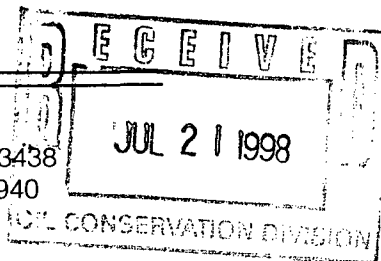




**Intoil, Inc.**

P.O. Box 3438  
Englewood, CO 80155-3438  
Telephone: (303) 790-0940



Panorama Point  
9200 E. Mineral Ave., Suite 300  
Englewood, CO 80112-3415  
Fax: (303) 790-0946

July 17, 1998

New Mexico Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, NM 87505

Attn: Director

Re: Application of Strata Production Company  
for Compulsory Pooling, Lea County, New Mexico

Gentlemen:

Intoil, Inc. has been advised by mail on June 30, 1998 that Strata Production Company ("Strata") has filed the referenced application for properties in which Intoil owns an interest by way of purchasing all of Burlington Resources Oil and Gas Company's ("Burlington") rights, title and interest. Burlington has assigned the properties, the East Livingston Ridge Field in Lea County, New Mexico (Cercion, Lachuza, Paisana, Connaly and Gilmore Federal Wells - Red Tank Project) to Intoil effective April 1, 1997.

On or about May 12, 1997 Burlington notified Strata of the assignment to Intoil and requested that Strata consent to the assignment. By letter dated June 30, 1997 Strata refused to consent to the assignment and notified Burlington that it would consent to the assignment only if Burlington and Intoil remained jointly and severally with respect to all liabilities and obligations pertaining to the Red Tank Project.

All of the other working interest owners, under the Operating Agreement, have given their unconditional consent to the assignment and because of Strata's refusal to consent the assignment from Burlington to Intoil has been placed in escrow and has not been delivered to Intoil as of this date.

Burlington has filed a lawsuit against Strata on March 12, 1998 in the Fifth Judicial District Court, County of Lea, State of New Mexico. Strata and Burlington are continuing to maintain their respective positions with regard to this assignment consent. All revenues and joint interest billings are being sent by Strata to Burlington without Intoil's full knowledge of the transactions. Intoil believes it is the rightful owner of the properties. However, without the proper recorded assignment it is acting only as the party in the middle between two disputing companies.

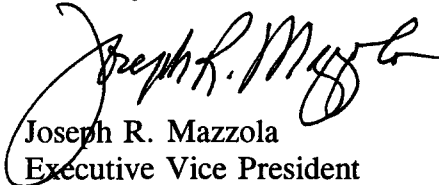
Intoil paid \$1,200,080.00 to Burlington for Burlington's rights, title and interests in the properties and by doing so Intoil believes it should be able to respond as a party to the application. If this Pooling Application is approved and an AFE is circulated for the drilling of a 16,000' Morrow Sandstone test well a difficult decision will have to be made and by whom?

New Mexico Oil Conservation Division  
July 17, 1998  
Page 2

Based on the above information provided herein Intoil would like to be on record as asking the New Mexico Oil Conservation Division to delay the application until the parties settle the dispute determining in fact who owns the Burlington interests in the Red Tank Project.

In closing Intoil may suffer damages as a result of this application and requests a delay from the New Mexico Oil Conservation Division.

Sincerely,



Joseph R. Mazzola  
Executive Vice President

cc: Jim Behrmann, Esquire  
Burlington Resources

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

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
MICHAEL H. FELDEWERT  
ANTHONY F. MEDEIROS  
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OF COUNSEL

JEFFERSON PLACE  
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POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
FACSIMILE: (505) 983-6043  
E-MAIL: ccbspa@ix.netcom.com

July 21, 1998

**VIA HAND-DELIVERY**

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

OIL CONSERVATION DIV.  
98 JUL 22 AM 9:35

Re: ***Case 12011: Application of Strata Petroleum Company for Compulsory Pooling, Lea County, New Mexico***

Dear Ms. Wrotenbery:

By letter dated July 21, 1998, Intoil, Inc. wrote you and requested that the application of Strata Petroleum Company in the above-referenced case be continued pending the resolution of a suit which is pending in the District Court of Lea County, New Mexico concerning the assignment of certain interests from Burlington Resources Oil and Gas Company to Intoil, Inc. The case is a declaratory judgment action in which the court is being asked to determine if it is unreasonable for a party to a joint operating agreement to refuse to approve an assignment of the oil and gas interests covered by the Joint operating agreement of another owner, because the assignment would absolve the assignor of all liability related to oil and gas operations on the tract. The case is scheduled for hearing in December, 1998.

Whatever the outcome is of this litigation, the interest at issue -- whether held by Burlington or Intoil -- is subject to the Joint Operating Agreement and is thereby committed to the well which is the subject of the Strata application. Accordingly, this interest is not subject to compulsory pooling and Intoil lacks standing to oppose or seek a continuance of this application.

The interest of Strata in the above referenced case is subject to the Continuous Drilling Provision in a Lease Operating Agreement between Strata and Exxon. As such, Strata must commence a well on the property covered by this agreement before September 25, 1998 or

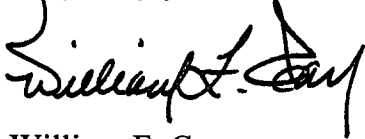
Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
July 21, 1998  
Page 2

forfeit its interest in this acreage. The continuance requested by Intoil would result in the forfeiture of Strata's interest in the subject spacing unit and would prevent Strata from drilling the well it is prepared to drill to perpetuate its agreement with Exxon.

In March of this year, Strata drilled a Delaware well in the SW/4 NW/4 of the section which is now the subject of this force pooling application. Intoil was offered the opportunity to participate in that well under the Joint Operating Agreement and did participate. In the instant case, all correspondence concerning this interest has been provided to both Burlington and to Intoil and Strata again has offered Intoil an opportunity to participate in this well under the JOA.

Strata has been able to meet all the statutory preconditions for a compulsory pooling order and requests that the request of Intoil for an indefinite continuance be denied.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is fluid and cursive, with a large initial "W" and a stylized "C".

William F. Carr  
Attorney for Strata Production Company

cc: David Catanach, Hearing Examiner

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

OIL CONSERVATION DIV.  
98 JUL 21 PM 2:38

IN THE MATTER OF THE APPLICATION OF  
STRATA PRODUCTION COMPANY  
FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

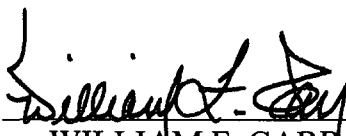
CASE NO. 12,011

ENTRY OF APPEARANCE

COMES NOW CAMPBELL, CARR, BERGE & SHERIDAN, P.A., and hereby  
enters its appearance in the above referenced case on behalf of Strata Production Company.

Respectfully submitted,

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

By:   
WILLIAM F. CARR  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

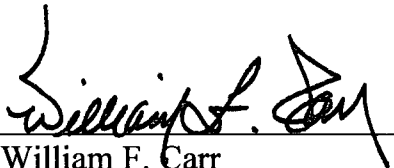
ATTORNEYS FOR STRATA PRODUCTION  
COMPANY

## CERTIFICATE OF SERVICE

I hereby certify that on this 21<sup>st</sup> day of July, 1998, I have caused to be hand-delivered a copy of our Entry of Appearance in the above-captioned case to the following named parties:

James Bruce, Esq.  
612 Old Santa Fe Trail  
Suite B  
Santa Fe, New Mexico 87501

Rand Carroll, Esq.  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

  
\_\_\_\_\_  
William F. Carr