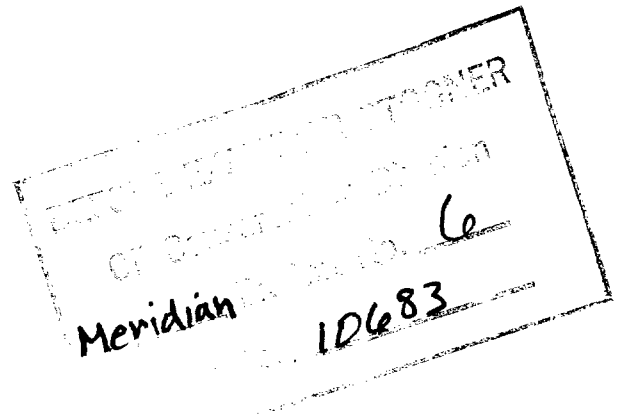


~~Tom O'Donnell~~

MERIDIAN OIL

January 15, 1993

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



Re: T26S, R37E
NE/4 NE/4 and S/2 NE/4 Section 15
Lea County, New Mexico

Dear Mr. Hartman:

Reference is made to your response of January 7, 1993 to Meridian Oil's (Meridian) proposal to drill the Gregory B #2, located 990' FNL & 660 FEL Section 15, T26S, R37E, Lea County, New Mexico. This letter should clarify Meridian's position regarding its gas rights and the privileges it acquired in the captioned lands under various contracts.

El Paso Natural Gas (El Paso) acquired its rights by virtue of an assignment dated July 1, 1942 (recorded in Volume 27, Page 585, Lea County Records) from Stanolind Oil and Gas Company. Under the terms of the assignment, El Paso acquired the gas operating rights between the surface of the earth and 3500 feet beneath the surface (later amended to extend to 4000 feet beneath the surface) in Oil & Gas Lease LC-032510(b). The rights acquired were subject to several outstanding agreements including contract dated November 16, 1938 between Anderson-Prichard Oil Corporation, R. Olsen Oil Company and the W-K Royalty Company, as oil operators and Stanolind Oil & Gas Company, as gas operator. Under the terms of this contract, Stanolind acquired the gas rights in and under the above described lands. This contract also granted the gas operator the "right to operate and develop" the captioned lands (among others) "for gas" and the "gas rights therein."

On February 6, 1987, but effective July 16, 1986 El Paso Natural Gas Company transferred 100% of all its right, title and interest in Oil and Gas Lease LC-032510(b) to El Paso Production Company insofar as said lease covers the gas operating rights from the surface to 4000 feet. El Paso Production Company is a wholly owned subsidiary of Burlington Resources (BR) operating under the name of Meridian Oil, also owned by BR.

Your letter states that, as to the S/2 NE/4 Section 15 from the surface to 3500 feet, the operating rights that are owned by the Hartman Group were created "under and by virtue of that certain Operating Agreement dated November 30, 1944, between Stanolind Oil & Gas Company and R. Olsen Oil Company." The rights created under this Operating Agreement covered portions of Section 23 and 24, T26S, R37E, Lea County, New Mexico. Pursuant to Article II therein,

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Stanolind further conveyed to Olsen "the oil rights and all rights and privileges of the oil operator" under the aforementioned contract of November 16, 1938 which includes the S/2 NE/4 Section 15, T26S, R37E. Stanolind was named as the Gas Operator under the November 16, 1938 contract and had no oil rights to convey to Olsen, insofar as the S/2 NE/4 Section 15 was concerned.

You also stated that Oil & Gas Lease LC-032510(b) was subject (in part) to "Contract dated May 31, 1939, between Anderson-Prichard Oil Corporation, R. Olsen Oil Company and the W-K Royalty Company, as oil operator and Stanolind Oil & Gas Company, as gas operator, which provides, among other things, that gas operator shall have the right to purchase and thereafter own and operate wells capable of producing gas only." The instrument dated May 31, 1939 is an Amendment to the November 16, 1938 Contract which, as stated earlier, gives the gas operator the right to operate and develop for gas. No where is it mentioned that oil & casinghead rights are "dominant" over gas rights.

Meridian has conducted numerous studies in this area, and based upon its findings, proposed a 3200' gas well within the limits of a gas pool. Meridian is confident that the proposed Gregory B #2 will be gas productive and feels its proposal is justified.

Very truly yours,

MERIDIAN OIL INC.



Leslyn M. Swierc, CPL
Petroleum Landman
LMS/lg

cc: State of New Mexico
Energy, Mineral and Natural Resources Department
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501
Attn: Michael Stogner, Engineer

Tom O'Donnell Dennis Sledge