to perform its obligations under this Agreement;

(e) Seller has not been advised by any owner or lessor under any Leases of any material default under any lease or agreement which has not been remedied or waived, or of any requirements or demands which have not been satisfied;

(f) All royalties, rentals and other payments due under the Leases have been properly and timely paid, except for those amounts in suspense, and all conditions necessary to keep the Leases in force have been duly performed;

(g) Seller is not obligated to deliver hydrocarbons produced from the Interests at some future time without receiving full payment therefor;

(h) With the exception of those parties listed on Exhibit "C" hereof, no entity has any call upon, option to purchase or similar rights under any agreement with respect to the Interests or to the production therefrom;

(i) There are no actions, suits, proceedings or governmental investigations or inquiries pending or threatened, against Seller or the Interests which might delay, prevent or materially hinder the consummation of the transactions contemplated hereby or materially adversely affect the title to or value of any of the Interests;

(j) Seller possesses all licenses, permits, certificates, orders, approvals and authorizations necessary to own the Interests and to carry on its business as now being conducted;

(k) Seller has complied with all laws, ordinances, rules, regulations and orders applicable to the Interests necessary for the conduct of legal operations of the Interests;

(l) All ad valorem, property, production, severance, excise and similar taxes and assessments based on or measured by the ownership of property or the production of hydrocarbons or the receipt of proceeds therefrom on the Interests that have become due and payable have been properly and timely paid;

(m) Seller has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Buyer shall have any responsibility whatsoever;

(n) To the best of Seller's knowledge, there are no liens, encumbrances, burdens, or defects affecting

the Interests or Seller's interest in the Interests as set forth on Exhibit "A"; and

(o) The parties listed on Exhibit "C" may be holders of preferential rights to purchase all or portions of the Interests. Required notices have been given to these parties and either (i) waivers have been obtained or (ii) the appropriate time period for asserting such rights, if any, have expired without an exercise of such rights.

4. **Representations of Buyer.** Buyer represents and warrants to Seller that:

(a) Buyer is a corporation validly existing and in good standing under the laws of the State of Delaware and is duly qualified to own its properties and assets and to carry on its business as now being conducted;

(b) Buyer has the requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Buyer and the consummation of the transactions contemplated hereby have been duly authorized;

(c) This Agreement has been duly executed and delivered by Buyer and constitutes the valid and binding obligation of Buyer, enforceable against it in accordance with the terms hereof, subject to the effects of bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors'

rights. No other act, approval or proceeding on the part of Buyer or any other party is required to authorize the execution and delivery of this Agreement by Buyer or the consummation of the transactions contemplated hereby;

(d) This Agreement, and the execution and delivery hereof by Buyer, does not and the consummation of the transactions contemplated hereby will not (i) conflict with or result in a breach of the charter or bylaws of Buyer or any other governing documents of Buyer, or (ii) violate any statute or law or any judgment, decree, order, writ, injunction, regulation or rule of any court or governmental authority, which violation might adversely affect the ability of Buyer to perform its obligations under this Agreement;

(e) Buyer possesses all required governmental licenses, permits, certificates, orders and authorizations necessary to own the Interests;

(f) Buyer has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Seller shall have any responsibility whatsoever; and

(g) Buyer is an experienced and knowledgeable investor in the oil and gas business. Prior to entering into this Agreement, Buyer was advised by its counsel and such other persons it has deemed appropriate concerning this Agreement. Buyer is not acquiring

the Interests in connection with a distribution thereof in violation of the Securities Act of 1933 and the rules and regulations thereunder or any applicable state blue sky laws.

5. **Liabilities and Indemnities of Seller.** In connection with the sale, conveyance, transfer, assignment and delivery of the Interests to Buyer, Buyer shall not assume or become obligated in any way with respect to the following:

(a) Any cost, expense or obligation relating to the Interests which accrued prior to the Effective Time unless specifically assumed by Buyer in Section 6 hereof;

(b) Any litigation which affects the Interests, whether pending or threatened, which is based upon omissions, events or occurrences prior to the Effective Time;

(c) Any federal or state income tax or other tax liability of Seller arising by reason of the transaction contemplated by this Agreement;

(d) Any federal, state, county, municipal, ad valorem, production, windfall profits or other tax liability attributable to Seller's ownership or operation of any of the Interests prior to the Effective Time except as to prorate taxes for the current tax period;

(e) Any claims arising out of the production or sale of hydrocarbons from the Interests, or the proper

accounting or payment to parties for their interests therein, prior to the Effective Time; and

(f) Any other claim or demand against, or liability or obligation of Seller arising from any act or omission whatsoever of Seller, prior to the Effective Time, whether such claim, demand, liability or obligation is fixed or contingent, and whether the same arises by contract, tort or otherwise.

Seller shall, to the fullest extent permitted by law, protect, defend, indemnify and hold Buyer and its affiliates, including its directors, officers, employees, agents and representatives of each of them, harmless from and against any and all claims, losses, damages, costs, expenses, diminutions in value, suits, causes of action or judgments of any kind or character with respect to any and all liabilities and obligations or alleged or threatened liabilities and obligations, including, but not limited to, any interest, penalty and any reasonable attorneys' fees and other costs and expenses incurred in connection with investigating or defending any claims or actions, whether or not resulting in any liability, attributable to or arising out of (i) Seller's ownership or operation of the Interests prior to the Effective Time, (ii) the breach by Seller of the representations contained in Section 3 and warranties contained in Section 16 hereof, and (iii) the sale, conveyance, transfer, assignment and delivery of the Interests from Seller to Buyer.

6. **Assumption of Obligations and Indemnities of Buyer.** Buyer shall assume, as of the Effective Time, all contractual

obligations of Seller related to the Interests which are recorded or were disclosed by Seller to Buyer in the Records; provided, however, Buyer shall not assume any obligation of Seller to pay for another party's debts, expenses or costs incurred prior to the Effective Time owed to an operator of an Interest pursuant to the terms of an Operating Agreement applicable to any of the Interests. Buyer shall, to the fullest extent permitted by law, protect, defend, indemnify and hold Seller and its directors, officers, employees, agents and representatives of each of them, harmless from and against any and all claims, losses, damages, costs, expense, diminutions in value, suits, causes of action or judgments of any kind or character with respect to any and all liabilities and obligations or alleged or threatened liabilities and obligations, including, but not limited to, any interest, penalty and any reasonable attorneys' fees and other costs and expenses incurred in connection with investigating or defending any claims or actions, whether or not resulting in any liability, attributable to or arising out of (i) Buyer's ownership or operation of the Interests subsequent to the Effective Time, and (ii) the breach by Buyer of the representations and warranties contained in Section 4 hereof.

7. **Access of Buyer.** Seller has made available to Buyer for examination any of the Records as Buyer may have reasonably requested, including, but not limited to, all title work and land records.

8. **Confidentiality.** Any information, data or records, either originals or copies thereof, relating to the Interests sold

to Buyer hereunder retained by Seller shall be treated by Seller as strictly confidential and shall not be disclosed to any person, firm or corporation without the prior written consent of Buyer. Buyer and Seller agree that the terms of this Purchase and Sale Agreement are confidential and are not to be disclosed to any other person or entity without the express written consent of the other, except as required by law or court order; provided, however, the parties recognize that the parties listed on Exhibit "C" have been informed of the relevant terms of this transaction.

9. **Closing.** The Closing shall be held at 9:00 a.m. on or before April 24, 1992, at the offices of Buyer at 3300 North "A" Street, Building 6, Midland, Texas 79705 or at such other time and place as Seller and Buyer may mutually agree in writing (the "Closing" or the "Closing Date").

10. **Transactions at Closing.** On the Closing Date:

(a) Seller shall execute, acknowledge and deliver to Buyer an Assignment and Bill of Sale in the form as set forth in Exhibit "B" hereto (in sufficient counterparts to facilitate recording in applicable counties and filing with the Bureau of Land Management or other governmental authorities) conveying the Interests;

(b) Seller and Buyer shall execute and deliver a settlement statement that shall set forth the purchase price and each adjustment and the calculation of such adjustments used to determine such amount (the "Closing Amount");

(c) Seller shall deliver to Buyer the Records;

(d) Seller and Buyer shall execute, acknowledge and deliver letters-in-lieu prepared by Seller, and approved by Buyer, directing all purchasers of production to make payment to Buyer of proceeds attributable to production from the Interests;

(e) Seller shall deliver to Buyer possession of the Interests;

(f) Reference is hereby made to a lawsuit styled Doyle Hartman, James A. Davidson v. Union Texas Petroleum Corporation, No. CV-91-475(FR) in the Fifth Judicial District, Lea County, New Mexico (the "Lawsuit"). Seller shall deliver to Buyer a properly executed Stipulation For Dismissal With Prejudice and a Mutual Release in the form as set forth in Exhibit "D" and Exhibit "E" hereto; and

(g) Buyer shall deliver to Seller cash by wire transfer in the amount of the Closing Amount to the following account:

NationsBank N.A.
Charlotte, North Carolina
ABA #053000196
Credit Account 300203221

11. **Post-Closing Adjustments.** Within ninety (90) days after the Closing, the parties shall undertake to agree with respect to the adjustments or payments that were not finally determined as of the Closing, and the amount due

from Buyer or Seller, as the case may be, pursuant to the Post-Closing adjustment. Seller shall provide Buyer access to such of Seller's records as may be reasonably necessary to a determination of Post-Closing adjustments. Payment by Buyer or Seller shall be made in immediately available funds within ten (10) days of agreement. If the Post-Closing adjustment has not been agreed upon within the time period set forth herein, either party may seek to enforce any rights it claims hereunder.

12. **Proration of Taxes.** All ad valorem taxes, real property taxes and similar obligations shall be apportioned between Seller and Buyer as of the Effective Time.

13. **Proceeds of Production.** Seller shall be entitled to all proceeds of production attributable to the Interests and accruing to the period prior to the Effective Time; provided, however, Seller recognizes and agrees that all claims of Seller relating to the non-payment of revenues from the Interests by Union Texas Petroleum Corporation, the former Operator of the Interests, are to be conveyed to Buyer at Closing and are included in the Assignment and Bill of Sale. Buyer shall be entitled to all proceeds of production attributable to the Interests and accruing to the period on and after the Effective Time. Seller shall receive a credit at Closing in the amount of FORTY-FIVE THOUSAND FOUR HUNDRED NINETY-SEVEN DOLLARS ($45,497) in full settlement of all gas imbalances accruing to Seller's interest in the Interests attributable to the period prior to the Effective Time. Seller shall receive a credit in an amount equal to the actual proceeds received by Buyer at the wellhead for all production in storage or in transit as of the Effective Time and not previously sold by Seller. All proceeds held in suspense or escrow from the sale of

production by Seller prior to the Effective Time attributable to the Interests shall be delivered to Buyer at Closing. Seller shall have no responsibility or liability for the proper distribution of proceeds from and after the Closing Date; provided, however, in the event Seller receives distributions for proceeds of production after the Closing Date for production on or after the Effective Time, Seller will promptly remit such proceeds, along with the supporting documentation, to Buyer.

14. **Notices.** All communications required or permitted under this Agreement shall be in writing and any communication or delivery hereunder shall be deemed to have been fully made if actually delivered, or if mailed by registered or certified mail, postage prepaid, return receipt requested, to the address as set forth below:

SELLER	**BUYER**
Doyle and Margaret Hartman Post Office Box 10426 Midland, Texas 79702	Meridian Oil Production Inc. 2919 Allen Parkway Suite 1100 Houston, Texas 77019 Attn: Thomas H. Owen, Jr.

15. **Further Assurance.** Incidental and subsequent to Closing, each of the parties shall execute, acknowledge and deliver to the other such further instruments, and take such other actions as may be reasonably necessary to carry out the provisions of this Agreement and to dismiss the Lawsuit.

16. **WARRANTIES.** THE ASSIGNMENT AND BILL OF SALE EXECUTED PURSUANT HERETO SHALL BE EXECUTED WITHOUT ANY WARRANTY OF TITLE, EITHER EXPRESS OR IMPLIED; PROVIDED, HOWEVER, SELLER SHALL SPECIALLY WARRANT AND AGREE TO DEFEND THE TITLE TO

THE INTERESTS AS SET FORTH ON EXHIBIT "A" HERETO AGAINST THE LAWFUL CLAIMS AND DEMANDS OF ALL PERSONS OR ENTITIES CLAIMING THE SAME OR ANY PART THEREOF BY, THROUGH OR UNDER SELLER, BUT NOT OTHERWISE. SELLER MAKES NO EXPRESS OR IMPLIED WARRANTY OR REPRESENTATION AS TO THE EQUIPMENT, WHICH SHALL BE CONVEYED TO BUYER "AS IS, WHERE IS," WITH ALL FAULTS AND DEFECTS, AND WITHOUT WARRANTIES OF MERCHANTABILITY, CONDITION OR FITNESS FOR ANY PURPOSE.

17. **Casualty Loss.** Seller assumes the risk of any casualty loss prior to Closing.

18. **Expenses.** Each of the parties hereto shall pay its own fees and expenses incident to the negotiation, preparation and execution of this Agreement, including attorneys' and accountants' fees.

19. **Entire Agreement.** This instrument states the entire agreement between the parties and may be supplemented, altered, amended, modified or revoked by writing only, signed by both parties.

20. **Survival of Representations and Covenants.** All representations, warranties and covenants of the parties to the extent not fully performed or waived prior to Closing shall survive the Closing.

21. **Counterpart.** This Agreement may be executed by Buyer and Seller in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute one and the same instrument.

22. **Time of Essence.** Time is of the essence in this Agreement.

23. **Announcements.** Seller and Buyer shall consult with each other prior to the release of any press releases and other announcements concerning this Agreement or the transactions contemplated hereby.

24. **Severability.** If, at any time subsequent to the date hereof, any provision of this Agreement shall be held by any court of competent jurisdiction to be illegal, void or unenforceable, such provision shall be of no force and effect, but the illegality or unenforceability of such provision shall have no effect upon and shall not impair the enforceability of any other provision of this Agreement.

25. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of New Mexico. The validity of the various conveyances and transfers affecting the title to the Interests shall be governed by and construed in accordance with the laws of the jurisdiction in which such Interests are situated.

26. **Internal Revenue Code §1031.** Either party shall have the option, at or before Closing, to structure the Closing of this transaction in such a manner so as to qualify as part of a like-kind exchange pursuant to §1031 of the Internal Revenue Code. If either party elects to effect an exchange, the other party agrees to execute additional documents, agreements or instruments to effect the exchange; provided, however, that such other party shall incur no additional costs, expenses, fees or liabilities as a result of or connected with the exchange.

EXECUTED as of the date first above mentioned.

SELLER

DOYLE HARTMAN

MARGARET HARTMAN

BUYER

MERIDIAN OIL PRODUCTION INC.

By:_____

Title:_____

EXECUTED as of the date first above mentioned.

SELLER

DOYLE HARTMAN

MARGARET HARTMAN

BUYER

MERIDIAN OIL PRODUCTION INC.

By: [signature]

Title: SR. V.P.

THO

Exhibit E

MUTUAL RELEASE

This Mutual Release is made and entered into effective this __ day of April, 1992, by and between Doyle Hartman, his wife Margaret Hartman ("Hartman"), individuals, James A. Davidson, his wife Sandra P. Davidson ("Davidson"), individuals, Union Texas Petroleum Services Corporation ("UTPSC") and Union Texas Petroleum Energy Corporation ("UTPEC"), as successor by merger to Union Texas Petroleum Corporation (UTPSC and UTPEC hereinafter collectively referred to as "Union Texas"), and Meridian Oil Inc., and its affiliates, including but not limited to Meridian Oil Production Inc. ("Meridian").

RECITAL

Claims and counterclaims have been asserted by and between Hartman, Davidson and Union Texas Petroleum Corporation in Civil Action No. 91-475 FR, Fifth Judicial District Court, State of New Mexico, captioned ***Doyle Hartman and James A. Davidson v. Union Texas Petroleum Corporation*** (the "Civil Action"). Since commencement of the Civil Action, UTPSC has succeeded to some of Union Texas Petroleum Corporation's interests. Union Texas and Meridian are the present owners of certain real property which is the subject of the Civil Action. Reference is made to all of the pleadings in the Civil Action for a general description of the alleged facts, claims and counterclaims made by Hartman, Davidson and Union Texas Petroleum. It is the intention of Hartman and Davidson to settle, release and discharge all of the claims and counterclaims which have been asserted or which could have been asserted against Union Texas and Meridian in the Civil Action, and any and all other claims and obligations against Union Texas and Meridian of any kind or nature whatsoever, whether or not asserted and whether or not known, arising out of the facts which give rise to the Civil Action, including but not limited to claims involving underproduction or underpayment of interests. It is the intention of Union Texas and Meridian to settle, release and discharge all of the claims and counterclaims which have been asserted or which could have been asserted against Hartman and Davidson in the Civil Action, and any and all other claims and obligations against Hartman and Davidson of any kind or nature whatsoever, whether or not asserted and whether or not known, arising out of the facts which give rise to the Civil Action.

RELEASE

1. RELEASE OF ALL CLAIMS. This Mutual Release is given as consideration for and upon the condition of the closing of the purchase and sale of certain oil and gas properties, as is set forth in the Purchase and Sale Agreement by and between Doyle Hartman and Margaret Hartman, his wife, as Sellers and Meridian Oil Production, Inc., as Buyer; the Purchase and Sale Agreement between James A. Davidson and Sandra P. Davidson, his wife, as Sellers and Meridian Oil Production, Inc., as Buyer and the Purchase and Sale Agreement between Meridian Oil Production, Inc., as Seller, and Doyle Hartman and James A. Davidson, as Buyers, as well as the mutual covenants set forth herein and other good and valuable consideration, the receipt and

sufficiency of which is hereby acknowledged. Hartman and Davidson for themselves and any and all of their predecessors or affiliates, successors, assigns, heirs, personal representatives, executors, administrators, attorneys, and any and all of their past, present or future employees, agents, servants, insurers, and any and all other persons, firms and corporations controlled by them do hereby fully release and forever discharge Union Texas and Meridian and their parents, subsidiaries, present and former affiliates, respective agents, servants, employees, attorneys, representatives, partners, insurance carriers, officers, directors, assigns, predecessors in interest and successors in interest of and from any and all liabilities, losses, expenses, compensations, reimbursements, actions, rights and causes of action of whatsoever kind or nature, resulting from or in any way related to or in any way arising or growing out of, any and all, known and unknown, damages, expenses, costs, losses, liabilities, claims, and the consequences thereof, which now exist, resulting or which may or will result or arise out of, directly or indirectly, the facts which give rise to the above-referenced Civil Action. Union Texas and Meridian, for themselves and any and all of their predecessors or affiliates, successors, assigns, attorneys, and any and all of their past, present or future employees, agents, servants, insurers, and any and all other persons, firms and corporations controlled by them do hereby fully release and forever discharge Hartman and Davidson and their parents, subsidiaries, present and former affiliates, respective agents, servants, employees, attorneys, representatives, partners, insurance carriers, officers, directors, assigns, predecessors in interest and successors in interest of and from any and all liabilities, losses, expenses, compensations, reimbursements, actions, rights and causes of action of whatsoever kind or nature, resulting from or in any way related to or in any way arising or growing out of, any and all, known and unknown, damages, expenses, costs, losses, liabilities, claims, and the consequences thereof, which now exist, resulting or which may or will result or arise out of, directly or indirectly, the facts which give rise to the above-referenced Civil Action.

2. RELEASE OF UNKNOWN AND FUTURE CLAIMS AND DAMAGES. Hartman and Davidson, on one hand, and Union Texas and Meridian, on the other hand, fully realize that they may have sustained unknown and unforeseen losses, costs, expenses, liabilities, claims, injuries, damages and the consequences thereof, which may be at this time unknown, unrecognized and not contemplated by them, which resulted or may or will result from the facts which give rise to the above-referenced Civil Action and all matters related thereto and any and all consequences thereof. By executing this Mutual Release, it is their full intent to release each other from any and all liability for any and also such unknown and unforeseen losses, costs, expenses, liabilities, claims, injuries, damages and the consequences thereof not known, recognized nor contemplated at this time by them.

3. VOLUNTARY EXECUTION. The parties hereto further warrant that no promises or inducement have been offered them, except as set forth herein, and that this Mutual Release was executed without reliance upon any statement, representation or commitment made by any other party, or its attorneys, employers, officers or agents,

and that each of the undersigned is legally competent to execute this Mutual Release and accept full responsibility therefor and assume the risk of any mistake of fact as to damages, loss or injuries, and as to the result of any such damages, losses or injuries, whether disclosed or undisclosed, sustained as a result of the above-referenced Civil Action and all matters related thereto and any and all consequences thereof.

4. COMPROMISE OF DISPUTED CLAIM. It is expressly understood and agreed that the settlement of the above-referenced Civil Action as set forth herein is in full accord and satisfaction of disputed claims and that the settlement of said claims is not to be construed in any way as an admission of liability on the part of any party, but, to the contrary, each party specifically denies any liability on account of said incident or any matters related thereto, or otherwise, and it is further understood and agreed that all agreements and understandings between the parties are embodied and expressed therein, and that the terms of this Mutual Release are contractual and not mere recitals.

5. DISMISSAL OF ACTION. Hartman, Davidson and Union Texas specifically authorize and directs their attorneys to execute contemporaneously with the execution of this Mutual Release, a Stipulation for Dismissal With Prejudice. Said Stipulation shall be filed with the District Court, Lea County, New Mexico, and, as to each party, shall dismiss the above-referenced Civil Action with prejudice, each party to bear its own costs.

6. EXEMPTION. Nothing in this Mutual Release shall release, enlarge, diminish or modify the rights, duties or obligations existing between Union Texas and Meridian with respect to the real property which is the subject of the Civil Action.

EACH OF THE UNDERSIGNED HAS CAREFULLY READ THE ABOVE AND FOREGOING MUTUAL RELEASE AND KNOWS OF THE CONTENTS THEREOF AND HAS SIGNED THE SAME AS HIS/ITS OWN FREE AND VOLUNTARY ACT.

IN WITNESS WHEREOF the undersigned has hereunto set his hand and seal the day and year first written above.

_____

DOYLE HARTMAN

_____

MARGARET HARTMAN

_____
JAMES A. DAVIDSON

_____
SANDRA P. DAVIDSON

UNION TEXAS PETROLEUM SERVICES CORPORATION

_____
By _____
its _____

UNION TEXAS PETROLEUM ENERGY CORPORATION, as successor by merger to Union Texas Petroleum Corporation

_____
By _____
its _____

MERIDIAN OIL INC., and its affiliates,

_____

By_____

its _____

APPROVED AS TO FORM:

GALLEGOS LAW FIRM, P. C.

_____

MARY E. WALTA
Attorneys for Doyle Hartman and
James A. Davidson

MADDOX & SAUNDERS
DON MADDOX
200 W. Broadway
Hobbs, New Mexico 88241
Attorneys for Doyle Hartman and
James A. Davidson

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.

_____

MICHAEL CAMPBELL
Attorneys for Union Texas
Petroleum Services Corporation and
Union Texas Petroleum Energy Corporation

EXHIBIT "A"

Attached to and made a part of that certain Purchase and Sale Agreement dated April 20, 1992, by and between Doyle Hartman and his wife, Margaret M. Hartman, as Seller, and Meridian Oil Production Inc., as Buyer.

BRITT "A" LEASE

Date of Lease:	February 1, 1956
Lessor:	The United States of America
Lessee:	Harry M. Britt
Serial No.:	LC-031621(a)
Recording Information:	None, Unrecorded
Description of Assigned Interest:	E/2 SW/4 of Section 6, T-20-S, R-37-E, N.M.P.M., Lea County, New Mexico

H.M.BRITT LEASE

Date of Lease:	February 1, 1956
Lessor:	The United States of America
Lessee:	Harry M. Britt
Serial No.:	LC-031621(a)
Recording Information:	None, Unrecorded
Description of Assigned Interest:	W/2 NE/4, E/2 NW/4 and NE/4 SW/4 of Section 7, T-20-S, R-37-E, N.M.P.M., Lea County, New Mexico

BRITT FEDERAL MKA LEASE

Date of Lease:	February 1, 1956
Lessor:	The United States of America
Lessee:	Harry M. Britt
Serial No.:	LC-031621(a)
Recording Information:	None, Unrecorded
Description of Assigned Interest:	W/2 SW/4 and SE/4 SW/4 of Section 7, T-20-S, R-37-E, N.M.P.M., Lea County, New Mexico

CONTRACTS

1. C-No. 3322 - Drilling and Farming Out Contract dated February 13, 1935 and amended between Continental Oil Company, et al and R. H. Henderson recorded at Book 13, Page 3 in Lea County Courthouse, Lea County, New Mexico.

2. C-No. 3564 - Joint Operating Agreement dated July 1, 1935, as amended, by and between Continental Oil Co., The California Co., Stanolind Oil and Gas Co., and Atlantic Oil Producing Co. (NMFU).

3. Gas Contract No. 4037 dated July 17, 1948, as subsequently amended, by and between Continental Oil Company (now Conoco Inc.), Standard Oil Company of Texas (now Chevron USA Inc.) The Atlantic Refining Company (now ARCO Oil and Gas Company, A Division of Atlantic Richfield), and Stanolind Oil and Gas Company (now Amoco Production Company) as "Seller" and El Paso Natural Gas Company as "Buyer". (Subject to conditional abandonment under FERC Order No. 490 and that certain Settlement Agreement dated December 28, 1988, by and between Doyle Hartman, et al, and El Paso Natual Gas Company, et al, as amended).

4. Operating Agreement dated August 24, 1959 as amended by and between Anderson Prichard Oil Corporation, et al.

5. Casinghead Gas Contract dated November 3, 1981 by and between Gulf Oil Corporation as "Buyer" and Sun Production Company as "Seller".

6. Rollover Gas Contract No. 131 dated January 12, 1984, as subsequently amended, by and between Conoco Inc., as "Seller" and Warren Petroleum Company, a Division of Gulf Oil Corporation (now Chevron USA Inc.) as "Buyer".

ASSIGNED WELLS

Well Name	Location	Working Interest	Net Revenue Interest	Well Status
H. M. Britt #1	SE/4 NW/4, Unit F, Section 7, T20S R37E, N.M.P.M.	64.42050%	51.536464%*	Temporarily Abandoned
H. M. Britt #2	NE/4 NW/4, Unit C, Section 7, T20S R37E, N.M.P.M.	64.42050%	51.536464%*	Temporarily Abandoned
H. M. Britt #3	SW/4 NE/4, Unit G, Section 7, T20S R37E, N.M.P.M.	43.5875%	34.8698%*	Producing
H. M. Britt #4	NW/4 NE/4, Unit B, Section 7, T20S R37E, N.M.P.M.	64.42050%	51.536464%*	Temporarily Abandoned
H. M. Britt #5	NE/4 SW/4, Unit K, Section 7, T20S R37E, N.M.P.M.	43.5875%	34.8698%*	Temporarily Abandoned
H. M. Britt #10	NW/4 NE/4, Unit B, Section 7, T20S R37E, N.M.P.M.	24.83725%	19.8698%*	Producing
H. M. Britt #11	SW/4 NE/4, Unit G, Section 7, T20S R37E, N.M.P.M.	24.83725%	19.8698%*	Temporarily Abandoned
H. M. Britt #12	NE/4 NW/4, Unit C, Section 7, T20S R37E, N.M.P.M.	APO-43.58725%	APO-34.8698%*	Producing
H. M. Britt #13	NW/4 SE/4, Unit J, Section 7, T20S R37E, N.M.P.M.	43.58725%	34.8698%*	Temporarily Abandoned
Britt "A" #1	SE/4 SW/4 Unit N, Section 6, T20S R37E, N.M.P.M.	49.67447%	39.739576%*	Temporarily Abandoned
Britt "A" #2	NE/4 SW/4 Unit K, Section 6, T20S R37E, N.M.P.M.	49.67447%	39.739576%*	Temporarily Abandoned
Britt "A" #3	NE/4 SW/4 Unit K, Section 6, T20S R37E, N.M.P.M.	49.67447%	39.739576%*	Producing

Britt "A" #4	SE/4 SW/4 Unit N, Section 6, T20S R37E, N.M.P.M.	49.67447%	39.739576%*	Temporarily Abandoned
Britt "A" #5	NE/4 SW/4 Unit K, Section 6, T20S R37E, N.M.P.M.	49.67447%	39.739576%*	Temporarily Abandoned
Britt "A" #6	SE/4 SW/4 Unit N, Section 6, T20S R37E, N.M.P.M.	49.67447%	39.739576%*	Producing
Britt "A" #7	NE/4 SW/4 Unit K, Section 6, T20S R37E, N.M.P.M.	49.67447%	39.739576%*	Plugged and Abandoned
Britt Federal MKA #6	SE/4 SW/4, Unit N, Section 7, T20S R37E, N.M.P.M.	74.83725%	59.8698%*	Temporarily Abandoned
Britt Federal MKA #7	NW/4 SE/4, Unit J, Section 7, T20S R37E, N.M.P.M.	74.83725%	59.8698%*	Temporarily Abandoned
Britt Federal MKA #8	SW/4 SE/4, Unit O, Section 7, T20S R37E, N.M.P.M.	74.83725%	59.8698%*	Temporarily Abandoned

* Federal Lease LC 031621(a) contains a sliding scale royalty based on the quantity and quality of production. This Net Revenue Interest figure reflects a 12.5% royalty interest (proportionately reduced).

EXHIBIT "B"

Attached to and made a part of that certain Purchase and Sale Agreement dated April 20, 1992, by and between DOYLE HARTMAN and wife, MARGARET HARTMAN, individually, as Seller, and MERIDIAN OIL PRODUCTION INC., as Buyer

ASSIGNMENT AND BILL OF SALE

STATE OF NEW MEXICO §
§ KNOW ALL MEN BY THESE PRESENTS THAT:
COUNTY OF LEA §

DOYLE HARTMAN and wife, MARGARET HARTMAN, individually, with an address of Post Office Box 10426, Midland, Texas 79702 (collectively "Assignor"), for and in consideration of ONE HUNDRED DOLLARS ($100.00) and other good and valuable consideration, receipt of which is hereby acknowledged, does hereby assign, transfer, grant, and, convey unto MERIDIAN OIL PRODUCTION INC., with offices at 3300 North "A" Street, Building 6, Midland, Texas 79705 ("Assignee"), all of Assignor's right, title and interest in and to the following:

(i) All of Assignor's interest in, to and under oil and gas leases, leasehold interests, mineral fee interests, rights and interests attributable or allocable to the oil and gas leases or leasehold interests by virtue of pooling, unitization, communitization, and operating agreements, licenses, permits, and other agreements, all more particularly described on Exhibit "A" hereto, together with identical undivided interests in and to all the property and rights incident thereto (collectively the "Leases"), including, but not limited to, all rights in, to and under all agreements, product purchase and sale contracts, including any and all past, present and future take-or-pay claims, leases, permits, rights-of-way, easements, licenses, farmouts, farmins, options, orders and other contracts or agreements of a similar nature in any way relating thereto;

(ii) All of Assignor's interest in and to all of the wells, equipment, materials and other personal

property, fixtures and improvements on the Leases as of the effective date hereof, appurtenant thereto or used or obtained in connection with the Leases or with the production, treatment, sale or disposal of hydrocarbons or waste produced therefrom or attributable thereto, and all other appurtenances thereunto belonging (the "Equipment");

(iii) All other leasehold interests, royalty and overriding royalty interests owned by Assignor in, to and under the Leases or attributable to production therefrom;

(iv) All unitization, communitization, pooling, and operating agreements, and the units created thereby which relate to the Leases or interests therein described in Exhibit "A" or which relate to any units or wells located on the Leases, including any and all units formed under orders, regulations, rules and other official acts of the governmental authority having jurisdiction, together with any right, title and interest created thereby in the Leases;

(v) All of Assignor's rights to claim revenues or gas resulting from any underproduction attributable to Assignor's interest in the Leases; and

(vi) All lease files, land files, well files, oil and gas sales contracts files, gas processing files, division order files, abstracts, title opinions, and all other books, files, maps, logs and records, and all rights thereto, of Assignor related to and necessary to the realization of value by Assignee of any of the property purchased hereunder.

All of Assignor's interest in the above-mentioned assets is herein collectively referred to as the "Interests".

TO HAVE AND TO HOLD the same unto Assignee, its successors and assigns, forever, subject to the terms and provisions hereof.

This Assignment is accepted subject to, and Assignee agrees to comply with and be bound by, all of the terms and provisions of all leases and assignments of record relating to the Interests.

THIS ASSIGNMENT AND BILL OF SALE IS EXECUTED WITHOUT ANY WARRANTY OF TITLE, EITHER EXPRESS OR IMPLIED; PROVIDED, HOWEVER, ASSIGNOR SHALL SPECIALLY WARRANT AND AGREE TO DEFEND THE TITLE TO THE INTERESTS AS SET FORTH ON EXHIBIT "A" HERETO

AGAINST THE LAWFUL CLAIMS AND DEMANDS OF ALL PERSONS OR ENTITIES CLAIMING THE SAME OR ANY PART THEREOF BY, THROUGH OR UNDER ASSIGNOR, BUT NOT OTHERWISE. ASSIGNOR MAKES NO EXPRESS OR IMPLIED WARRANTY OR REPRESENTATION AS TO THE EQUIPMENT, WHICH SHALL BE CONVEYED TO ASSIGNEE "AS IS, WHERE IS," WITH ALL FAULTS AND DEFECTS, AND WITHOUT WARRANTIES OF MERCHANTABILITY, CONDITION OR FITNESS FOR ANY PURPOSE.

This Assignment shall inure to the benefit of and be binding upon the parties hereto, their heirs, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed as of the 24th day of April, 1992, but shall be effective as of the 1st day of September, 1991 (the "Effective Time").

ASSIGNOR

DOYLE HARTMAN

MARGARET HARTMAN

ASSIGNEE

MERIDIAN OIL PRODUCTION INC.

By:_____

Title:_____

STATE OF Colorado §
§
COUNTY OF Pitkin §

BEFORE ME, the undersigned authority, on this day personally appeared DOYLE HARTMAN, known to me to be the individual whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND OFFICIAL SEAL OF OFFICE on this 4th day of May, 1992.

MY COMMISSION EXPIRES:

Notary Public in and for the State of Colorado

My Commission expires 12/16/95

STATE OF Colorado §
§
COUNTY OF Pitkin §

BEFORE ME, the undersigned authority, on this day personally appeared MARGARET HARTMAN, known to me to be the individual whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND OFFICIAL SEAL OF OFFICE on this 4th day of May, 1992.

MY COMMISSION EXPIRES:

Notary Public in and for the State of Colorado

My Commission expires 12/16/95

STATE OF _____§
§
COUNTY OF _____§

BEFORE ME, the undersigned authority, on this day personally appeared _____, _____, of MERIDIAN OIL PRODUCTION INC., known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated as the act and deed of said corporation.

GIVEN UNDER MY HAND AND OFFICIAL SEAL OF OFFICE on this _____ day of _____, 1992.

MY COMMISSION EXPIRES:

_____
Notary Public in and for
the State of _____

EXHIBIT "C"

Attached to and made a part of that certain Purchase and Sale Agreement dated April 20, 1992, by and between DOYLE HARTMAN and wife, MARGARET HARTMAN, individually, as Seller, and MERIDIAN OIL PRODUCTION INC., as Buyer

ADDRESSEE LIST

Amoco Production Company
501 West Lake Park Boulevard
Houston, Texas 77253
Attention: Joint Operations - Engineer

Apache Corporation
1700 Lincoln, Suite 1900
Denver, Colorado 80203-4519
Attention: Acquisitions

ARCO Oil & Gas
600 North Marienfield
Midland, Texas 79701
Attention: Joint Operations - Engineer

James E. Burr
3803 Wedgewood Court
Midland, Texas 79707

Chevron USA, Inc.
15 Smith Road
Claydesta Plaza
Midland, Texas 79705
Attention: Joint Operations - Engineer

Conoco Inc.
10 Desta Drive, Suite 100W
Midland, Texas 79705
Attention: Joint Operations - Engineer
or Jud Wasson

Jack Fletcher
2100 Wadley, Unit 65
Midland, Texas 79705

Larry A. Nermyr
H. C. 57, Box 4106
Sidney, Montana 59270

Ruth Sutton
2626 Moss
Midland, Texas 79705

Exhibit D

FIFTH JUDICIAL DISTRICT COURT
COUNTY OF LEA
STATE OF NEW MEXICO

DOYLE HARTMAN, JAMES A. DAVIDSON Plaintiffs, v. UNION TEXAS PETROLEUM CORPORATION a Delaware Corporation, Defendant.	CV 91-475(FR)

STIPULATION FOR DISMISSAL WITH PREJUDICE

COMES NOW Plaintiffs, Doyle Hartman and James A. Davidson, and Defendant Union Texas Petroleum Corporation, by and through Union Texas Petroleum Services Corporation and Union Texas Petroleum Energy Corporation ("UTPC"), as successor by merger to UTPC, and pursuant to SCRA 1986, 1-041(A)(1)(b), stipulate and agree that all the claims and the counterclaims which the parties have asserted between them should be dismissed with prejudice, each party to bear its own costs.

GALLEGOS LAW FIRM, P.C.

By_____
MARY E. WALTA
141 East Palace Avenue
Santa Fe, New Mexico 87501
(505) 983-6686

MADDOX & SAUNDERS
DON MADDOX
200 W. Broadway
Hobbs, New Mexico 88241
(505) 393-0505

Attorneys for Plaintiffs
Doyle Hartman and James A. Davidson

CAMPBELL, CARR, BERGE & SHERIDAN

By_____
MICHAEL CAMPBELL
110 N. Guadalupe
Santa Fe, New Mexico 87501

Attorneys for Defendant Union Texas Petroleum Corporation and Union Texas Petroleum Services Corporation

FIFTH JUDICIAL DISTRICT COURT
COUNTY OF LEA
STATE OF NEW MEXICO

DOYLE HARTMAN, JAMES A. DAVIDSON Plaintiffs, v. UNION TEXAS PETROLEUM CORPORATION a Delaware Corporation, Defendant.	)	CV 91-475(FR)

ORDER OF DISMISSAL

THIS MATTER having come before the Court upon the joint Stipulation for Dismissal With Prejudice filed herein by the parties and the Court being fully advised, the Court finds that such motion should be granted.

WHEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the above-captioned cause be and is hereby dismissed with prejudice to the filing of future action, each party to bear its own costs.

DISTRICT JUDGE

APPROVED:

GALLEGOS LAW FIRM, P.C.

By_____
MARY E. WALTA
141 East Palace Avenue
Santa Fe, New Mexico 87501
(505) 983-6686

MADDOX & SAUNDERS
DON MADDOX
200 W. Broadway
Hobbs, New Mexico 88241
(505) 393-0505

Attorneys for Plaintiffs
Doyle Hartman and James A. Davidson

CAMPBELL, CARR, BERGE & SHERIDAN

By_____
MICHAEL CAMPBELL
110 N. Guadalupe
Santa Fe, New Mexico 87501

Attorneys for Defendant
Union Texas Petroleum Corporation and
Union Texas Petroleum Services Corporation

AMENDMENT TO PURCHASE AND SALE AGREEMENT

This Amendment to Purchase and Sale Agreement is dated this 6th day of May, 1992, between DOYLE HARTMAN and wife, MARGARET HARTMAN, individually (collectively "Seller"), with an address of Post Office Box 10426, Midland, Texas 79702, and MERIDIAN OIL PRODUCTION INC., a Delaware corporation ("Buyer"), with offices at 3300 North "A" Street, Building 6, Midland, Texas 79705, amending that certain Purchase and Sale Agreement ("Agreement") dated April 20, 1992, by and between Seller and Buyer.

In consideration of the covenants and agreements contained herein, Seller and Buyer agree to amend the Agreement as follows:

1. Unless otherwise provided herein, the definitions contained in the Agreement shall have the same meaning in this Amendment;

2. Section 9 of the Agreement shall be deleted in its entirety and replaced with the following:

"9. Closing.

(a) Initial Closing. The initial Closing shall be held at 10:30 a.m. on May 6, 1992, at the offices of Buyer at 3300 North "A" Street, Building 6, Midland, Texas 79705, or at any such time and place as Seller and Buyer may mutually agree in writing. At the initial Closing, Seller shall receive the credit set forth in Section 13 hereof and a partial payment of the purchase price in the amount of ONE MILLION FIVE HUNDRED THIRTY-TWO THOUSAND THREE HUNDRED FIFTY-TWO DOLLARS ($1,532,352). Seller shall execute, acknowledge and deliver to Buyer an Assignment and Bill of Sale for the portion of the Interests as set forth on Exhibit "A-1" attached hereto.

(b) Subsequent Closing. Pursuant to Assignment and Bill of Sale dated August 25, 1989, effective September 1, 1989, from Conoco Inc., Amoco Production Company, Atlantic Richfield Company, and Chevron U.S.A. Inc. (collectively "Assignor"), Assignor assigned to Seller its interest in Section 7, SE/4 SW/4, W/2 SE/4, Township 20 South, Range 37 East, Lea County, New Mexico, all of which is more particularly set forth in the Assignment and Bill of Sale recorded in Book 442, Page 653, Lea County, New Mexico (the "Assigned Interests"). The Seller intends to sell and Buyer intends to buy said Assigned Interest pursuant to said Agreement. The Seller has included the Assigned Interest in the calculation of working interest and net revenue interest set forth in Exhibit "A" attached to the Agreement. To date the Assigned Interest has not been formally transferred on the books and records of the former operator, Union Texas Petroleum Corporation, or the current operator, Buyer, of the Assigned Interest; more particularly, the Assignor is receiving joint interest billings and revenues attributable to the Assigned Interest. Seller shall deliver to Buyer, as successor operator, at

EXHIBIT
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the time of Initial Closing a written notification of transfer of the Assigned Interest to Seller and request for Buyer to make formal transfer of same on its book and records. Buyer shall then notify Assignor of such request and submit to Assignor for execution a Stipulation of Interest confirming Seller's ownership of the Assigned Interest. Buyer shall also suspend payment of revenues to Assignor as of May 1, 1992. Buyer, as successor operator, agrees to use such other reasonable efforts as necessary to assist Seller in confirming the transfer of the Assigned Interest to Seller. The Subsequent Closing shall be held within five (5) business days after Buyer receives written acknowledgement from Assignor, in form satisfactory to Buyer, of the transfer of the Assigned Interest from Assignor to Seller.

The Subsequent Closing shall be held at the offices of Buyer at 3300 North "A" Street, Building 6, Midland, Texas 79705. At the Subsequent Closing, Seller shall deliver the remaining partial payment of the purchase price in the amount of THREE HUNDRED SEVENTEEN THOUSAND SEVEN HUNDRED SEVENTY-TWO DOLLARS ($317,772). Seller shall execute, acknowledge and deliver to Buyer an Assignment and Bill of Sale and Transfer of Operating Rights for the portion of the Interests as set forth in Exhibit "A-2" hereto.

(c) The initial Closing and the subsequent Closing shall be collectively referred to herein as the Closing or Closing Date. To the extent there is any conflict between the provisions of Section 9 and 10 hereof, Section 9 shall control."

3. If Buyer has not received written acknowledgement from Assignor approving the transfer of the Assigned Interest from Assignor to Seller, in form satisfactory to Buyer, on or before Friday, November 13, 1992, Seller's obligation to sell and assign, and Buyer's obligation to purchase and pay for, shall terminate as to that portion of the Interests as set forth in Exhibit "A-2".

4. The Stipulation For Dismissal With Prejudice and the Mutual Release delivered at the initial Closing by the Seller and Buyer shall be effective, and of full force and effect, notwithstanding the fact that there may be no subsequent Closing. The failure of the parties to close on that portion of the Interests set forth in Exhibit "A-2" shall not otherwise affect the right of the parties under the Agreement, as amended.

EXECUTED as of the date first mentioned above.

SELLER

DOYLE HARTMAN

Margaret Hartman

MARGARET HARTMAN

BUYER

MERIDIAN OIL PRODUCTION INC.

By _____

Title:

EXHIBIT "A-1"

Attached to and made a part of that certain Amendment to Purchase and Sale Agreement dated May 6th, 1992, by and between Doyle Hartman and his wife, Margaret M. Hartman, as Seller, and Meridian Oil Production Inc., as Buyer.

BRITT "A" LEASE

Date of Lease:	February 1, 1956
Lessor:	The United States of America
Lessee:	Harry M. Britt
Serial No.:	LC-031621(a)
Recording Information:	None, Unrecorded
Description of Assigned Interest:	E/2 SW/4 of Section 6, T-20-S, R-37-E, N.M.P.M., Lea County, New Mexico

H.M.BRITT LEASE

Date of Lease:	February 1, 1956
Lessor:	The United States of America
Lessee:	Harry M. Britt
Serial No.:	LC-031621(a)
Recording Information:	None, Unrecorded
Description of Assigned Interest:	W/2 NE/4, E/2 NW/4 and NE/4 SW/4 of Section 7, T-20-S, R-37-E, N.M.P.M., Lea County, New Mexico

BRITT FEDERAL MKA LEASE

Date of Lease:	February 1, 1956
Lessor:	The United States of America
Lessee:	Harry M. Britt
Serial No.:	LC-031621(a)
Recording Information:	None, Unrecorded
Description of Assigned Interest:	W/2 SW/4 and SE/4 SW/4 of Section 7, T-20-S, R-37-E, N.M.P.M., Lea County, New Mexico

RESERVATION

Seller reserves and retains all of the interest acquired by and under that certain Assignment and Bill of Sale dated August 25, 1989, effective September 1, 1989, by and between Conoco, Inc., et al, as Assignor, and Doyle Hartman, as Assignee, recorded in Book 442, page 653, Oil and Gas Records, Lea County, New Mexico, and by BLM Transfer of Operating Rights, LC-031621(a), dated September 12, 1989, approved October 1, 1989, by and between Conoco, Inc., et al, as Transferor, and Doyle Hartman, as Transferee.

CONTRACTS

1. C-No. 3322 - Drilling and Farming Out Contract dated February 13, 1935 and amended between Continental Oil Company, et al and R. H. Henderson recorded at Book 13, Page 3 in Lea County Courthouse, Lea County, New Mexico.

2. C-No. 3564 - Joint Operating Agreement dated July 1, 1935, as amended, by and between Continental Oil Co., The California Co., Stanolind Oil and Gas Co., and Atlantic Oil Producing Co. (NMFU).

3. Gas Contract No. 4037 dated July 17, 1948, as subsequently amended, by and between Continental Oil Company (now Conoco Inc.), Standard Oil Company of Texas (now Chevron USA Inc.) The Atlantic Refining Company (now ARCO Oil and Gas Company, A Division of Atlantic Richfield), and Stanolind Oil and Gas Company (now Amoco Production Company) as "Seller" and El Paso Natural Gas Company as "Buyer". (Subject to conditional abandonment under FERC Order No. 490 and that certain Settlement Agreement dated December 28, 1988, by and between Doyle Hartman, et al, and El Paso Natural Gas Company, et al, as amended).

4. Operating Agreement dated August 24, 1959 as amended by and between Anderson Prichard Oil Corporation, et al.

5. Casinghead Gas Contract dated November 3, 1981 by and between Gulf Oil Corporation as "Buyer" and Sun Production Company as "Seller".

6. Rollover Gas Contract No. 131 dated January 12, 1984, as subsequently amended, by and between Conoco Inc., as "Seller" and Warren Petroleum Company, a Division of Gulf Oil Corporation (now Chevron USA Inc.) as "Buyer".

ASSIGNED WELLS

Well Name	Location	Working Interest	Net Revenue Interest	Well Status
H. M. Britt #1	SE/4 NW/4, Unit F, Section 7, T20S R37E, N.M.P.M.	45.67058%	36.53647%*	Temporarily Abandoned
H. M. Britt #2	NE/4 NW/4, Unit C, Section 7, T20S R37E, N.M.P.M.	45.67058%	36.53647%*	Temporarily Abandoned
H. M. Britt #3	SW/4 NE/4, Unit G, Section 7, T20S R37E, N.M.P.M.	24.83725%	19.8698%*	Producing
H. M. Britt #4	NW/4 NE/4, Unit B, Section 7, T20S R37E, N.M.P.M.	45.67058%	36.53647%*	Temporarily Abandoned
H. M. Britt #5	NE/4 SW/4, Unit K, Section 7, T20S R37E, N.M.P.M.	24.83725%	19.8698%*	Temporarily Abandoned
H. M. Britt #10	NW/4 NE/4, Unit B, Section 7, T20S R37E, N.M.P.M.	24.83725%	19.8698%*	Producing
H. M. Britt #11	SW/4 NE/4, Unit G, Section 7, T20S R37E, N.M.P.M.	24.83725%	19.8698%*	Temporarily Abandoned

H. M. Britt #12	NE/4 NW/4, Unit C, Section 7, T20S R37E, N.M.P.M.	APO-24.83725%	APO-19.8698%*	Producing
H. M. Britt #13	NW/4 SE/4, Unit J, Section 7, T20S R37E, N.M.P.M.	24.83725%	19.8698%*	Temporarily Abandoned
Britt "A" #1	SE/4 SW/4 Unit N, Section 6, T20S R37E, N.M.P.M.	49.67447%	39.739576%*	Temporarily Abandoned
Britt "A" #2	NE/4 SW/4 Unit K, Section 6, T20S R37E, N.M.P.M.	49.67447%	39.739576%*	Temporarily Abandoned
Britt "A" #3	NE/4 SW/4 Unit K, Section 6, T20S R37E, N.M.P.M.	49.67447%	39.739576%*	Producing
Britt "A" #4	SE/4 SW/4 Unit N, Section 6, T20S R37E, N.M.P.M.	49.67447%	39.739576%*	Temporarily Abandoned
Britt "A" #5	NE/4 SW/4 Unit K, Section 6, T20S R37E, N.M.P.M.	49.67447%	39.739576%*	Temporarily Abandoned
Britt "A" #6	SE/4 SW/4 Unit N, Section 6, T20S R37E, N.M.P.M.	49.67447%	39.739576%*	Producing
Britt "A" #7	NE/4 SW/4 Unit K, Section 6, T20S R37E, N.M.P.M.	49.67447%	39.739576%*	Plugged and Abandoned
Britt Federal MKA #6	SE/4 SW/4, Unit N, Section 7, T20S R37E, N.M.P.M.	24.83725%	19.8698%*	Temporarily Abandoned
Britt Federal MKA #7	NW/4 SE/4, Unit J, Section 7, T20S R37E, N.M.P.M.	24.83725%	19.8698%*	Temporarily Abandoned
Britt Federal MKA #8	SW/4 SE/4, Unit O, Section 7, T20S R37E, N.M.P.M.	24.83725%	19.8698%*	Temporarily Abandoned

* Federal Lease LC 031621(a) contains a sliding scale royalty based on the quantity and quality of production. This Net Revenue Interest figure reflects a 12.5% royalty interest (proportionately reduced).

EXHIBIT "A-2"

Attached to and made a part of that certain Amendment to Purchase and Sale Agreement dated May 6th, 1992, by and between Doyle Hartman and his wife, Margaret M. Hartman, as Seller, and Meridian Oil Production Inc., as Buyer.

BRITT "A" LEASE

Date of Lease:	February 1, 1956
Lessor:	The United States of America
Lessee:	Harry M. Britt
Serial No.:	LC-031621(a)
Recording Information:	None, Unrecorded
Description of Assigned Interest:	E/2 SW/4 of Section 6, T-20-S, R-37-E, N.M.P.M., Lea County, New Mexico

H.M.BRITT LEASE

Date of Lease:	February 1, 1956
Lessor:	The United States of America
Lessee:	Harry M. Britt
Serial No.:	LC-031621(a)
Recording Information:	None, Unrecorded
Description of Assigned Interest:	W/2 NE/4, E/2 NW/4 and NE/4 SW/4 of Section 7, T-20-S, R-37-E, N.M.P.M., Lea County, New Mexico

BRITT FEDERAL MKA LEASE

Date of Lease:	February 1, 1956
Lessor:	The United States of America
Lessee:	Harry M. Britt
Serial No.:	LC-031621(a)
Recording Information:	None, Unrecorded
Description of Assigned Interest:	W/2 SW/4 and SE/4 SW/4 of Section 7, T-20-S, R-37-E, N.M.P.M., Lea County, New Mexico

CONTRACTS

1. C-No. 3322 - Drilling and Farming Out Contract dated February 13, 1935 and amended between Continental Oil Company, et al and R. H. Henderson recorded at Book 13, Page 3 in Lea County Courthouse, Lea County, New Mexico.

2. C-No. 3564 - Joint Operating Agreement dated July 1, 1935, as amended, by and between Continental Oil Co., The California Co., Stanolind Oil and Gas Co., and Atlantic Oil Producing Co. (NMFU).

3. Gas Contract No. 4037 dated July 17, 1948, as subsequently amended, by and between Continental Oil Company (now Conoco Inc.), Standard Oil Company of Texas (now Chevron USA Inc.) The Atlantic Refining Company (now ARCO Oil and Gas Company, A Division of Atlantic Richfield), and Stanolind Oil and Gas Company (now Amoco Production Company) as "Seller" and El Paso Natural Gas Company as "Buyer". (Subject to conditional abandonment under FERC Order No. 490 and that certain Settlement Agreement dated December 28, 1988, by and between Doyle Hartman, et al, and El Paso Natural Gas Company, et al, as amended).

4. Operating Agreement dated August 24, 1959 as amended by and between Anderson Prichard Oil Corporation, et al.

5. Casinghead Gas Contract dated November 3, 1981 by and between Gulf Oil Corporation as "Buyer" and Sun Production Company as "Seller".

6. Rollover Gas Contract No. 131 dated January 12, 1984, as subsequently amended, by and between Conoco Inc., as "Seller" and Warren Petroleum Company, a Division of Gulf Oil Corporation (now Chevron USA Inc.) as "Buyer".

ASSIGNED WELLS

Well Name	Location	Working Interest	Net Revenue Interest	Well Status
H. M. Britt #1	SE/4 NW/4, Unit F, Section 7, T20S R37E, N.M.P.M.	18.75%	15.00%*	Temporarily Abandoned
H. M. Britt #2	NE/4 NW/4, Unit C, Section 7, T20S R37E, N.M.P.M.	18.75%	15.00%*	Temporarily Abandoned
H. M. Britt #3	SW/4 NE/4, Unit G, Section 7, T20S R37E, N.M.P.M.	18.75%	15.00%*	Producing
H. M. Britt #4	NW/4 NE/4, Unit B, Section 7, T20S R37E, N.M.P.M.	18.75%	15.00%*	Temporarily Abandoned
H. M. Britt #5	NE/4 SW/4, Unit K, Section 7, T20S R37E, N.M.P.M.	18.75%	15.00%*	Temporarily Abandoned
H. M. Britt #12	NE/4 NW/4, Unit C, Section 7, T20S R37E, N.M.P.M.	APO-18.75%	APO-15.00%*	Producing
H. M. Britt #13	NW/4 SE/4, Unit J, Section 7, T20S R37E, N.M.P.M.	18.75%	15.00%*	Temporarily Abandoned
Britt Federal MKA #6	SE/4 SW/4, Unit N, Section 7, T20S R37E, N.M.P.M.	50.00%	40.00%*	Temporarily Abandoned
Britt Federal MKA #7	NW/4 SE/4, Unit J, Section 7, T20S R37E, N.M.P.M.	50.00%	40.00%*	Temporarily Abandoned
Britt Federal MKA #8	SW/4 SE/4, Unit O, Section 7, T20S R37E, N.M.P.M.	50.00%	40.00%*	Temporarily Abandoned

* Federal Lease LC 031621(a) contains a sliding scale royalty based on the quantity and quality of production. This Net Revenue Interest figure reflects a 12.5% royalty interest (proportionately reduced).

MERIDIAN OIL

February 9, 1993

Mary E. Walta, Esq.
Gallegos Law Firm
141 East Palace Avenue
Santa Fe, New Mexico 87501

Re: Amendment to Purchase and Sale Agreement
Dated May 6, 1992, between Doyle Hartman, et ux.,
and Meridian Oil Production Inc.

Dear Ms. Walta:

Under Provision 2(b) of the above-referenced amendment agreement, there is to be a subsequent closing between the Hartmans and Meridian whereby Meridian will receive an Assignment and Bill of Sale and Transfer of Operating Rights for the interests set forth in Exhibit "A-2" of the amendment. The interests on said Exhibit "A-2" are calculated and based upon the Hartmans having been previously assigned from Conoco Inc., Amoco Production Company, Atlantic Richfield Company, and Chevron U.S.A., Inc., collectively referred to as the "NMFU parties", a 50% working interest in the 120 acre Britt Federal MKA Lease, SE/4SW/4, W/2SE/4, Section 7, R7E, Lea County, New Mexico, and an 18.75% working interest in the other 200 acres not covered by said lease of the 320 acre Eumont Gas Proration Unit of which unit the lease is a part.

As you are aware, there are some differences of opinions among the NMFU parties as to whether the Hartmans received any interest in that 200 acre part of the 320 acre Eumont Gas Proration Unit that was not covered by the above-mentioned lease. According to Provision 2(b) of the above-referenced agreement, the subsequent closing will be held only after Meridian receives a written acknowledgment from the NMFU parties, to Meridian's satisfaction, of the transfer from the NMFU parties to the Hartmans of the above-mentioned 18.75% interest in the 200 acres of the Eumont Unit not covered by the Britt Federal MKA Lease as well as the transfer of the 50% interest in said lease.

Transfer Orders have been sent to each of the NMFU parties which stipulate the above interests and these parties have been asked to confirm these interests by executing these Transfer Orders. Our records do not indicate any confirmation of these interests by any of the NMFU parties.

EXHIBIT
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Meridian Oil Inc. 3535 East 30th Street, P.O. Box 4289 Houston, Texas 77210-4289 Telephone 713-629-6600

Until Meridian can obtain some satisfactory confirmation of these interests by all of the NMFU parties, Meridian and the Hartmans cannot go forward and close on the interests described in Exhibit "A-2" of the above-referenced Amendment to Purchase and Sale Agreement.

Sincerely yours,

Thomas H. Owen, Jr.

/j
HARTMAN\THOBY\MERIDIAN\PSA\AGREEMENT.AMENDMENT

February 19, 1993

Mary E. Walta, Esq.
Gallegos Law Firm
141 East Palace Avenue
Santa Fe, New Mexico 87501

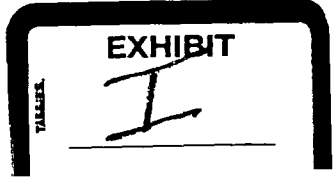
Re: Amendment to Purchase and Sale Agreement
Dated May 6, 1992, between Doyle Hartman, et ux.,
and Meridian Oil Production Inc.

Dear Ms. Walta:

Under Provision 2(b) of the above-referenced amendment agreement, there is to be a subsequent closing between the Hartmans and Meridian whereby Meridian will receive an Assignment and Bill of Sale and Transfer of Operating Rights for the interests set forth in Exhibit "A-2" of the amendment. The interests on said Exhibit "A-2" are calculated and based upon the Hartmans having been previously assigned from Conoco Inc., Amoco Production Company, Atlantic Richfield Company and Chevron U.S.A., Inc., collectively referred to as the "NMFU parties", a 50% working interest in the 120 acre Britt Federal MKA Lease SE/4SW/4, W/2SE/4, Section 7, R7E, Lea County, New Mexico and an 18.75% working interest in the other 200 acres not covered by said lease of the 320 acre Eumont Gas Production Unit of which unit the lease is a part.

Meridian has sent Transfer Orders to each of the NMFU parties with Exhibit "A"s attached which exhibits recite that Hartman was transferred and now owns the above 50% and 18.75% interests. More specifically, these Exhibit "A"s recite that Doyle Hartman acquired, as Transferee, a 4.6875% interest from each of the four NMFU parties in the H. M. Britt Nos. 3 and 12 Wells, which wells are part of the 320 acre Eumont Gas Unit but not situated on the Britt Federal MKA Lease, and acquired a 12.50% interest from each of the four NMFU parties in the H. M. Britt MKA Nos. 6, 7 and 8 Wells, which three wells are situated on said lease.

As you are aware, there are some differences of opinions among some of the NMFU parties as to whether the Hartmans received any interest in that 200 acre part of the 320 acre Eumont Gas Proration Unit that was not covered by the above-mentioned lease. Conoco Inc. and Chevron U.S.A. Inc. each signed and returned to Meridian the above-referenced Transfer Orders thereby confirming the



assignment of their interests to Hartman. Amoco Production Company wrote Meridian a June 17,1992 letter stating that Doyle Hartman was only conveyed an interest in the Britt 6, 7 and 8 Wells which are on the lease but was not conveyed an interest in the Britt 3 and 12 wells which are not on the lease. With this letter, Amoco returned the Transfer Order sent it and altered the Exhibit "A" to recite that Hartman had acquired a 4.6875% interest (instead of a 12.50% interest) in the Nos. 6, 7 and 8 Wells and had acquired no interest in the Nos. 3 and 12 wells. Atlantic Richfield Company wrote Meridian an August 20, 1992 letter stating that it was unable to execute the Transfer Order sent it because they were "not sure as to the manner to interpret Exhibit 'A'."

Therefore, Conoco and Chevron have acknowledged the transfer of these interests and Amoco Production Company and Atlantic Richfield Company have not.

Until Meridian can obtain some satisfactory confirmation of these interests by all of the NMFU parties, Meridian and the Hartmans cannot go forward and close on the interests described in Exhibit "A-2" of the above-referenced Amendment to Purchase and Sale Agreement. Your efforts in obtaining the confirmations of Amoco and ARCO will be appreciated.

Sincerely yours,

Thomas H. Owen, Jr.

j/hartman/tho/rbm/2/19/93

MERIDIAN OIL

April 8, 1996

Mr. Doyle Hartman
P. O. Box 10426
Midland, Texas 79702

Re: Britt #2 & #12 Wells

Gentlemen:

On September 27, 1995, Meridian received an executed transfer order from Atlantic Richfield Company, the last remaining NMFU partner to execute said instrument. Meridian is preparing a final reconciliation concerning the expenses and revenues attributable to the subject wells from September 1, 1989 to the point when Mr. Hartman's JIB's reflect his new expense and revenue interest. Upon review and concurrence of this reconcilation by the NMFU partners and Mr. Hartman, the final post-closing adjustments between Mr. Hartman and the NMFU partners can be resolved.

By copy of this letter, Meridian is requesting the cooperation of the four NMFU partners.

Very truly yours,

MERIDIAN OIL INC.

Don W. Davis
Regional Landman

DWD/JBS/cs

cc: Atlantic Richfield Company
Attention: Mr. John Lodge
P. O. Box 1610
Midland, Texas 79702

Chevron USA
Attention: Mr. James Baca
P. O. Box 1150
Midland, Texas 79702

Conoco Inc.
Attention: Mr. David Twomey
10 Desta Drive, Suite 100
Midland, Texas 79705

Apache Corporation
Attention: Mr. Scott Spence
200 Post Oak Blvd., Suite 100
Houston, Texas 77056-4403

bcc: Roy Mace
Kathy Polston

P O. Box 51810, Midland, Texas 79710-1810, Telephone 915-688-6800
3300 N. "A" St., Bldg. 6, 79705-5406

EXHIBIT J

cc. CS
File LEGAL
UTP Britt Lease

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

DRUG FREE
New Mexico

October 11, 1991

BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Mr. Doyle Hartman
Oil Operator
P. O. Box 10426
Midland, Texas 79702

Re: Order R-5448
W/2 E/2 and E/2 W/2 of Sec. 7,
T-20-S, R-37-E

Dear Mr. Hartman:

We received your letter of October 8, 1991, requesting the Division to cancel the allowable granted to the Britt No. 3 and No. 12 Wells. You are correct that the W/2 of the E/2 and the E/2 of the W/2 of Section 7 are an approved non-standard proration unit. It is also correct that that proration unit is simultaneously dedicated to the Britt Wells Nos. 3 and 12, both of which are at approved unorthodox locations. Therefore it would be correct that all production from either or both of those wells should be allocated to the interest owners in the entire proration unit.

However, it appears that from Division records that these wells are being fully operated in accordance with the rules and regulations of the Division. Any dispute between Doyle Hartman and Union Texas Petroleum and Meridian Oil is contractual and the Oil Conservation Division does not have the jurisdiction or authority to enter into or resolve such disputes. Nor does the Division have the authority to cancel the allowable of the well based upon a private contract dispute.

Therefore your request to cancel the alloweble for this proration unit is hereby denied.

Sincerely,

WILLIAM J. LEMAY,
Director

WJL/RGS/dr

cc: Jerry Sexton
OCD - Hobbs

OCT 21 1991

EXHIBIT
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