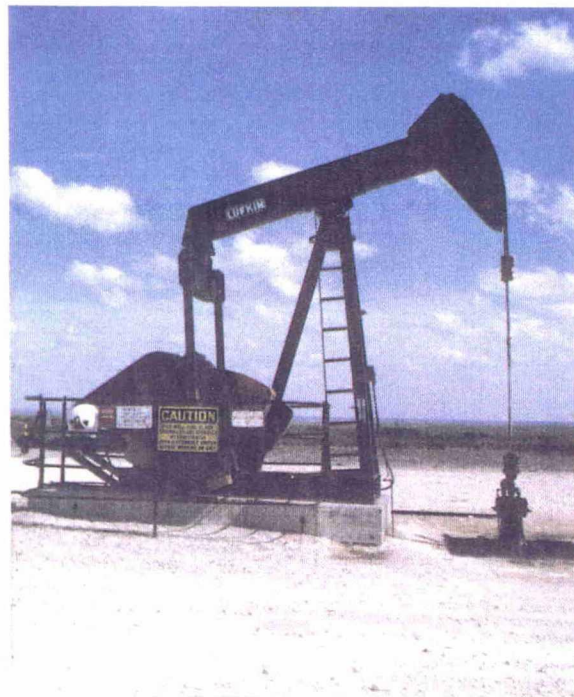


Since a Royalty Owner's interest in a tract is a set percentage, it will not change. The revenue received by the Royalty Owner will be based upon his percentage of ownership in that tract multiplied by the overall unit production allocated to that tract. For example, if the Royalty Owner's interest in a tract is 5% of that tract's production before unitization, this ownership will become 5% of the tract's interest in the overall unit's production after unitization.

★ THE BENEFITS OF ROYALTY OWNER UNITIZATION LOOK GOOD, BUT IS THERE ANYTHING ELSE THAT MIGHT BE OF INTEREST TO ME?

Unitization will enable the Working Interest Owners to consider enhanced oil recovery processes such as carbon dioxide flooding for the future. These processes may be implemented to recover more oil after the waterflood program repressurizes the reservoir. This should result in even more dollars to the Royalty Owners. Chevron U.S.A. Inc., the proposed Unit Operator, is among the industry leaders in enhanced oil recovery, and its expertise in such projects shall prove to be a valuable asset to all unitized parties.



A SUCCESSFUL WATER INJECTION PROGRAM REQUIRES COOPERATION

Unitization of the Arrowhead Grayburg field requires the cooperation of the various companies and Royalty Owners. In forming a unit, it is necessary for Royalty and Working Interest Owners to join in a written agreement which states, among other things, the method of arriving at each tract's participation. By signing the Ratification to the agreement, the Royalty Owner is agreeing to the unitization and water injection concept, the tract participation formula, and his interest in the tract.