

DOYLE HARTMAN

Oil Operator

3811 TURTLE CREEK BLVD., SUITE 200
DALLAS, TEXAS 75219

(214) 520-1800
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APR 24 1996

VIA FACSIMILE (915)688-4831 AND HAND-DELIVERY

April 23, 1996

Texaco Exploration and Production Inc.
500 N. Loraine
P.O. Box 3109
Midland, TX 79702

Attn: Ronald W. Lanning

Re: Letter of Intent
Dublin-Rhodes Federal "Com" No. 1
Lea County, New Mexico
SW/4 Section 23, T-26-S, R-37-E, N.M.P.M.
(Standard 160-acre Spacing Unit)

ms.
Case 11476

Gentlemen:

So as to partially compensate against drainage by Meridian's three offsetting Rhodes-Yates gas wells, please find enclosed an executed copy of Texaco's proposed "letter of intent" dated April 15, 1996, regarding the prompt drilling by Hartman, et al and Texaco of a Rhodes-Yates gas well on the standard 160-acre Rhodes gas spacing unit consisting of the SW/4 Section 23, T-26-S, R-37-E.

In accordance with paragraph 2 of Texaco's April 15, 1996 letter, and by copy of this letter, we are notifying the Gallegos Law Firm that Texaco will be withdrawing its currently pending compulsory pooling application corresponding to the SW/4 Section 23 and that, as to James E. Burr, Ruth Sutton and Larry A. Nermyr, our compulsory pooling application shall be continued until May 16, 1996, in

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order to provide those parties with an opportunity to respond to our recent correspondence concerning the drilling of the subject well.

Yours very truly,

DOYLE HARTMAN, Oil Operator



Doyle Hartman

enclosure (1)

rcp
wpdocs\corresp.dh\tex-dub5.lin

cc: William J. LeMay
NMOCD
2040 S. Pacheco
Santa Fe, NM 87505

James Head, Asset Team Manager
Texaco Exploration and Production Inc.
500 N. Lorraine
P.O. Box 3109
Midland, TX 79702

Charles Wolle, Professional Petroleum Engineer
Texaco Exploration and Production Inc.
500 N. Lorraine
P.O. Box 3109
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James A. Davidson
214 W. Texas, Suite 710
Midland, TX 79701

Larry A. Nermyr
HC-57
Box 4106
Sydney, MT 59270

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James E. Burr
P.O. Box 8050
Midland, TX 79708-8050

Ruth Sutton
2826 Moss
Midland, TX 79705

William F. Carr
Campbell, Carr & Berge, P.A.
P.O. Box 2208
Santa Fe, NM 87504-2208

Michael Condon
Gallegos Law Firm
460 St. Michaels Drive, Building 300
Santa Fe, NM 87505

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



Texaco Exploration
and Production Inc

500 North Loralina
Midland TX 79701

P O Box 3109
Midland TX 79702

via Airborne Express

April 15, 1996

Doyle Hartman, Oil Operator
200 Turtle Creek Centre
3811 Turtle Creek Blvd.
Dallas, Texas 75219-4421

NM206621 - Fed LC-032604 (b)
Lea County, New Mexico

Dear Mr. Hartman:

As you are well aware, there is an urgent need to drill a well in the SW/4 of Section 23, T26S, R37E, Lea County, New Mexico to offset the new production obtained by Meridian Oil Inc. in Sections 22 and 26. Texaco Exploration and Production Inc. ("Texaco") and Doyle Hartman, Oil Operator ("Hartman") each have applications for compulsory pooling in the SW/4 of Section 23 pending before the New Mexico Oil Conservation Division.

Texaco is willing to withdraw its application for compulsory pooling and allow Hartman to drill its Dublin Rhodes Federal Com. No. 1 Well at a legal location in the NW/4 SW/4 of Section 23 upon Hartman's agreement to the following terms and conditions:

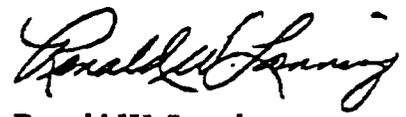
- This agreement is subject to Texaco's approval of Hartman's AFE for the drilling of the Dublin Rhodes Federal Com. No. 1 Well and the negotiation of a mutually acceptable Operating Agreement to govern operations in the SW/4 of Section 23.
- Texaco will pay for its costs in this matter to date and will pay its costs to support Hartman, present testimony, and cross examine witnesses in any hearing before the New Mexico Oil Conservation Commission or the New Mexico Oil Conservation Division in the matter of the application of Meridian Oil Inc. for administrative approval of an unorthodox location for its Rhodes "B" Federal Well No. 7.
- Hartman will pay for all of its costs to date and will pay all of its costs in the matter of the application of Meridian Oil Inc. for administrative approval of an unorthodox location for its Rhodes "B" Federal Well No. 7. Further, Hartman agrees that these costs will not be charged to any joint account created by the execution of any agreement by Texaco for the drilling of any well in the SW/4 of Section 23, T26S, R37E, Lea County, New Mexico.

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- Texaco and Hartman are currently involved in a lawsuit styled *Doyle Hartman and Margaret Hartman d/b/a Doyle Hartman, Oil Operator v. Texaco Inc. and Texaco Exploration and Production Inc.*, No. SF 93-2387(C), First Judicial District, County of Santa Fe, State of New Mexico. Hartman recovered judgment against Texaco in the lawsuit. Texaco has appealed the judgment to the Court of Appeals of the State of New Mexico in Case No. 16,328. The appeal is currently pending in the Court of Appeals. Texaco and Hartman agree that the existence, execution and terms of this agreement will not be used for any purpose in the appeal. Texaco and Hartman further agree that if the judgment is reversed or otherwise modified on appeal, the existence, execution and terms of this agreement will not be used for any purpose in any trial, hearing or other proceeding in the lawsuit.

If these terms and conditions are acceptable to you, please so indicate by executing an original of this agreement and returning same to me at your earliest convenience.

Very truly yours,



Ronald W. Lanning
915-688-4445

RWL:

ACCEPTED AND AGREED TO THIS 23rd DAY OF APRIL, 1996.

Doyle Hartman, Oil Operator

By: Doyle Hartman