DOYLE HARTMAN
Oil Operator
500 NORTH MAIN
P.O. BOX 10426
MIDLAND, TEXAS 79702

(915) 684-4011
(915) 682-7616 FAX

JUN 30 1997

Via U.S. Mail and Certified Mail, Return Receipt Requested

June 27, 1997

OXY USA Inc.
Western Region
P.O. Box 50250
Midland, Texas 79710-0250

Attn: Donald Romine, V.P. Western Region
Robert Hunt, Asset Team Leader
T. Kent Wooley, Senior Landman

Re: OXY's Offer to Acquire Doyle Hartman's Royalty Interest
MLMU Tract No. 63
Lea County, New Mexico

Gentlemen:

Reference is made to OXY USA, Inc.'s purchase offer letter and brochure that was received by us today (copy enclosed).

We find it interesting that OXY, USA, Inc. (OXY), in an apparent attempt to reduce administrative overhead by resolving its <u>mineral fractionalization problem</u> pertaining to the Myers Langlie Mattix Unit, proposes to purchase our small mineral interest under MLMU Tract No. 63, yet, in December, 1993, OXY backed out on its prior verbal commitment to acquire our <u>entire</u> MLMU interest, which interest included <u>both</u> our 4.86907% MLMU working interest as well as our small royalty interest under MLMU Tract No. 63.

We likewise desire to reduce administrative overhead by eliminating the <u>nuisance</u> of dealing with outside-operated properties, especially inefficiently managed waterflood units. In 1993 and 1994 (documentation enclosed), we made a concerted and good-faith effort to assign our <u>entire</u> MLMU interest to OXY, which proposed transaction would have allowed OXY to further reduce its MLMU administrative overhead by consolidating both its MLMU working interest and royalty interest ownership. However, by letter dated December 13, 1993, OXY subsequently back out on its verbal commitment of October 5, 1993, to acquire our MLMU interest and then, by letter dated September 13, 1994, OXY suggested that we assign to OXY free of cost all of our right, title and interest as to the MLMU.

In regard to OXY's current purchase offer, when OXY is prepared to acquire our MLMU interest on a fair and equitable basis, we stand ready to promptly enter into good-faith negotiations to bring about a mutually-beneficial exchange of property.

Very truly yours,

DOYLE HARTMAN, Oil Operator

Doyle Hartman

enclosures

rcp/rjr
wpdocs\corresp.dh\mlmu.8

cc: William J. LeMay, Director
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505

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New Mexico Oil Conservation Division
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Santa Fe, NM 87505

David R. Catanach, Engineer
New Mexico Oil Conservation Division
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Commissioner of Public Lands
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Jami Bailey, Director
Oil/Gas and Minerals Division
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Midland, Texas 79710

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214 W. Texas, Suite 710
Midland, TX 79701

<u>DOYLE HARTMAN, Oil Operator (Midland)</u>

Don Mashburn
Steve Hartman
Linda Land
Cindy Brooks
Sheila Potts

OXY USA Inc.
P.O. Box 50250, Midland, TX 79710-0250

(915) 685-5657

TO: Royalty and Overriding Royalty Interest Owners

RE: Fractionalization of Interest

Enclosed is a brochure discussing the fractionalization of Mineral Interests and the effects on marginal properties developed by the National Association of Royalty Owners and the National Association of Division Order Analysts. As you can see from this publication, there are many benefits to both royalty owners and gas producers to solving the growing problem of mineral fractionalization.

To address the problem, we are undertaking a program to purchase these interests. As addressed in the brochure, the benefit to you as an owner of royalty and overriding royalty interests is an opportunity to receive fair compensation for your interest and the chance to eliminate the nuisance of dealing with small, infrequent checks.

If you are interested in selling your royalty or overriding royalty interest, please contact OXY USA Inc. at the address or telephone number shown on this letter.

Sincerely,

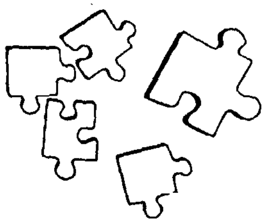
OXY USA Inc.
WESTERN REGION

Enclosure

DOYLE HARTMAN
OIL OPERATOR
RECEIVED
JUN 27 1997

Managing Mineral Interests

"Solving the Fractionalization Puzzle"



OXY USA Inc.
Western Region

P. O. Box 50250
Midland, TX 79710
915-685-5657

What Is "Fractionalization"?

Fractionalization... Sounds like new math, right? It's not! "Fractionalization" and "dilution of interest" are buzz words frequently used to describe the transfer of mineral interests (and working interests, too) into smaller and smaller pieces, sometimes to the point where owners end up with practically zero interest. A large interest can, through several generations, become of little or no value to its owner.

Unfortunately, many interest owners have not taken the fractionalization problem into consideration and have assumed that the interests will be passed along for the benefit of their heirs. As a result, the continued "fractionalization" of mineral interests into smaller and smaller portions is a growing concern to all parts of the oil and gas industry in the United States.

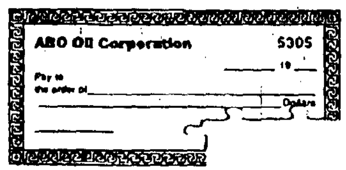
In order to better understand "fractionalization" and to develop solutions to this growing problem, an industry group, led by the National Association of Royalty Owners (NARO), was formed in 1994. This industry group has investigated a wide range of possible solutions, from aggregate payments to legislative changes. However, it is believed that by far the most effective solution to "fractionalization" is the proper management of mineral interests.

This brochure has been developed to highlight the problem of mineral "fractionalization" and to provide some alternatives to consider in managing your interests. As an interest owner, you are a vital member of the oil and gas industry and have the opportunity to help ensure future generations enjoy the benefits from owning mineral interests.

Consider becoming part of the solution to "fractionalization." By working together, royalty owners and oil companies can build a stronger oil and gas industry.

National Association of Royalty Owners
National Association of Division Order Analysts

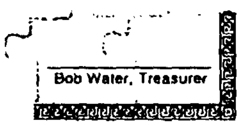
"The Shrinking Interest"



1840 – Paul Jones acquires 640 acres, including mineral rights.

1860 – Mr. Jones sells 40 acres in 5-acre lots to eight different families.

1890 – One family, the Charles Smith family, passes their interest in the 5 acres to 10 children (1/2 acre each).



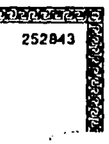
1930 – One of the 10 children, Jacob Smith, executes a lease reserving a 1/8th royalty. The lease is included in a 160-acre oil unit (1/2 acre x 1/8 divided by 160 acres + 0.0003906).

1940 – Jacob Smith gives the royalty interest of 0.0003906 to his 5 children (0.0003906 divided by 5 (0.0000781).

1960 – One of the 5 children, Adam Smith, passes his interest 1/2 to his wife and 1/2 to their 4 children (0.0000781 x 1/2 = 0.0000391 and 0.0000781 x 1/2 divided by 4 = 0.0000098).

1990 – One of the 4 children, Daniel Smith, passes his interest 1/2 to his wife and 1/2 to their 3 children (0.0000098 x 1/2 = 0.0000049 and 0.0000098 x 1/2 divided by 3 = 0.0000016).

2010 – One of the 3 children, Jane Smith Wilson, passes her interest to her 2 children (0.0000016 divided by 2 = 0.0000008).



Payments From "Fractionalized" Interests

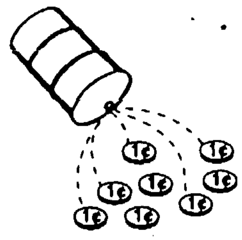
As interests become fractionalized, oil and gas payments also become smaller. Below is a common example of a "fractionalized" payment:

Oil Production: 30 barrels/day = 900 barrels/month
Sales Price: $20.00/barrel
Sales Value: 900 barrels x $20.00 = $18,000.00
Owner's Decimal: 0.0000016
Owner's Share: $18,000.00 x 0.0000016 - $0.03

While the above example is calculated using hypothetical production of 30 barrels of oil per day, many wells in today's industry are marginal producers, producing an average of less than 3 barrels per day. In fact, of the total 120,000 producing wells in Oklahoma in 1995, over 70,000 were marginal producers. In Texas, the situation is similar, where almost 70% of the oil production comes from marginal wells, producing an average of 2.4 barrels per day.

Payments from marginally producing wells for fractionalized interests are often non-existent. With production of 3 barrels per day, an owner's decimal interest must be over 0.0000050 for the owner to receive a payment of just 1 penny!

On the other extreme, for the rare well that produces $1,000,000.00 in monthly sales, an owner with a decimal interest of 0.0000016 would only receive $1.50 in revenue.



Why Should Royalty Owners Be Concerned with "Fractionalization"?

In many areas, promising mineral prospects are saddled with numerous "fractionalized" unleased mineral interests. As a result, a company might decide to forego a prospect in the leasing process in favor of other potential prospects with consolidated mineral ownerships. The owners of larger consolidated interests often have more negotiating power in the leasing process.

As mineral interests become "fractionalized" over time, many owners may not update their address with companies. As a result, several states have already passed legislation to deal with "fractionalized" and/or "missing owner" interests. In Kansas, for example, mineral owners are required to "register" their non-producing property ownership in each individual county within a 20-year period, or else risk forfeiting their interest in the property forever. In 1995, the Texas legislature considered a similar bill which proposed that "dormant" mineral interests would automatically revert to the surface owner. With these types of issues facing mineral owners, it is even more important for members of the oil and gas industry to work together to solve the "fractionalization " problem.

In today's competitive industry, an oil and gas purchaser may refuse to purchase production or offer to purchase it at a reduced price from properties with many "fractionalized" interests. Even with tax incentives, the sheer number of owners for a property can often be one of the determining factors which keep a marginal well producing. While producers' overhead costs may not seem to be a concern of the mineral owner, it does become the mineral owner's problem when wells are plugged and abandoned due to administrative and operating costs exceeding income. Once the last well on a lease or unit is plugged and abandoned, income and royalty payments stop forever, even for future heirs of the mineral owner!

Options For Managing Minerals:

There is a wide range of possible solutions to "fractionalization." Listed below are some options you may want to consider for your minerals:

CONSOLIDATE THROUGH TRUSTS AND PARTNERSHIPS: Trusts and partnerships offer a wide variety of benefits. Rather than "fractionalizing" mineral interests, some families choose to convey their interests into a trust or partnership to centralize the administration of their assets, which may also provide tax benefits and lessen probate expenses. In addition, larger consolidated interests may provide additional leverage for future oil and gas leasing negotiations.

RE-CONSOLIDATE SMALL INTERESTS: As families examine their oil and gas mineral holdings, it often becomes evident that past "fractionalization" of interests have weakened the family's assets. This situation can be remedied by re-consolidating small interests so that they can be managed by a trustee, attorney-in-fact, or appointed agent.

DONATE SMALL INTERESTS TO CHARITIES: Donating small mineral interests to charitable organizations may offer an attractive alternative to "fractionalizing" interests. Transferring small interests to charities may also reduce well operating costs, as most producers already make monthly payments to the major charitable organizations. For mineral owners, the timing of the donation could provide valuable tax deductions.

APPOINT AN AGENT: Appointing an agent to receive oil and gas proceeds offers many of the benefits realized from a trust, but may be easier to initiate and change. Like a trust, larger consolidated interests can also provide leverage in negotiating with potential lessees. In addition, if a bank or trust company is appointed as agent to account for and disburse proceeds, the mineral owners may qualify for estate planning and financial services from the agent's company.

TRANSFER WHOLE INTERESTS: Another alternative to "fractionalizing" minerals into smaller and smaller interests is to transfer ownership in some specific leases (or geographical areas) to one heir and interests in other specific leases to another heir. Leases can be grouped together based on historical revenue or potential reserves to "equalize" assets to each heir.

ACCEPT ROYALTY BUY-BACK OFFERS: To reduce operating costs of marginal wells, many producers have established small royalty buy-back programs. These programs typically offer the royalty owner some multiple of the annual revenue received from the oil and gas property in exchange for the right not to make further production payments to the interest owner for the remaining life of the property. Royalty owners benefit by receiving a one-time "prepayment" for future revenues and are relieved of the hassle of dealing with small, infrequent checks.

RECEIVE AGGREGATED PAYMENTS: In 1995 and 1996, Kansas, Louisiana, Oklahoma and Texas enacted new aggregate payment statutes allowing payors to accumulate proceeds until they total $100 or be paid annually. These new statutes benefit both interest owners and producers and purchasers. Interest owners can elect to receive more frequent payments where needs exist. Producers and purchasers benefit in reducing the administrative burden resulting from an increasing number of interest owners receiving smaller and smaller payments.

Conclusion:

The alternatives to mineral "fractionalization" discussed in this brochure are only a few of the many options available. For assistance in selecting the correct option for your specific circumstances, we urge you to contact your local oil and gas attorney or your bank's oil and gas trust department. To receive more information on this important topic, you may also contact the National Association of Royalty Owners (NARO) toll free at 1-800-558-0557.

As a mineral or royalty interest owner, you are a vital member of the oil and gas industry. To ensure future generations enjoy the benefits of owning mineral interests, please consider one of the many alternatives to mineral "fractionalization."

A Joint Publication Developed By:

National Association of Royalty Owners
119 North Broadway
Ada, OK 74820
1-800-558-0557

National Association of Division Order Analysts
9794 Forest Lane, Suite 1012
Dallas, TX 75243

Disclaimer

Reading

DOYLE HARTMAN
Oil Operator
3811 TURTLE CREEK BLVD., SUITE 730
DALLAS, TEXAS 75219
(214) 520-1800
(214) 520-0811 FAX

July 20, 1993

Oxy U.S.A., Inc.
#6 Desta Drive, Suite 6002
Midland, Texas 79705-5505

Attn: Mr. T. Kent Woolley, CPL
Senior Landman

Re: Purchase/Exchange Offer
Eumont Gas Pool Interval
Oxy U.S.A., Inc.
State "N" Lease (B-1484)
SW/4 Section 2, T-22-S, R-36-E
Lea County, New Mexico
(160 acres)

Gentlemen:

Reference is made to our letters to Oxy U.S.A., Inc. of June 9, 1993, and June 17, 1993, wherein we have proposed to assign to Oxy our 4.869074% working interest in the Texaco-operated Myers Langlie Mattix Unit (plus pay to Oxy $100,000 in cash) in exchange for Oxy assigning to us its 160-acre State "N" Eumont tract situated in the SW/4 Section 2, T-22-S, R-36-E, Lea County, New Mexico.

Reference is also made to NMOCD Examiner Case 10,771 (July 15, 1993) wherein Oxy recently applied for permission to (1) expand a portion of its Skelly Penrose "B" Langlie Mattix Pool Waterflood Unit Project and (2) qualify the expansion "...for the recovered oil tax rate pursuant to the 'New Mexico Enhanced Oil Recovery Act'". Please find enclosed an excerpt from Docket Notice No. 20-93 corresponding to Oxy's proposed expansion of the Skelly Penrose "B" Waterflood project.

A review, by Oxy, of the ownership records pertaining to the Penrose Skelly "B" Waterflood Unit, will reveal that Doyle Hartman is the owner of a 50% net profits interest corresponding to the following Skelly Penrose "B" Waterflood Unit tracts:

Skelly Penrose "B" Tract No.	Tract W.I. (%)	Tract Unit Participation (%)	Unit WI (%)
17	22.59864	2.75874	.623438
18	29.81910	0.55805	.166405
TOTAL	-------	-------	.789843

In other words, Doyle Hartman is the owner of a 50% NPI corresponding to a 0.789843% working interest under the Skelly Penrose "B" Waterflood Unit. Moreover, Doyle Hartman is also the owner of the Langlie Mattix Pool interval oil and gas rights in the SE/4 NE/4 Section 7, T-23-S, R-37-E. Our 40-acre tract both contains the Stevens "B-7" No. 21 Langlie Mattix well and is a direct offset to Skelly Penrose "B" Tract No. 11 and Tract No. 14.

As we have previously informed you, it is our goal to divest ourselves of outside operated properties (including our Skelly Penrose "B" interest) and to concentrate on the operation of low-pressure, shallow gas properties. Therefore, in light of (1) our June 9, 1993 and June 17, 1993 proposals to assign to Oxy our 4.869073% MLMU working interest and (2) Oxy's presently pending application to the NMOCD for the expansion of the Skelly Penrose "B" Waterflood Unit, if Oxy so desires, we are willing to amend our proposal to Oxy of June 9, 1993 and June 17, 1993 to include (1) an assignment of our interest in the Skelly Penrose "B" Waterflood Unit and (2) an assignment of the 40-acre Stevens "B-7" No. 21 Langlie Mattix tract situated in the SE/4 NE/4 Section 7, T-23-S, R-37-E.

Since our Skelly Penrose "B" Waterflood Unit interest consists of a net profits interest, as to the proposed expansion of the Skelly Penrose "B" Waterflood project, the acquisition by Oxy of our net profits interest will require, of Oxy, no additional up front investment, but will most certainly have a net positive affect on Oxy's return from the project. Also, the assignment, to Oxy, of our offsetting Langlie Mattix Pool rights in the SE/4 NE/4 Section 7, T-23-S, R-37-E will further increase Oxy's return from its presently proposed Skelly Penrose "B" Waterflood expansion since the subject 40-acre Stevens "B-7" No. 21 Langlie Mattix tract is a direct offset to Skelly Penrose "B" Tract No. 11 and Tract No. 14 and the 40-acre Stevens "B-7" No. 21 tract should also benefit from the Skelly Penrose "B" Waterflood expansion project.

After you have had an opportunity to review this letter, we will be in touch with you pertaining to the possibility of us amending our June 9, 1993 and June 17, 1993 proposals to include (1) an assignment of our Skelly Penrose "B" net profits interest, and (2) an assignment of our 40-acre Langlie Mattix leasehold interest in the SE/4 NE/4 Section 7, T-23-S, R-37-E.

Very truly yours,

DOYLE HARTMAN, OIL OPERATOR

Doyle Hartman

DNH:pdd
Enclosures

cc: Mr. Donald Romine
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Oxy U.S.A., Inc.
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Mr. Charles Pollard
Operations Engineering Supervisor
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Mr. Patrick N. McGee
Land Manager
Oxy U.S.A., Inc.
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Midland, Texas 79705-5505

cc: Ms. Carol Glass
Landman
Oxy U.S.A., Inc.
#6 Desta Drive, Suite 6002
Midland, Texas 79705-5505

OXY

OXY USA INC.
Box 50250, Midland, TX 79710

July 30, 1993

Claydesta Bank
West Entrance
Suite 6000, 6th floor

Mr. Doyle Hartman
3811 Turtle Creek Boulevard, Suite 730
Dallas, Texas 75219

Re: Myers Langlie-Mattix
Skelly Penrose "B"
State "N"
Lea County, New Mexico

Dear Mr. Hartman:

This letter is in response to your letter of July 20, 1993 in which you propose a trade of certain properties including the Myers Langlie-Mattix Unit and the State "N" Lease.

As stated in my earlier letter of June 24, 1993, OXY USA Inc. is very interested in your proposal. However, we are unable to give you an immediate response due to certain other pressing obligations.

As quickly as we can get to a review of your proposal, we will give you a response. Should you have any questions or comments, please feel free to contact me.

Very truly yours,

T. Kent Woolley, CPL
Senior Landman

TKW:ls

RECEIVED
AUG - 6 1993

10-5-93

Doyle, State "N" No. 5

I spoke with Kent Wooley with Oxy on 10-5-93 and he said they definity want to do the trade, but they still are not able to get to it. I asked him how long it would be and he asked that we give them to November 15 and that we can call him back or he will call us.

I asked him if there were any questions and he said No that they want to do the deal but just dont have the time right now to focus on it.

Allan