

DOYLE HARTMAN

Oil Operator

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August 23, 1994

VIA FEDERAL EXPRESS

Mr. Charles Pollard

Operations Engineering Supervisor and

Mr. Scott Gengler

Oxy USA, Inc.

#6 Desta Drive, Suite 6002

Midland, TX 79705-5505

Gentlemen:

Reference is made to Oxy's letter of August 15, 1994 (copy enclosed) which invited our comments regarding Oxy's proposed 1995 Operating and Capital Expenditure Budget corresponding to the Myers Langlie Mattix Unit Waterflood.

Reference is also made to our exchange of correspondence last year with Oxy wherein we proposed to assign to Oxy our 4.869074% working interest in the Myers Langlie Mattix unit to Oxy in exchange for Oxy assigning to us its Eumont rights corresponding to the SW/4 Section 2, T-22-S, R-36-E, Lea County, New Mexico.

The following is an excerpt from our letter to Oxy of June 9, 1993, wherein we clearly stated to Oxy why we do not desire to participate in the further redevelopment of the Myers Langlie Mattix Unit and also which initiated a proposed solution to the problem created by our opposition to Oxy's proposed redevelopment of the Myers Langlie Mattix Unit.

Unlike Oxy, participation by us in large waterflood projects is not part of our long term oil and gas investment strategy and, in part, it was for the purpose of avoiding having to participate in Sirgo's proposed development of the Myers Langlie Mattix Unit waterflood that we agreed to assign to Sirgo our 4.869074% MLMU working interest in exchange for Sirgo assigning to us certain shallow gas rights that are owned by ARCO Oil and Gas Company and that we were to have been assigned by ARCO to Sirgo.

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In recognition of the foregoing and also in recognition of our sincere desire not to impede any plans that Oxy may have corresponding to the future redevelopment of the MLMU waterflood, we hereby propose the following property purchase/exchange between Oxy U.S.A., Inc. and Doyle Hartman, Oil Operator:

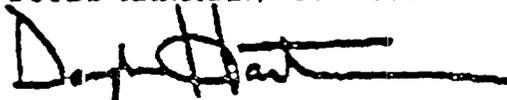
Doyle Hartman, Oil Operator to assign to Oxy U.S.A., Inc. (1) its 4.869074% working interest in the Texaco-operated Myers Langlie Mattix Unit waterflood project situated in parts of T-23-S and T-24-S, R-36-E and R-37-E, Lea County, New Mexico plus (2) tender to Oxy a cash payment of \$100,000, and, in return, Oxy shall assign to Hartman its non-unitized 160-acre State "N" Eumont lease (B-1484) consisting of the SW/4, Section 2, T-22-S, R-36-E with the rights to be assigned by Oxy to Hartman to be restricted to the vertical interval from the surface of the earth to the base of the Eumont Gas Pool (i.e., to the top of the Chevron-operated Arrowhead Waterflood unit).

Based upon Oxy's proposed 1995 budget for the Myers Langlie Mattix Unit, Oxy has outlined total expenditures for the budget year of 1995 of \$7,360,000. Because of the very substantial expenditures that have been outlined by Oxy for 1995 for the redevelopment of the Myers Langlie Mattix Unit waterflood, and also, because of our previously stated opposition to participating in such large redevelopment projects, Doyle Hartman and James A. Davidson again propose sitting down with Oxy and working out a mutual exchange of property whereby Hartman and Davidson will no longer be working interest owners in the Myers Langlie Mattix Unit waterflood and will not be an impediment to any work being suggested by Oxy.

We therefore ask that Oxy agree to a meeting in the very near future to discuss a mutual exchange of property. Mr. James A. Davidson will be promptly calling you about initiating discussions corresponding to a mutual exchange of property.

Very truly yours,

DOYLE HARTMAN, OIL OPERATOR



Doyle Hartman

DH/ao
Enclosure

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CC:

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