



PHILLIPS PETROLEUM COMPANY

ODESSA, TEXAS 79762
4001 PENBROOK

EXPLORATION AND PRODUCTION GROUP

May 15, 1990

Doyle Hartman
P. O. Box 10426
Midland, TX 79702

Attn: Mr. Bryan E. Jones

Re: Settlement Agreement
Hartman/Phillips

BEFORE EXAMINER STOGNER

Oil Conservation Division

Exhibit No. 3

Case No. 9898

Gentlemen:

Reference is made to our pending settlement of the dispute arising out of Phillips' sale of its Mexico No. 1 lease in the NE/4 Section 18, T-20S, R-37E, Lea County, New Mexico to John Hendrix Corporation.

Reference is also made to our letter of May 4, 1990 to Union Texas Petroleum Corporation wherein we requested that Union Texas waive any preferential rights to purchase as may exist on the Britt "A", Britt "B", H. M. Britt, Mexico and Hobbs leases.

This letter shall serve as a confirmation of the agreement in principle, which is subject to final management approval, to the SETTLEMENT AND GENERAL RELEASE OF CLAIMS, as prepared by Mr. James L. Gallogly, Phillips' Regional Counsel, under date of March 12, 1990.

At such time as we have received the executed waiver of Preferential Right from Union Texas and have received final management approval of the settlement between Phillips and Hartman, we will proceed with the closing of the transaction. Further, we have no objection to Phillips' interest in the SE/4 SW/4 Section 5, T-20S, R-373, being compulsorily pooled into Hartman's proposed 280 acre proration unit (Britt-Laughlin Com).

Very truly yours,

PHILLIPS PETROLEUM COMPANY


W. Frank Hulse, III
Land Specialist, CPL

WFH:mm