

September 28, 1995

Re: Market Election Notification

Dear Working Interest Owner:

Meridian Oil Trading Inc. ("MOTI") has notified Meridian Oil Inc., and its producing company affiliates, Meridian Oil Production Inc., Southland Royalty Company and El Paso Production Company (collectively, "Meridian Oil"), the operator of certain oil and gas wells in which you own an interest, that MOTI will cease purchasing gas from you effective December 1, 1995. This letter is written notification to you that Meridian Oil, as operator, presently does not intend to exercise its right to market your working interest share of gas under the terms of any applicable joint operating agreement. From and after December 1, 1995, and until you advise Meridian Oil of your planned disposition of gas, Meridian Oil can not allocate to you your working interest share of gas. If you have been selling your gas to MOTI, you should make arrangements to begin selling your gas to another gas purchaser if you wish to receive gas revenues.

As operator of well(s) in which you may be a working interest owner, Meridian Oil is providing you with certain information which should be useful to you in marketing your gas. Enclosed are the following three attachments to this letter:

1. Attachment 1. Owner Well Information.

Meridian Oil's records reflect that you own a working interest in the well(s) operated by Meridian Oil listed on Attachment 1. Meridian Oil's estimated production for your working interest share of gas for each well is provided under column

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"Owner Well Avail" on the schedule. This is an estimated daily volume of gas which will be available for sale to your gas purchaser for the month of December, 1995. The final allocated volumes will, of course, depend upon the operating conditions of the well, and will, in most cases, be different than the estimated volumes. You will note that the attachment under column "Pipe/Gath" provides you with the connecting pipeline or gatherer for the well(s).

2. Attachment 2. Pipeline/Gathering Contact List.

This listing is Meridian Oil's understanding of the appropriate persons to contact at the connecting pipeline or gatherer shown on Attachment 1. This information may prove useful if you decide to negotiate a transportation or gathering agreement.

3. Attachment 3. Market Election Notification.

When you finalize the appropriate arrangements for the transportation, gathering and/or purchase of your gas, you need to notify Meridian Oil as operator of the well(s). Attachment 3 is a Market Election Notification form for you to complete and return to Meridian Oil. Upon receipt of this form, Meridian Oil will begin sending you monthly gas availability information. Please be aware that you or your new gas purchaser will be responsible for the settlement of your proportionate share of taxes and royalties.

Meridian Oil will try to accommodate your ability to sell your share of gas production to the purchasing party of your choice. If you need information other than that contained in Attachments 1, 2 and 3, please provide us with written specification. To the extent your request is reasonable and can be accommodated without an extensive amount of burden and disruption to our systems, we will attempt to assist you.

In order to afford Meridian Oil the time necessary to generate the required reports and update its records for nomination and confirmation of each working interest owner's gas, you must return to us a completed Market Election Notification by November 1, 1995. If you do not make arrangements to sell your December, 1995 gas production to a gas purchaser, your share of gas will go "out of balance" and will be subject to the terms of applicable gas balancing agreements.

If you have any questions, you may call Carolyn Wilson at (713) 624-9001 during normal business hours.

Sincerely,



J. Burton Jones