



OXY USA INC.

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P. N. McGee
Manager-Land
Western Region

September 13, 1994



Doyle Hartman
Oil Operator
3811 Turtle Creek Blvd. Suite 730
Dallas, Texas 75219

Re: Myers Langlie Mattix Unit, Lea County, New Mexico.

Dear Mr. Hartman:

In reply to your letters of August 23, and August 24, 1994, it appears we have substantial differences of opinion concerning the potential of the captioned Unit. Such differences of opinion are not unusual in the oil patch. It is clear from your letters you no longer desire to participate in the Myers Langlie Mattix Unit. However, your proposal to exchange your interest in the Unit for OXY's State "N" Lease is not acceptable. Your offer substantially under values the State "N" and is hereby declined as wholly inadequate. OXY has no desire to sell the State "N," therefore, any offer to acquire it must fully compensate OXY for the development potential. Your offer is several orders of magnitude below our internal valuation.

Should you desire to terminate your participation in the Unit, Article 17.1 of the Unit Operating Agreement permits any party in your position to withdraw from further participation by assigning all of their right, title, and interest in the Unit, the Unitized Formation, their lease or leases and any other operating rights, etc. to those parties who desire to continue Unit Operations. By such withdrawal you will avoid any future liability or responsibilities concerning unit operations. Of course nothing in Article 17 permits any party to avoid obligations that have been incurred prior to the delivery of their interests to the remaining parties. Therefore, if you wish to withdraw you should do so promptly to avoid incurring additional obligations.

OXY totally disagrees with your contention the unit is no longer viable. OXY sought and obtained unit operatorship based upon our opinion that we could improve existing unit operations. Recent financial results substantially demonstrate our position in this regard and we expect our planned future operations to continue the improvement.

Regarding your proposal to revise the participation factors for the unit, nothing in the Unit Agreement or Unit Operating Agreement permits such a revision. Only two events allow revision of the participation factors, an expansion of the Unit, and a failure of a tract or tracts to qualify for inclusion. Neither instance is applicable. Further, the Unit Agreement specifically and expressly prohibits "any re-

Doyle Hartman
Myers Langlie Mattix Unit
Lea Co., New Mexico

September 13, 1994
Page 2

evaluation of engineering or geological interpretations used in determining Tract Participations" and it further prohibits the removal of any tract from the Unit by reason of depletion.

The provisions cited above make it clear that at the time the Unit Agreement and Unit Operating Agreement were negotiated, the parties anticipated additional time, information, and technology, would reveal substantial variations in reserve composition and disposition. They considered the question and allocated the risk between the parties according to the information they possessed at the time, expressly prohibiting your proposed second guessing.

In short, your allegations are without merit and your proposals are either prohibited or inadequate. However, butting heads profits no one. To this end we are willing to consider a reasonable cash purchase proposal or trade for your interest in the Myers Langlie Mattix Unit. As the party who is dissatisfied with the status quo we feel it is incumbent upon you to propose a basis for reasonable discussion. That basis should include your immediate payment of your overdue JIB's with interest thereon.

Very truly yours,

OXY USA Inc.

P. N. McGee
Manager-Land
Western Region

cc: D. Romine
B. Hunt