

DOYLE HARTMAN

Oil Operator

500 NORTH MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

(915) 682-7616 FAX

JUL - 7 1997

Via Certified Mail, Return Receipt Requested

July 2, 1997

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

Attn: Lance H. Castro
Operations Services
Land Department, Technical Services

Re: Encroachment of Langlie Jal Unit Injection Water
Martin "B" Lease
NW/4 Section 31, T-24-S, R-37-E
Lea County, New Mexico

Gentlemen:

Reference is made to OXY's letter to us dated June 27, 1997 (copy enclosed) wherein OXY requested information regarding the current status of the 160-acre Martin "B" lease consisting of the NW/4 Section 31, T-24-S, R-37-E, Lea County, New Mexico.

Doyle Hartman is the owner of the Jalmat Pool operating rights corresponding to the subject 160-acre tract, but is not a working interest owner of the underlying unitized oil and casinghead gas rights. At this time, the Martin "B" No. 1 Jalmat gas well is not producing due to a water problem that we believe has been created by the improper injection of water, by the Langlie Jal Unit (LJU), into non-oil bearing (gas productive) zones within the Jalmat Pool interval as defined by NMOCD Order No. R-1670. In support of our position that LJU water has been injected into gas-bearing zones within the LJU unit area, the following is an excerpt from page 3 of the Langlie Jal Unit Engineering Report dated September 2, 1965 (revised May 6, 1969).

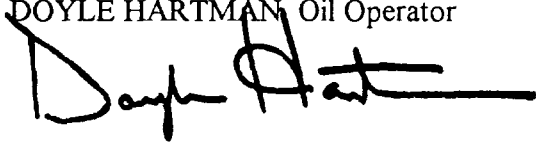
The average depth of the main reservoir pay sands is 3,270 feet. The pay section is made up of a series of alternating layers of sand and anhydrite. In general, the

thickness of these layers are fairly uniform. For purposes of this study and for correlation purposes, the possible pay horizons have been divided into 6 zones. These zones are correlative and continuous throughout the entire study area. The lower zones, specifically Zones 5 and 6, dip into water on the west and south sides of the study area while in the north and northwest portion of the study area, the upper layers, Zones 1, 2 and 3, contain gas. On the east side all these zones are impermeable (emphasis added).

Because the Martin "B" No. 1 well is an old open-hole Jalmat Yates-Seven Rivers gas completion, it is virtually impossible to practically isolate the specific Jalmat gas zone that has experienced water breakthrough as a result of improper LJU injection practices. Therefore, in order to recover the remaining Jalmat gas reserves from the subject tract, it will be necessary to drill a new infill Jalmat gas well, which task will occur in a scheduled and orderly manner.

Very truly yours,

DOYLE HARTMAN, Oil Operator



Doyle Hartman

enclosures

rep
wpdocs\corresp.dh\oxy-mar.tin

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

Rand Carroll, Division Attorney
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505

Michael E. Stogner, Engineer
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505

Chris Williams, District I Supervisor
New Mexico Oil Conservation Division
1000 W. Broadway (88240)
P.O. Box 1980
Hobbs, NM 88241

OXY USA, Inc.
July 2, 1997
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Dr. Ray R. Irani, Chairman and CEO
Occidental Petroleum Corporation
10889 Wilshire Blvd.
Los Angeles, CA 90024

Dr. Dale R. Laurance
President and Senior Operating Officer
Occidental Petroleum Corporation
10889 Wilshire Blvd.
Los Angeles, CA 90024

Donald P. Debrier, Executive V.P. and
Senior General Counsel
Occidental Petroleum Corporation
10889 Wilshire Blvd.
Los Angeles, CA 90024

P.N. "Pat" McGee, Manager, Land
Western Region
OXY USA, Inc.
P.O. Box 50250
Midland, Texas 79710

Jerry Crew, Joint Interest Contracts
OXY USA, Inc.
P.O. Box 300
Tulsa, OK 74102

Scott E. Gengler, Petroleum Engineer
OXY USA, Inc.
P.O. Box 50250
Midland, Texas 79710

John Thoma, Financial Consultant
OXY USA, Inc.
P.O. Box 50250
Midland, Texas 79710

Tim Keys
OXY USA, Inc.
P.O. Box 50250
Midland, Texas 79710

Jim Maury, Finance
OXY USA, Inc.
P.O. Box 50250
Midland, Texas 79710

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

Robert Hunt, Asset Team Leader
OXY USA Inc.
P.O. Box 50250
Midland, Texas 79710-0250

T. Kent Wooley, Senior Landman
OXY USA Inc.
P.O. Box 50250
Midland, Texas 79710-0250

Mike Gooding
OXY USA, Inc.
P.O. Box 50250
Midland, Texas 79710

Armando Morales, Jr.
OXY USA, Inc.
P.O. Box 50250
Midland, Texas 79710

Carol Glass, Landman
OXY USA, Inc.
P.O. Box 50250
Midland, Texas 79710

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July 2, 1997
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Don W. Davis, Regional Landman
Burlington Resources
P.O. Box 51810
Midland, TX 79710-1810

James A. Davidson
214 W. Texas, Suite 710
Midland, TX 79701

DOYLE HARTMAN, Oil Operator
(Midland)

Don Mashburn
Steve Hartman
Linda Land
Cindy Brooks
Sheila Potts



OXY USA INC.
Box 50250, Midland, TX 79710

June 27, 1997

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

Re: Martin "B" #1
Section 31-24S-37E
Lea County, New Mexico
6-3002369
7-3042975
API# 30-025-11295

Gentlemen:

OXY USA Inc. owns an interest in the above referenced property. Our records indicate no royalty revenues credited to our account in recent months.

If this well is producing, please advise immediately why payments are not being made to OXY USA Inc. If this property is shut-in, advise as to your future plans. If the property has been sold, please furnish the name and address of the Purchaser, and if the property has been plugged, please furnish one copy of the state plugging notice.

Please submit correspondence regarding this matter to the attention of the undersigned.

Sincerely,

OPERATIONS SERVICES
Land Department, Technical Services


Lance H. Castro

LHC/hmb

DOYLE HARTMAN
OIL OPERATOR
RECEIVED
JUN 30 1997

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
LANGLIE-JAL UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 10th day of December
_____, 1969, by and between the parties subscribing, ratifying or
consenting hereto, and herein referred to as "Parties hereto";

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of working, royalty
or other oil or gas interests in the land subject to this Agreement;
and

WHEREAS, the Mineral Leasing Act of February 25, 1920, (41
Stat. 437, as amended 30 U.S.C. Sections 181 et seq.) authorizes
Federal lessees and their representatives to unite with each other
or jointly or separately with others in collectively adopting and
operating a cooperative or unit plan of development or operation of
any oil or gas pool, field, or like area, or any part thereof for
the purpose of more properly conserving the natural resources there-
of whenever determined and certified by the Secretary of the Inter-
ior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New
Mexico is authorized by an Act of the Legislature (Chap. 88, Laws
1943 as amended by Chap. 162, Laws of 1951, Chap. 176, Laws of 1961,
being Chap. 7, Art. 11, Sec. 39 through 41, N.M.S. 1953 Anno.) to
consent to or approve this Agreement on behalf of the State of New
Mexico, insofar as it covers and includes lands and mineral inter-
ests of the State of New Mexico; and

fore issued thereunder and valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this Agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this Agreement; and as to State of New Mexico and fee lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State of New Mexico, are hereby accepted and made a part of this Agreement.

SECTION 2. UNIT AREA AND DEFINITIONS. For the purpose of this Agreement, the following terms and expressions as used herein shall mean:

(a) "Unit Area" is defined as the area described by tracts in Exhibit B and depicted on Exhibit A hereof, and such land is hereby designated and recognized as constituting the Unit Area, and is described as follows:

LEA COUNTY, NEW MEXICO

T. 24 S., R. 37 E., N.M.P.M.

Section 31: Lots 2, 3, 4, SE/4 NW/4, E/2 SW/4, and E/2
Section 32: All

T. 25 S., R. 37 E.,

Section 4: Lots 2, 3, 4, S/2 NW/4, SW/4 NE/4, and W/2 SW/4
Section 5: Lots 1, 2, 3, 4, S/2 N/2, S/2 (all)
Section 6: Lots 1, 2, 3, 4, 5, 6, 7, SE/4 NW/4, S/2 NE/4,
E/2 SW/4, SE/4 (all)
Section 8: E/2 and NW/4
Section 9: W/2 W/2
Section 17: E/2

containing 3,748.06 acres, more or less.

(b) "Land Commissioner" is defined as the Commissioner of Public Lands of the State of New Mexico.

(c) "Commission" is defined as the Oil Conservation Commission of the State of New Mexico.

(d) "Director" is defined as the Director of the United States Geological Survey.

(e) "Secretary" is defined as the Secretary of the Interior of the United States of America.

(f) "Department" is defined as the Department of the Interior of the United States of America.

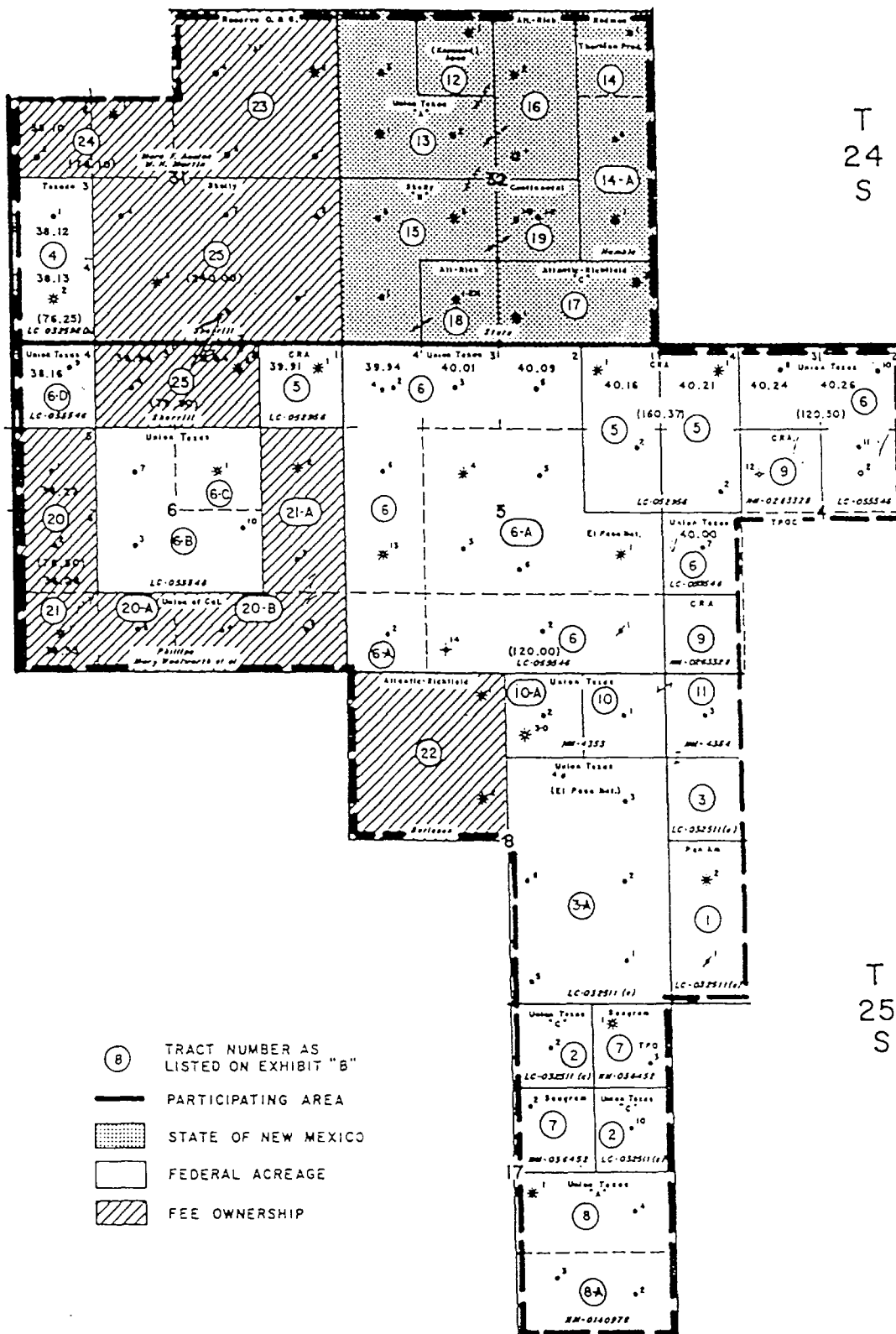
(g) "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey for the region in which the Unit Area is situated.

(h) "Unitized Formation" is defined as the productive interval underlying the Unit Area between the top of the Seven Rivers Formation and the base of the Queen Formation, being more specifically the stratigraphic equivalent of the continuous interval occurring between the depths of 3,095' and 3,691' as shown on the Frontier Perforators, Incorporated, Gamma Ray-Neutron log run on September 1, 1957, in the Skelly Oil Company's Sherrel No. 7 well, located 1,980' from the south and east lines of Section 31, T-24-S, R-37-E, Lea County, New Mexico.

(i) "Unitized Substances" is defined as and shall mean all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the unitized portion of the Unitized Formation. However, it shall not include the dry gas and associated hydrocarbons produced from the gas wells within the unit area which are completed in and produce from the vertical limits of the Jalmat gas pool, as defined by Commission order No. R-1670.

(j) "Tract" is defined as each parcel of land described as such and given a Tract number in Exhibit "B".

R-37-E



T
24
S

T
25
S



| | |
|-------------------------------------------|------------------|
| UNION TEXAS PETROLEUM | |
| A DIVISION OF ALLIED CHEMICAL CORPORATION | |
| LANGLIE - JAL UNIT | |
| LEA COUNTY, NEW MEXICO | |
| EXHIBIT "A" | |
| SCALE IN FEET | |
| 2000 | 1000 0 2000 4000 |

EXHIBIT B - UNIT AGREEMENT (Continued)
 LANGLEY-JAL UNIT
 LEA COUNTY, NEW MEXICO
 T-24-S, T-25-S, R-37-E

Revised March 1, 1971
 Page 23

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | SERIAL NO. AND EXPIRATION DATE OF LEASE | BASIC ROYALTY AND OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY OWNER AND PERCENTAGE | WORKING INTEREST OWNER AND PERCENTAGE |
|-----------|------------------------------------------------|--------------|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------------------|---------------------------------------|
| 24 | T-24-S, R-37-E Sec. 31: Lot 2 and SE/4 NW/4 | 78.10 | Fee HBP | Leonard C. Alston-1.54761% Wanda Archer-1.07142% William Fisher Arledge, Jr.-.01487% J. W. Barnes-.07144% Cities Service Oil Company-17.14282% Jo Beth Arledge Clifton-.01587% First National Bank of Fort Worth, Executor and Trustee U/W/O Eusebia S. Stonestreet, Deceased-.71429% Bessie R. Galaz-1.54762% Rosabelle B. Gernsbacher-.07144% Martha Watkins Harris-.59525% Estate of G.E. Hubbard-11.42855% Ray E. Hubbard-11.42856% Myrtle E. Lamons-1.54762% Benjamin Largent-.07144% | Reserve Oil and Gas Company | None | Reserve Oil and Gas Company 100.0000% |

EXHIBIT B - UNIT AGREEMENT (Continued)
 LANGLEIE-JAL UNIT
 LEA COUNTY, NEW MEXICO
 T-24-S, T-25-S, R-37-E

Revised March 1, 1971

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| TRACT NO. | DESCRIPTION OF LAND | SERIAL NO. AND NO. OF EXPIRATION DATE ACRES OF LEASE | BASIC ROYALTY AND OWNERSHIP PERCENTAGE LESSEE OF RECORD | OVERRIDING ROYALTY OWNER AND PERCENTAGE | WORKING INTEREST OWNER AND PERCENTAGE |
|--------------|------------------------|------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------|---------------------------------------------|
|--------------|------------------------|------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------|---------------------------------------------|

24
 (cont)

| | | | | | |
|-----------------------------------------------------------------|--|--|--|--|--|
| Estate of Raymond Largent, Deceased- .07144% | | | | | |
| W.W. Lechner-11.42855% (Mrs.) Frankie K. Martin- 2.28572% | | | | | |
| Granville Martin-2.28572% | | | | | |
| Ira H. Martin-2.28572% | | | | | |
| Ott Martin-2.28572% | | | | | |
| Raymond R. Marton-2.28572% | | | | | |
| Rose Wood Arledge Metler- .01588% | | | | | |
| E.W. Morton-.14287% (Mrs.) Clyde W. Miller- .59525% | | | | | |
| The North Central Oil Corp.-2.85713% | | | | | |
| Roger B. Owings-2.85713% | | | | | |
| Lulu Snively Rush-5.71428% | | | | | |
| Arnold P. Scharbauer & Walter C. Snyder-5.95240% | | | | | |
| Janet Sherley-.07143% | | | | | |
| Scope Industries-.71428% | | | | | |
| Catherine L. Verschoyle- .07143% | | | | | |
| Myrtis Dean Watkins- .59524% | | | | | |
| (Mrs.) Florence Lea Weaver-.04762% | | | | | |

EXHIBIT B - UNIT AGREEMENT (Continued)

LANGLIE-JAL UNIT
LEA COUNTY, NEW MEXICO
T-24-S, T-25-S, R-37-E

Revised March 1, 1971

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| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | SERIAL NO. AND EXPIRATION DATE OF LEASE | BASIC ROYALTY AND OWNERSHIP PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY OWNER AND PERCENTAGE | WORKING INTEREST OWNER AND PERCENTAGE |
|--------------|----------------------------------------------------------------------------------------|-----------------|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------------------------------------|---------------------------------------------|
| 24 (cont) | | | | (Mrs.) Sara Harris Weeks-.04762% Ruth R. Weaver-2.85714% Elizabeth Woolworth- 2.38096% May Woolworth-2.97619% | | | |
| 25 | T-24-S, R-37-E Sec. 31: SE/4, E/2 SW/4 T-25-S, R-37-E Sec. 6: Lots 2 and 3 | 319.90 | Fee HBP | James Henry Bearly- .19096% Charles F. Bedford- .25000% Edwin M Bedford- .25000% Henry D. Bedford- .25000% Rachel Bedford Bowen- .25000% The First National Bank and Trust Company of Oklahoma City, Executor Of the Estate of George Key, Deceased-9.37496% Dena Ida Koenig, Individually and as Executrix of the Estate of E.J. Koenig- .11216% J. M. Richardson Lyeth, Jr. and Munro Longyear Lyeth- 5.62504% | Skelly Oil Co. | None | Skelly Oil Co.- 100.0000% |