

**BEFORE THE OCD, NM DEPARTMENT OF ENERGY,
MINERALS AND NATURAL RESOURCES**

**IN THE MATTER OF THE APPLICATION
OF HOWARD OLSEN TO REOPEN CASE
NOS. 8668 AND 8769, LEA COUNTY, NM**

EXAMINER HEARING

SEPTEMBER 6, 1989

EXHIBITS

OF

DOYLE HARTMAN

BEFORE THE OIL CONSERVATION DIVISION
 NEW MEXICO DEPARTMENT OF ENERGY,
 MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION)	
OF HOWARD OLSEN TO REOPEN CASE)	
NOS. 8668 AND 8769, LEA COUNTY,)	CASE NO. 8769 & 8668
NEW MEXICO)	

HARTMAN EXHIBIT	DESCRIPTION	CROSS-REFERENCE DEPOSITION EXHIBIT
1	1/24/85 Letter - Hartman to Olsen	1-O
2	1/31/85 Letter - Mariner to Hartman	2-O
3	7/10/85 Letter - Hartman to Olsen, enclosing AFE	3-O
4	7/19/85 Letter - Carr to Stamets - NMOCD, enclosing Application - Case No. 8668	
5	7/22/85 Letter - Carr to Olsen	4-O
6	7/30/85 Letter - Sutton to Olsen	5-O
7	7/31/85 Transcript, Examiner Hearing, Case No. 8668	
8	8/13/85 Letter - Carr to Bureau of Land Management	
9	8/15/85 Application to Drill Carlson Federal #4	
10	Ruth Sutton Notes on Negotiations with Olsen's Office	
11	9/20/85 Letter - Sutton to Foraker	6-O
12	Case 8668 Order - Compulsory Pooling	1-H
13	10/1/85 Letter - Sutton to Olsen	8-O
14	10/4/85 Letter - Hartman to Olsen	9-O

15	10/4/85 Letter - Foraker to Olsen	7-O
16	10/29/85 Letter - Carr to Stamets - NMOCD - enclosing Application - Case 8769	
17	11/11/85 Letter - Carr to Olsen	10-O, 4-H
18	11/11/85 Application to Drill - Carlson Federal #5	
19	11/21/85 Transcript, Examiner Hearing Case No. 8769	
20	12/12/85 Sundry Notice - Spud & Set Casing - Carlson Federal #5	
21	Case 8769 Order - Compulsory Pooling	2-H
22	1/6/86 Letter - Sutton to Olsen (not accepted)	11-O, 3-H
23	2/28/86 EPNG Notice to Sellers	
24	3/3/86 Letter - Hartman to NMOCD	
25	5/29/86 EPNG Notice to Sellers	
26	Permanent Injunction CV-86-369(J) Hartman vs. El Paso Natural Gas Company	
27	10/13/87 Letter - Olsen to Hensley	
28	10/6/87 - Letter - Wilcox to Bowlby	12-O
29	11/9/87 - Letter - Bowlby to Olsen	13-O
30	11/16/87 - Letter - Bowlby to Olsen	
31	4/1/89 Transfer of Operating Rights - Hartman to Meridian	
32	Deposition Transcript - R. Howard Olsen 8/25/89	

- 33 Deposition Transcription - Garold Bowlby
8/25/89
- 34 Well Cost Comparisons - Carlson Federal
4 and 5

1

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

January 24, 1985

Mr. R. Howard Olsen
Post Office Box 32279
Phoenix, Arizona 85016

Re: Carlson Federal Nos. 2 & 3
SE/4 SE/4 Section 23 (#3)
SE/4 NE/4 Section 26 (#2)
T-25-S, R-37-E
Lea County, New Mexico

Dear Mr. Olsen:

Reference is made to the phone conversations between your office and Jim Burr of our office regarding the following for the above noted wells:

1. Production volume--we have checked the production for the subject well for the years 1983 and 1984 and find that for the year 1983 the Carlson Federal No. 3 (No. 2 well not producing) averaged 24 MCFPD and since we became operator on June 1, 1984, this well has averaged 35 MCFPD.
2. Pricing--at the time we assumed operations of the Carlson Federal No. 3, El Paso Natural Gas Company arbitrarily lowered the price from the stripper price previously paid to Sun Oil Company to an approximate net price of \$1.35/MCF. We have already discussed this matter with El Paso and have requested that the price be restored to the stripper price.
3. Operational costs--as to the Carlson No. 3, we are charging exactly what it costs us to operate this well, which is the same rate as we charge for all wells that we operate. We do not feel we should be asked to operate any well at a loss, which you can surely understand being an independent yourself. As you know, Congress provided stripper pricing for wells such as the Carlson Federal No. 3 in order that such low volume wells can continue to be operated at a profit and not be plugged. If you feel it necessary, we can furnish you back-up data to justify our operating costs.

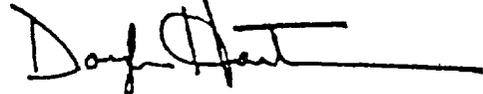
We can certainly understand your concern generally since the well operations have been recently shifted from Sun with whom you are familiar to us with whom you are not familiar. We hope this explanation answers your questions and, in this regard, we would be willing to offer you \$22,500.00 for all of your right, title, and interest in the above noted wells and acreage. This offer is higher on a pro rata basis than the consideration paid to Sun for its 75% working interest. If you are

Mr. R. Howard C
January 24, 1985
Page 2

agreeable to a sale, we would be willing to pay all legal fees incident to the sale and title approval.

Thank you for your consideration and please let us hear from you as soon as is conveniently possible.

Very truly yours,

A handwritten signature in black ink, appearing to read "Doyle Hartman", with a long horizontal flourish extending to the right.

Doyle Hartman

DH/mh

BOYLE HARTMAN, OIL OPERATOR
P.O. BOX 10426
HOUSTON, TEXAS 77202
NOVEMBER 12, 1987

R. HOWARD OLSEN
P.O. BOX 32279
PHOENIX, ARIZONA

85016

GENTLEMEN,

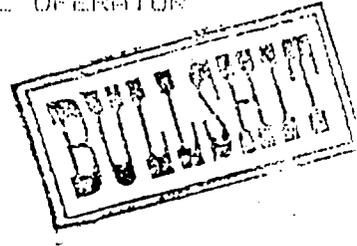
IN REVIEWING OUR ACCOUNTS RECEIVABLE AGING SCHEDULE, I SHOW A
FAST DUE BALANCE TO OUR 90-DAY COLUMN. IF IN REVIEW OF YOUR INVOICES
YOU FIND THAT WE HAVE NOT SUBMITTED PROPER DOCUMENTATION, PLEASE NOTIFY
ME. SHOULD ADDITIONAL ASSISTANCE BE NECESSARY IN CLEARING UP THIS
OUTSTANDING BALANCE, PLEASE FEEL FREE TO CONTACT ME AT ANY TIME.

YOUR PROMPT ATTENTION TO THIS MATTER IS VERY MUCH APPRECIATED.

SINCERELY,

BOYLE HARTMAN, OIL OPERATOR

PATRICIA K. BURNS
CONTROLLER
915-684-4011



ACCOUNTS RECEIVABLE AGING SCHEDULE FOR 8/18/87 \$ 77148

CURRENT	30-DAY	60-DAY	90-DAY
\$789.24	\$504.89	\$421.23	\$33,468.27

NOV 23 1987

DOYLE HARTMAN

P.O. BOX 10426
MIDLAND, TX 79702
(915) 684-4011

JOINT OWNER STATEMENT

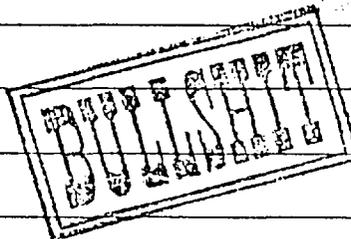
10/31/87

OWNER R. HOWARD OLSEN
77148 P.O. BOX 32279
PHOENIX, ARIZONA 05016

PAGE 1

IN ACCORDANCE WITH YOUR OPERATING AGREEMENT, PAYMENT IS DUE WITHIN FIFTEEN DAYS OF RECEIPT. INTEREST WILL BE CHARGED ON OVERDUE ACCOUNTS

REFERENCE	DESCRIPTION	DEBIT	CREDIT	BALANCE
	BEGINNING BALANCE			34,419.7
10/31/87	SERVICE CHARGE	339.09		
	BALANCE AFTER PAYMENTS			34,753.2
*** CURRENT INVOICES ***				
	00715002 CARLSON #2	215.87		
	00715003 CARLSON #3	234.26		
	*** TOTAL CURRENT INVOICES ***			450.13
			*** TOTAL DUE ***	35,203.3



DOYLE HARTMAN

P.O. BOX 10426
MIDLAND, TX 79702
(915) 684-4011

JOINT OWNER INVOICE

PAGE

OWNER 77148 R. HOWARD OLSEN
LEASE 00715002 CARLSON #2

DATE OCTOBER 31, 1987

INVOICE 871001853

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SHARE
LEASE OPERATING EXPENSE - JIB				
1 /30/87	D. HARTMAN OIL OPERA	DIRECT LABOR - OPER	116.55	29.14
1 /30/87	D. HARTMAN OIL OPERA	EMPLOYEE BENEFITS	37.75	9.44
10/20/87	MIDWEST INSURANCE AG	INSURANCE	22.00	5.50
1 /30/87	D. HARTMAN OIL OPERA	INSURANCE	33.16	8.29
1 /30/87	D. HARTMAN OIL OPERA	OPERATING SUPPLIES	81.91	20.48
10/31/87	D. HARTMAN OIL OPERA	PRODUCING OVERHEAD	544.14	141.07
TOTAL LEASE OPERATING EXPENSE - JIB			855.51	213.92
LEASE TOTAL			855.51	213.92

LEASE: 00715002 CARLSON #2 YOUR INTEREST .25000000 213.92

DOYLE HARTMAN

P.O. BOX 10426
MIDLAND, TX 79702
(915) 684-4011

JOINT OWNER INVOICE

PAGE

OWNER 77148 R. HOWARD OLSEN

DATE OCTOBER 31, 1987

LEASE 00715003 CARLSON #3

INVOICE 871001854

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SHARE
LEASE OPERATING EXPENSE - JIB				
0/30/87	D. HARTMAN OIL OPERA	DIRECT LABOR - OPER	116.55	29.1
0/30/87	D. HARTMAN OIL OPERA	EMPLOYEE BENEFITS	37.75	9.4
10/30/87	D. HARTMAN OIL OPERA	INSURANCE	33.16	8.2
0/20/87	MIDWEST INSURANCE AG	INSURANCE	80.00	20.0
0/30/87	D. HARTMAN OIL OPERA	OPERATING SUPPLIES	81.91	20.4
10/09/87	SOUTHWESTERN PUBLIC	FUEL AND POWER	31.47	7.8
0/31/87	D. HARTMAN OIL OPERA	PRODUCING OVERHEAD	564.14	141.0
TOTAL LEASE OPERATING EXPENSE - JIB			944.98	236.2
LEASE TOTAL			944.98	236.2

LEASE: 00715003 CARLSON #3 YOUR INTEREST .25000000 236.2

2

January 31, 1985

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

RE: CARLSON FEDERAL #3
LEA COUNTY, NEW MEXICO

Dear Mr. Hartman,

In response to your letter of January 24, 1985 regarding the purchase of our interest in the above said well, I have discussed your proposal with Mr. Olsen and he feels the offer is insufficient.

Regarding the working interest expense for the said well in which we are to share, after much conversation between our offices on the correct amount, we have acquired a copy of the original Operating Agreement. According to the said agreement, overhead is to be billed at \$125.00 per month for each drilling well for which our working interest is .25 percent.

Due to this information, please consider this a demand for your check to adjust the producing overhead in accordance with the Operating Agreement. Also, invoices for September through December 1984 should be adjusted to reflect this change.

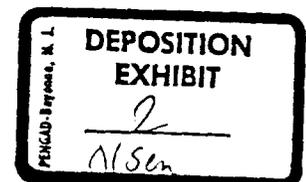
Your cooperation in this matter is appreciated.

Sincerely,

Donna M. Mariner
Accountant

DH/cac

HARTMAN EXHIBIT 2



3

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

July 10, 1985

Mr. Howard Olsen
Post Office Box 32279
Phoenix, Arizona 85018

Re: Proposed Infill Well
Carlson Federal No. 4
SE/4 SE/4 Section 23
T-25-S, R-37-E
Lea County, New Mexico
(40-acre Langlie Mattix)

Dear Mr. Olsen:

Reference is made to our previous communications concerning operations as to the Langlie Mattix pool covering SE/4 SE/4 Section 23, T-25-S, R-37-E, Lea County, New Mexico. Please be informed that we are proposing the drilling of an infill well on the captioned lease in order to efficiently and effectively drain all remaining Langlie Mattix gas reserves under the SE/4 SE/4 Section 23, T-25-S, R-37-E, that will not be drained by the Carlson No. 3 well which is also situated on the subject 40-acre proration unit.

Since the drilling of a new well is not covered by any existing agreement between the current owners of the subject lease, we invite you to join us with your 25% working interest in drilling the proposed new well. If you wish to participate in the drilling of our proposed new well, we will prepare and forward to you an Operating Agreement for your review and approval. We are enclosing with this letter an AFE covering the cost of drilling our proposed Carlson No. 4 infill well.

In the event you do not wish to participate in the drilling of the proposed new well, we further offer you the following additional options:

1. We again extend our offer of January 24, 1985 to purchase your net interest for \$22,500.
2. We will be happy to take a farmout of your interest and drill the well to earn a 70% net revenue interest.

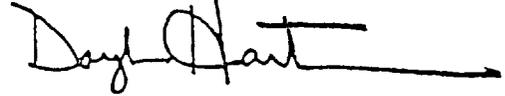
Since we hope to spud the proposed new well within the next forty-five days, we are at this time proceeding with all necessary regulatory procedures for the drilling of the subject well. Therefore, we

HARTMAN EXHIBIT 3

Mr. Howard O:
July 10, 1985
Page 2

respectfully request hearing from you as soon as possible concerning
your decision in this matter.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Doyle Hartman", with a long horizontal flourish extending to the right.

Doyle Hartman

DOYLE HARTMAN
OIL OPERATOR
500 N. MAIN STREET
MIDLAND, TEXAS

Revised 3 15 82

AUTHORIZATION FOR EXPENDITURE AND DETAIL WELL ESTIMATE

LEASE NAME Carlson Federal WELL NO. 4 W.I. 100% of Well Cost
 COUNTY Lea STATE New Mexico FIELD Langlie Mattix
 LOCATION: SE/4 SE/4 Section 23, T-25-S, R-37-E

DRILLING INTANGIBLES:		PRODUCER	DRY HOLE
1. Drilling Cost	<u>3,500</u> <u>Foot</u> @ <u>13.145</u> Per Foot	<u>46,000</u>	<u>46,000</u>
2. Day Work	<u>1 day at 3,800</u>		
		<u>3,800</u>	<u>3,800</u>
3. Coring Service	<u>Well Surveys</u>	<u>8,400</u>	<u>8,400</u>
4. Bits and Reamers		<u>---</u>	<u>---</u>
5. Testing		<u>---</u>	<u>---</u>
6. Directional Drilling		<u>---</u>	<u>---</u>
7. Fuel	<u>Water</u>	<u>6,500</u>	<u>6,500</u>
8. Mud	<u>Mud Logging</u>	<u>8,100</u>	<u>8,100</u>
9. Cementing Service	<u>Cement</u> <u>Floats</u>	<u>15,600</u>	<u>5,000</u>
10. Company Labor	<u>Contract Labor</u>	<u>9,500</u>	<u>3,600</u>
11. Surface Damages and Right-of-Way		<u>2,800</u>	<u>2,800</u>
12. Digging Pits	<u>Filling Pits</u>	<u>1,200</u>	<u>1,200</u>
13. Pit Lining		<u>1,500</u>	<u>1,500</u>
14. Roads & Bridges	<u>Dredging & Grading</u>	<u>8,000</u>	<u>8,000</u>
15. Acidizing	<u>10,000</u> <u>Fracturing</u> <u>86,000</u> <u>Perforating</u> <u>4,000</u>	<u>100,000</u>	<u>---</u>
16. Plugging		<u>---</u>	<u>2,800</u>
17. Trucking Cost		<u>2,900</u>	<u>1,500</u>
18. Development Superintendence	<u>14</u> days @ <u>\$ 500</u> /day	<u>7,000</u>	<u>3,500</u>
19. Rental Equipment		<u>4,500</u>	<u>500</u>
20. Swabbing and Testing		<u>10,500</u>	<u>---</u>
21. Legal and Professional Expenses:			
	<u>Product Price Determination</u>	<u>2,400</u>	<u>2,400</u>
	<u>Regulatory Hearings</u> <u>Other</u>	<u>3,600</u>	<u>3,600</u>
22. Abstracts and Title Opinions		<u>4,300</u>	<u>4,300</u>
23. Geological, Geophysical and Land Support			
24. Other Costs			
25. Contingency @ <u>15</u> %		<u>43,400**</u>	<u>20,500</u>
	Total Intangibles	<u>290,000</u>	<u>134,000</u>
WELL EQUIPMENT:			
26. Casing	<u>400</u> Ft. of <u>9 5/8</u> @ <u>8.50</u> Per Ft.		
	<u>3,500</u> Ft. of <u>7</u> @ <u>6.46</u> Per Ft.		
	<u>3500</u> Ft. of <u>2 3/8</u> @ <u>2.63</u> Per Ft.	<u>26,000</u>	<u>3,400</u>
27. Tubing		<u>9,200</u>	<u>---</u>
28. Casing Head		<u>1,300</u>	<u>1,300</u>
29. Xmas Tree or Pumping Connections		<u>4,600</u>	<u>---</u>
30. Pumping Unit		<u>19,500</u>	<u>---</u>
31. Engine/Motor Controller and Power System		<u>4,500</u>	<u>---</u>
32. Sucker Rods		<u>6,100</u>	<u>---</u>
33. Pump		<u>2,000</u>	<u>---</u>
34. Tank Battery		<u>2,600</u>	<u>---</u>
35. Separator or Dehydration Equip.		<u>2,400</u>	<u>---</u>
36. Metering Equipment		<u>---</u>	<u>---</u>
37. Flow Lines		<u>1,900</u>	<u>---</u>
38. Guards and Fences		<u>2,300</u>	<u>2,300</u>
39. Other Costs			
40. Contingency @ <u>15</u> %		<u>17,600**</u>	<u>1,000</u>
	Total Tangibles	<u>100,000</u>	<u>8,000</u>
	TOTAL COST OF WELL	<u>390,000**</u>	<u>142,000</u>
	<u>Howard Olsen</u> <u>25</u> % Share at <u>---</u> %	<u>97,500</u>	<u>35,500</u>

REMARKS: Our projected cost for drilling and completing the proposed infill well is \$329,000. This cost is for a routine well with no problems. With the addition of a 15% contingency for possible problems, the total cost comes to \$390,000 for a completed well.

Originated by Larry C. Nemy Title Engineer Date July 10, 1985
 Approved _____ Title _____ Date _____

4

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
J. SCOTT HALL
PETER N. IVES
LOURDES A. MARTINEZ

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87501
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

July 19, 1985

HAND DELIVERED

Mr. R. L. Stamets, Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Application of Doyle Hartman for Compulsory Pooling, Lea
County, New Mexico

Dear Mr. Stamets:

Enclosed in triplicate is the Application of Doyle Hartman
in the above-referenced case. Please place on the docket for the
July 31, 1985 Examiner hearing.

Very truly yours,

William F. Carr
William F. Carr

WFC/ba
Enclosure

cc: Doyle Hartman

DOYLE HARTMAN
OIL OPERATOR
RECEIVED

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

RECEIVED
JUL 18 1988
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICAITON
OF DOYLE HARTMAN FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

Case 8668

APPLICATION

Comes now, DOYLE HARTMAN, by and through its undersigned attorneys and, as provided by Section 70-2-17, N.M.S.A. 1978, hereby makes application for an order pooling all of the mineral interests from the surface to the base of the Langlie Mattix formation, in and under the SE/4 of SE/4 of Section 23, Township 25 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and in support thereof would show the Division:

1. Applicant owns or represents approximately 75% of the working interest in and under the SE/4 of SE/4 of Section 23, and applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to a well to be drilled at a standard location of said Section 23.
3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other interest owners in the SE/4 of SE/4 of said Section 23, except for R. Howard Olson, Post Office Box 32279, Phoenix, Arizona 85018, owner of a 25% working interest.

4. Said pooling of interests and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled, and applicant should be designated the operator of the well to be drilled.

WHEREFORE, applicant prays that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on July 31, 1985, and that after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well, approving the location of the well as proposed by applicant, and making such other and further provisions as may be proper in the premises.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By Laurel A. Martinez, Jr.
William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87501
(505) 988-4421

ATTORNEYS FOR DOYLE HARTMAN

5

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
J. SCOTT HALL
PETER N. IVES
LOURDES A. MARTINEZ

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87501
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-5043

July 22, 1985

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. R. Howard Olson
Post Office Box 32279
Phoenix, Arizona 85018

BEFORE EXAMINER QUINTANA
OIL CONSERVATION DIVISION
HARTMAN EXHIBIT NO. 6
CASE NO. 8668

Re: Case 8668: Application of Doyle Hartman for
Compulsory Pooling, Lea County, New Mexico.

Dear Mr. Olson:

Enclosed is a copy of the docket for the Oil Conservation
Division Examiner hearings scheduled for Wednesday, July 31,
1985. You have an interest which may be affected by the
above-referenced case.

Very truly yours,

William F. Carr

DOMESTIC RETURN RECEIPT

PS Form 3811, July 1983 447-845

HARTMAN EXHIBIT 5

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR RETURNED TO MAIL

SENT TO
R. Howard Olson
Street and No.
P. O. Box 32279
P. O., State and ZIP Code
Phoenix, Arizona 85018
Postage \$.80
Certified Fee
Special Delivery Fee

SENDER: Complete items 1, 2, 3 and 4.
Put your address in the "RETURN TO" space on the
reverse side. Failure to do this will prevent this card from
being returned to you. The return receipt fee will grow.
You the name of the person delivered to and the date of
delivery. For additional fees the following services are
available. Consult postmaster for fees and check boxes for
service(s) requested.

1. Show to whom, date and address of delivery.
2. Restricted Delivery.

3. Article Addressed to:
R. Howard Olson
P. O. Box 32279
Phoenix, Arizona 85018

4. Type of Service: Article Number
 Registered Insured
 Certified COD P 456 364 608
 Express Mail

Always obtain signature of addressee or agent and
DATE DELIVERED:

5. Signature of Addressee
[Handwritten Signature]

6. Signature - Agent
X

7. Date of Delivery
7-25-85

8. Addressee's Address (ONLY if requested and fee paid)

6

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

July 30, 1985

Mr. Howard Olsen
Post Office Box 32279
Phoenix, Arizona 85018

Carlson
Re: SE/4 SE/4 Section 23
T-25-S, R-37-E
Lea County, New Mexico

Dear Mr. Olsen:

Reference is made to our past correspondence concerning the proposed infill well on the captioned lands.

As I told your secretary, the compulsory pooling hearing has already been scheduled, but we will report to the New Mexico Oil Conservation Division that you have agreed to farmout, provided we can have a mutually acceptable agreement.

The farmout terms we offer are as follows:

1. Operator to drill a Langlie Mattix infill well on the above tract within 90 days from the date of agreement.
2. Operator would earn a 70% net revenue interest in the new well with Olsen retaining a 30% overriding royalty interest, which would absorb the presently existing royalty burden of 12.5 % (proportionately reduced).
3. Rights earned only in the event of production and would be limited to a depth of 4000 feet.
4. Olsen would retain all presently owned interest in the Carlson No. 3 well located on the 40-acre proration.

Please let us hear from you so that we may advise the New Mexico Oil Conservation Division of the resolution of this matter as soon as possible.

Very truly yours,

DOYLE HARTMAN

Ruth Sutton

Ruth Sutton
Landman

RS/dr

cc: *Bill Lane*

HARTMAN EXHIBIT 6

7

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico

31 July 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of Doyle Hartman for CASE
compulsory pooling, Lea County, 8668
New Mexico.

BEFORE: Gilbert T. Quintana, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Jeff Taylor
Division: Legal Counsel to the Division
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: William F. Carr
Attorney at Law
CAMPBELL & BLACK F. A.
P. O. Box 2208
Santa Fe, New Mexico 87501

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I N D E X

WILLIAM F. AYCOCK

Direct Examination by Mr. Carr	4
Cross Examination by Mr. Quintana	22

ROBERT H. STRAND

Direct Examination by Mr. Carr	24
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E X H I B I T S

Hartman Exhibit One, Structure Map	5
Hartman Exhibit Two, Cross Section	7
Hartman Exhibit Three, Plat	12
Hartman Exhibit Four, P/z curves	15
Hartman Exhibit Five, Production History	16
Hartman Exhibit Six, Letter	18
Hartman Exhibit Seven, Operating Agreements	20
Hartman Exhibit Eight, Correspondence	26

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MR. QUINTANA: We'll call Case 8668.

MR. TAYLOR: The application of Doyle Hartman for compulsory pooling, Lea County, New Mexico.

The applicant has requested that --

MR. CARR: -- this case be heard at this time.

MR. QUINTANA: Are there other appearances in Case 8668?

If not, would you have your witness please stand up and be sworn?

MR. CARR: Mr. Examiner, I have two witnesses. I have two witnesses to be sworn at this time.

I am William F. Carr with the law firm of Campbell and Black, appearing on behalf of Doyle Hartman.

(Witnesses sworn.)

MR. CARR: At this time I call Mr. Aycock.

1
2 WILLIAM P. AYCOCK,
3 being called as a witness and being duly sworn upon his
4 oath, testified as follows, to-wit:

5
6 DIRECT EXAMINATION

7 BY MR. CARR:

8 Q Will you state your full name and place
9 of residence?

10 A William P. Aycock, Midland, Texas.

11 Q Mr. Aycock, by whom are you employed and
12 in what capacity?

13 A By Doyle Hartman in connection with his
14 applications filed as Case Number 9668 on Docket Number 24-
15 89.

16 Q Have you previously testified before this
17 Division and had your credentials accepted and made a matter
18 of record?

19 A I have.

20 Q And how were you qualified at that time?

21 A As a petroleum engineer.

22 Q Have you reviewed the application filed
23 in this case on behalf of Mr. Hartman?

24 A I have.

25 Q Are you familiar with the subject area

1 and the subject of the application?

2 A I am.

3 MR. CARR: Are the witness'
4 qualifications acceptable?

5 MR. QUINTANA: They are. You
6 may proceed.

7 Q Mr. Aycock, would you briefly state what
8 Mr. Hartman seeks in this case?

9 A Case 8668 is the application of Doyle
10 Hartman for compulsory pooling in Lea County, New Mexico.

11 Mr. Hartman seeks an order pooling all
12 of the mineral interest from the surface to the base of the
13 Langlie Mattix Pool underlying the southeast quarter of the
14 southeast quarter of Section 23, Township 25 South, Range 37
15 East, to be dedicated to a well to be drilled at a standard
16 location.

17 Also as part of this application is the
18 cost of drilling and completing the well, the allocation of
19 the costs, as well as actual operating costs and charges for
20 supervision, designation of Mr. Hartman as operator of the
21 well and a charge for risk involved in drilling the well.

22 Q Would you now refer to what has been mar-
23 ked for identification as Hartman Exhibit Number One, iden-
24 tify this for Mr. Quintana, and explain what it shows?

25 A Hartman Exhibit Number One is a structure

1 map on the top of the Penrose Sand, which is the, as Mr.
2 Quintana is probably aware, is the lower member of the two
3 Queen Sand members in this area.

4 It is -- it shows the approximate gas/oil
5 contact at a minus approximate depth of a -150 feet subsea
6 that runs to the west and the Upper Queen Sand pinchout over
7 to the east, realizing that the Upper Queen is the upper of
8 the two producing intervals and the Penrose is the lower of
9 the two intervals that produce in this area from the Langlie
10 Mattix.

11 Q This exhibit also show the subject ac-
12 reage.

13 A It shows the subject acreage. It shows
14 the pre-existing well. It shows the proposed location, and
15 the implications of -- it also shows the trace of Exhibit
16 Two, which will be a cross section that will show in more
17 detail the subsurface conditions. The implications of the
18 approximate gas/oil contact in the Penrose Sand are that be-
19 low the -150 foot approximate gas/oil contact we would ex-
20 pect the Penrose to be substantially oil productive and in
21 the Upper Queen member we would expect the gas production to
22 extend beyond the -150 foot contour for at least one or two
23 locations.

24 Q Would you now refer to Hartman Exhibit
25 Number Two and review this for the examiner?

1 A Hartman Exhibit Number Two is cross sec-
2 tion A-A', the trace of which was previously indicated on Ex-
3 hibit One.

4 In discussing this exhibit I would like
5 to number the wells beginning from the lefthand side of the
6 exhibit to the right as 1 through 5, on which Well No. 1
7 would be the Cities Oil and Gas Dabbs No. 1, located in Unit
8 F of Section 23, Township 25 South, Range 37 East, at 660
9 from the north line and 660 feet from the west line.

10 Well No. 2 would be the Cities Oil and
11 Gas Dabbs No. 2, located in Unit E at 2310 from the north
12 line and 330 feet from the west line.

13 Well No. 3 would be the El Paso Natural
14 Gas Company Carlson Federal No. 2, located 660 feet from the
15 south line and 1930 feet from the west line in Unit B.

16 Well No. 4 would be the Doyle Hartman
17 Carlson Federal No. 3, located in Unit P, 660 feet from the
18 south line and 660 feet from the east line.

19 And Well No. 5 would be the Amerada Hess
20 Ida Wimberly No. 13, located in Unit M at 330 feet from the
21 south line and 330 feet from the west line of Section 24,
22 Township 25 South, Range 37 East.

23 We'd call the Examiner's attention to the
24 fact that Wells 1 and 2 have been converted to water injec-
25 tion wells. Wells 3 and 4 are gas producing wells, and Well

1 5 is an oil producing well, and that except for Well No. 3,
2 all of these wells have been completed within the Langlie
3 Mattix zone.

4 Well No. 1 was spudded on the October the
5 10th, 1936, and completed on November 28th, 1936, from an
6 open hole section between the depths of 2,450 and 3,361
7 feet in the Yates-Seven Ribers-Queen-Penrose Sand.

8 Well No. 2 was spudded on the 18th of Ap-
9 ril of 1939, completed on the 9th of May, 1939, from an open
10 hole interval between depths of 3,240 feet and 3,360 feet in
11 the Penrose Sand. This was prior, of course, to the conver-
12 sion to water injection.

13 Well No. 3 was spudded on the 23th of
14 September, 1955, completed on the 8th of December, 1955,
15 from perforations between depths of 2,424 feet and 2,441
16 feet.

17 Well No. 4 was completed on the 24th of
18 May, 1957 -- was spudded, pardon me, on the 24th of May, 1957,
19 and completed on the 10th of June, 1957, from an open hole
20 interval between depths of 2,940 feet and 3,173 feet, which
21 includes all of the productive intervals in the Langlie-Mat-
22 tix Pool at that location.

23 And Well No. 5 was spudded on the 20th of
24 May, 1963, re-spudded and completed on the 27th of May,
25 1963, through perforations between depths of 2,932 feet and

1 3,189 feet in the Queen-Penrose section.

2 Well No. 1 was not stimulated.

3 Well No. 2 was shot with 220 quarts of
4 nitroglycerin.

5 Well No. 3 was sand fraced with a two
6 stage job, including a total of 20,500 gallons.

7 Well No. 4 was sand/oil fraced with
8 10,000 gallons and 10,000 pounds.

9 And Well No. 5 was subjected to an acid
10 treatment of 1000 gallons, sand/oil fraced with 20,000
11 pounds and 20,000 gallons.

12 Well No. 1 potentialed for 37-million
13 cubic feet per day.

14 Well No. 2 potentialed for 288 barrels of
15 oil per day.

16 Well No. 3 potentialed for 300 MCF per
17 day.

18 Well No. 4 potentialed for 20,750 MCF per
19 day.

20 And Well No. 5 potentialed for 1,340 MCF
21 per day.

22 Well No. 1 was converted to water injec-
23 tion in the Queen-Penrose interval on November 22nd, 1969.
24 It had produced at that time a cumulative gas production of
25 6,370 MMCF and as of March of 1985 a cumulative water volume

1 of 3,322,000 barrels had been injected into this well.

2 Well No. 2 was deepened from 3,360 feet
3 to 3,425 feet; perforated from 3,108 feet to 3,208 feet and
4 acidized and converted to a water injection in the Queen-
5 Penrose between depths of 3,108 feet and 3,425 feet on the
6 6th of November, 1969.

7 In 19 -- on the 20th of September, 1971,
8 Well No. 2 was plugged back to a depth of 3,285 feet; perfor-
9 rated between depths of 3,190 and 3,205 feet and acidized
10 with 1000 gallons, returned to water injection between
11 depths of 3,108 feet and 3,285 feet at about 1200 barrels of
12 water per day.

13 As of October of 1969, prior, just prior
14 to the conversion to water injection, this well had pro-
15 duced a cumulative volume of 1,613 MMCF and as of March of
16 1985 the well was injected -- had had a cumulative volume of
17 3,797,000 barrels of water injected into it.

18 Well No. 3 was -- it has been commingled
19 in the Jalnet and Langlie Mattix zones.

20 We would call the Examiner's attention to
21 two drill stem tests where the Jalnet and Langlie Mattix
22 were tested separately.

23 On the first test between depths of 2,324
24 to 2,450 feet, which is in the upper part of the Jalnet in-
25 terval, the drill stem test on this well recovered 10 feet

1 of mud with a 15 minute shut-in pressure of 135 psi.

2 There was an additional drill stem test
3 in the Jalmat interval between depths of 2,250 and 2,300
4 feet, recovered 250 feet of heavily gas-cut mud with a 30
5 minute shut-in pressure of 1,103 psi.

6 We would like the examiner to please no-
7 tice the difference in quality between those tests and the
8 Langlie-Mattix drill stem tests between depths of 3,150 feet
9 and 3,218 feet where gas came to the surface in 2-1/2
10 minutes at 470 MCF per day, recovered 314 feet of drilling
11 mud and had a 30 minute shut-in pressure of 638 feet.

12 Although the shut-in pressure was
13 substantially lower than in the second of the two tests on
14 the Jalmat, the productivity was many fold greater.

15 It is our belief based upon the data that
16 we've presented that as to Well No. 3, the bulk of the gas
17 production that has occurred from the commingled well has
18 originated in the Langlie Mattix interval rather than in the
19 Jalmat interval. We think this is verified by the fact that
20 none of the other wells on this cross section, according to
21 the records, even bothered to test the Jalmat interval when
22 it was drilled, indicating that the quality is very low in
23 this immediate area.

24 Q Mr. Aycock, will you now refer to Mr.
25 Hartman's Exhibit Number Three and review this?

1 A Exhibit Number Three is a large scale map
2 of a 9-section block that includes Section 23, Township 25
3 South, Range 37 East, and all of the offsetting sections,
4 both direct and diagonal to it.

5 We would call the Examiner's attention to
6 the following:

7 There is a watered out producer, namely,
8 the Santa Fe Energy Company Carlson "A" No. 3, which is lo-
9 cated in Unit L of Section 23, at a location 2310 feet from
10 the south line and 330 feet from the west line.

11 The well watered out and was plugged and
12 abandoned on the 29th of September, 1981.

13 The cumulative oil production at that
14 time was 99,900 barrels and the cumulative gas production
15 was 1,109 MMCF.

16 Recognizing that it is a direct offset to
17 the Mobil Langlie Mattix Queen Unit No. 35, our Dabbs No. 2,
18 which has had a substantial amount of water injected into
19 it, that still shows that the water is going into the -- in-
20 to the zone at these high rates and migrating and this is a
21 factor to consider in determining the risk.

22 We would further like to point out that
23 the existing producer, the Doyle Hartman Carlson -- Carlson
24 No. 3, I beg your pardon, located 660 feet from the south
25 line and 660 feet from the east line in Unit F, is a produc-

1 ing well but it has greatly inferior characteristics as com-
2 pared to both of the offsetting Amerada Hess Wimberly, Ida
3 Wimberly Wells, namely the Ida Wimberly No. 11, located 1980
4 feet from the south line and 660 feet from the west line in
5 Unit L, and the Amerada Hess Ida Wimberly No. 13, located
6 330 feet from the south line and 330 feet from the west
7 line, both of these in Section 24.

8 We would also like to call the attention
9 of the Examiner to the fact that the wellhead shut-in pres-
10 sure for the Carlson -- Hartman Carlson No. 3 is approxi-
11 mately 50 psi. The pressures are very low and this is es-
12 sentially equivalent to that indicated on the Amerada wells
13 immediately to the east.

14 This is another factor that needs to be
15 considered in determining risk and it also indicates that if
16 correlative rights are going to be protected, it will have
17 to be virtually immediately, otherwise the depletion will
18 have proceeded to the point that there will be no way to
19 equalize the correlative rights situation.

20 Q Would you now just briefly summarize the
21 conclusions that you can draw from the three exhibits you
22 have presented?

23 A I can reach the reasonable conclusions
24 from the data already presented in these exhibits as the
25 following:

1 There is a good quality reservoir in the
2 Langlie Mattix zones. This reservoir substantially contains
3 gas at low pressure. As we have previously testified to the
4 Commission and the Commission is aware, the drilling and
5 completion procedures at these lower pressures are very dif-
6 ficult, the reason being that with the water based circulat-
7 ing fluid in the hole we tend to have differential sticking
8 of drill collars during the drilling phase and we're also
9 subject to the breakdown of the formation during the cement-
10 ing phase if great care is not exercised and loss of the ce-
11 ment into the pay zone with consequent impairment of its ul-
12 timate producing capacity.

13 Also there is a waterflood that is being
14 conducted along the edges of the gas cap, as we've shown by
15 the two injection wells that are on Exhibit Two. There's no
16 way of knowing the location of the water among the two
17 stringers in the Langlie Mattix; i.e., the Upper Queen and
18 the Penrose Sand. The likelihood is that the permeability
19 thickness product, the relation between those two for the
20 two zones has determined how much of the total amount of
21 water injected has gone into each. We don't have any indi-
22 vidual data on them. There is no way to guess at how much
23 water has gone in each. So there has likely been widespread
24 migration of water with a total of over 8-million, let's
25 see, about 6-million barrels of water, I believe it was,

1 wasn't it, total that's been injected here.

2 There's 3,322,000 in one well and
3 3,797,000 in the other well. So we're talking about 7-mil-
4 lion barrels of water between those two wells, roughly,
5 that's been injected into the Langlie Mattix zone.

6 So there is no way of knowing that --
7 where that water has migrated to and we are less than a mile
8 away from -- from the closest well and about a mile and a
9 quarter to a mile and a half away from the furthest of those
10 two injection wells at the proposed location.

11 Q Are you prepared to make a recommendation
12 to the Examiner as to the risk penalty that should be asses-
13 sed against any nonjoining interest owners?

14 A Because of the compound nature of the
15 risk factors here, my recommendation would be 200 percent.

16 C And you're basing that on the low pres-
17 sure information plus the water information.

18 A That's correct.

19 C In your opinion could Mr. Hartman drill a
20 well at this location that would not be a commercial suc-
21 cess?

22 A Yes, he could.

23 C Would you now refer to Exhibit Number
24 Four, identify that, and explain what it shows?

25 A Exhibit Number Four are the curves, the

1 pressure performance curves, for the existing Doyle Hartman
2 Carlson No. 3, located in Unit F of Section 23, Township 25
3 South, Range 27 East, and the two offsetting Amerada Ida
4 Wimberly Wells, those being the No. 11 and No. 13.

5 These graphs are presented in the form of
6 the ratio of subsurface pressure to coincident compressibil-
7 ity factor as a function of cumulative gas production.

8 We would call the Examiner's attention to
9 the fact that for the Doyle Hartman Carlson No. 3 the slope
10 is approximately 2.3 MMCF per psi, while for the two Amerada
11 wells, for the No. 11 Well it's 12.8 MMCF per psi, and for
12 the Ida Wimberly No. 13 it is 16.2 MMCF per psi.

13 So the ratios between those slopes which
14 determine what the given amount of pressure available, which
15 determine the relative performance of those wells, says that
16 they're going to recover between 6 and 8 times the amount of
17 gas that the Doyle Hartman Carlson No. 3 will recover, and
18 although this entire amount could not be made up by having a
19 more capable producer drilled at the proposed infill loca-
20 tion of 990 feet from the south line and 990 feet from the
21 east line, at least a portion of it could be made up by a
22 commercial producer at that location.

23 Q Will you now identify Exhibit Number
24 Five?

25 A Exhibit Number Five are the production

1 histories in both tabular and graphic form for all of the
2 wells that were shown on Exhibit Number Two; that is, the
3 cross section, and that includes a rate/time -- conventional
4 rate/time curve where the logarithm of monthly gas rate as a
5 function of time is shown, and also, the ratio of subsurface
6 pressure to coincident compressibility factor as a function
7 of cumulative gas production for all of these wells. This
8 information, we are not going to review it in detail in the
9 record unless the Examiner so wishes, but we provide it to
10 him so he will have all of the consequential data that sur-
11 rounds the wells in the area of the proposed infill well.

12 Q Would you briefly summarize why Mr. Hart-
13 man believes that an additional well on this acreage must be
14 drilled at this time?

15 A The reason for the drilling at all is, as
16 we have said, because of the disparity in correlative rights
17 that will occur if nothing is done between the Hartman well
18 and the two Amerada Wimberly wells to the immediate east.

19 The consequential factors are the follow-
20 ing:

21 We have a very low reservoir pressure and
22 if any unnecessary time is wasted in the redevelopment of
23 the Hartman lease, there will be no pressure left to avail
24 -- to enable him to remedy a portion of the underproduction
25 that has occurred.

1 In addition, in Unit F of Section 23 is
2 located the Wimberly 1, which is making some water, not a
3 lot but it is producing some water, further substantiating
4 the fact that the large amount of water that has been in-
5 jected in that area is fanning out over a widespread area.

6 We've already discussed the fact that the
7 slope of the P/z as a function of cum gas curves is radical-
8 ly different from the Hartman well than it is from the two
9 offsetting Amerada wells. There is not that much difference
10 in pay development, as indicated on the well logs, so there-
11 fore they must be draining roughly 6 to 8 times as much area
12 effectively as the Hartman well is.

13 The only way that Hartman and his part-
14 ners and the minerals owners can be protected is therefore
15 for him to redevelop the lease with an additional well and
16 attempt to equalize the relative drainage areas.

17 Q Mr. Aycock, would you now identify what
18 has been marked as Hartman Exhibit Six?

19 A Hartman Exhibit Six is a letter from Wil-
20 liam F. Carr, Attorney for Mr. Hartman, to Mr. R. Howard Ol-
21 son in Phoenix, Arizona, concerning Case Number 8668. It is
22 -- constitutes the formal notification by Mr. Carr of -- to
23 Mr. Olson, who is the other working interest owner. Mr.
24 Hartman owns and controls 75 percent of the working interest
25 under this 160-acre tract. The only other working interest

1 owner is Mr. R. Howard Olson, who has a 25 percent working
2 interest.

3 Q Will Mr. Hartman call another witness to
4 review the efforts made to --

5 A He will.

6 Q -- gain voluntary joinder?

7 Mr. Aycock, what is the estimated cost of
8 the proposed well?

9 A The estimated cost of the proposed well
10 including contingencies is \$390,000 for a producing well and
11 \$142,000 for a dry hole.

12 Q Are these costs in line with the costs
13 for other similar wells in the area?

14 A Yes, they're based on Mr. Hartman's con-
15 siderable contemporary experience as the most active opera-
16 tor throughout this trend.

17 Q And he has drilled other Langlie Mattix
18 wells in this area?

19 A Yes.

20 Q Have you made an estimate of the overhead
21 and administrative costs to be incurred while drilling and
22 operating the well?

23 A Yes.

24 Q Are these charges and -- and what are
25 those charges?

1 A \$550 per month for a producing well and
2 \$5500 per month for a drilling well.

3 Q Are these charges in line with what's
4 being charged for other wells in the area?

5 A They are.

6 Q Would you refer to, just identify, what's
7 been marked as Exhibit Number Seven?

8 A Exhibit Number Seven is a proposed model
9 form operating agreement dated April 15th, 1985, between
10 Doyle Hartman as operator and various joint operators.

11 Q And does this operating agreement provide
12 for the \$550 a month and \$5500 a month figures that you just
13 testified to?

14 A It does on page 3 of the attached COPAC,
15 under number --

16 Q And does --

17 A -- Section No. 3, Overhead, Section 1-B,
18 Overhead Basis, operator shall charge the joint account at
19 the following rates per well per month: Drilling well rate,
20 \$5500; producing well rate, \$550.

21 Q Does this exhibit also contain another
22 operating agreement that contains these figures?

23 A It does. The other operating agreement
24 is dated October 3rd, 1983, and it is -- the various working
25 interest owners are shown on Exhibit A, and on page 3 once

1 again of the COPAS, under -- this was escalated. This has
2 been escalated essentially to the same -- while this was an
3 '83 agreement, it provides for escalation in Section 1-A-3,
4 it provides for escalation within the contract.

5 This has been escalated to essentially
6 the same numbers as are on the previous agreement by virtue
7 of the escalation clause contained within the accounting
8 procedures.

9 Q Does Mr. Hartman seek to be designated
10 operator of the subject well?

11 A He does.

12 Q In your opinion will granting this appli-
13 cation be in the best interest of conservation, the preven-
14 tion of waste, and the protection of correlative rights?

15 A Yes, I believe so.

16 Q Does Mr. Hartman request that this order
17 to expedited.

18 A He does.

19 Q Does he have immediate plans to go for-
20 ward with the development of this acreage?

21 A Yes, he does. As a matter of fact, we
22 learned yesterday that Mr. Olson is probably going to for-
23 out his interest to Mr. Hartman.

24 We're here to request the order as pro-
25 tection for Mr. Hartman so that he can go ahead. Every ef-

1 fort will be made to consummate the farmout agreement with
2 Mr. E. Howard Olson, but in case something should happen
3 that that does not occur in a timely fashion, Mr. Hartman
4 would like to go ahead and be able to drill the well, and
5 that's the reason he's requesting the forced pooling order.

6 Q If that farmout agreement is consummated
7 will Mr. Hartman immediately advise the Commission?

8 A He will.

9 Q Were Exhibits One through Seven prepared
10 by you or compiled under your direction and supervision?

11 A They were.

12 MR. CARR: At this time, Mr.
13 Quintana, we would offer into evidence Hartman Exhibits One
14 through Seven.

15 MR. QUINTANA: One through
16 Seven -- Exhibits One through Seven in Case 8668 will be en-
17 tered into evidence.

18 Mr. Aycock, I have a few ques-
19 tions.

20
21 CROSS EXAMINATION

22 BY MR. QUINTANA:

23 Q One question is operating -- suggested
24 operating cost of \$5500 and \$550 that you took off these
25 operating agreements, Exhibit Seven, were those voluntary

1 agreements?

2 A Yes.

3 Q The other question I have is dealing with
4 the 200 percent risk penalty factor.

5 Do you believe that the combination of
6 the influx of water in the area and the combination of low
7 pressure and the risks involved with drilling low pressure
8 wells account for the 200 percent penalty?

9 A Yes, sir, I do.

10 Q Even though that you believe that it will
11 be a commercial producer?

12 A We hope it will be a commercial producer,
13 yes, sir.

14 It's not a low risk location. The only
15 reason that he's willing to do it at all is that he feels
16 that it will either be probably a dry hole or, you know, an
17 attractive well. It will probably not be something in be-
18 tween.

19 Q Thank you.

20 MR. QUINTANA: No further ques-
21 tions.

22 MR. CARR: At this time I'd
23 call Bob Strand.

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ROBERT H. STRAND,

being called as a witness and being duly sworn upon his
oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Q Would you state your full name and place
of residence?

A Robert H. Strand, Roswell, New Mexico.

Q Mr. Strand, by whom are you employed and
in what capacity?

A I'm an attorney with the firm of Atwood,
Malone, Mann, and Turner in Roswell.

Q Have you previously testified before this
Division?

A Yes, I have.

Q In preparation for today's hearing what
has Mr. Hartman asked you to do?

A Mr. Hartman has asked me to go over cer-
tain correspondence with Mr. Olson, as Mr. Aycock has testi-
fied to, and as to certain agreements in the chain of title
to this particular lease, which have some bearing on the
case.

Q In preparing for today's hearing have you

1 become familiar with the status of the ownership under the
2 subject lands?

3 A Yes, I have.

4 Q And would you review that for the Exami-
5 ner, please?

6 A As Mr. Aycock stated, a 25 percent inter-
7 est in the oil operating rights under the southeast quarter
8 of the southeast quarter of Section 23 is owned by Mr. R.
9 Howard Olson.

10 The remaining 75 percent of such operat-
11 ing rights are owned by Doyle Hartman.

12 Q So the only interest that would be pooled
13 in this case is that 25 percent interest of R. Howard Olson.

14 A That's correct.

15 Q Everybody else is voluntarily in.

16 A Yes.

17 Q Is there an operating agreement in place
18 covering the subject acreage?

19 A Not that we have been able to determine,
20 Mr. Carr. There are a couple of agreements that were pro-
21 vided by the prior operator of the southeast quarter of the
22 southeast quarter, being Sun Oil Company; however, in re-
23 viewing those agreements I have come to the conclusion that
24 they do not in fact cover the operation of this land in the
25 sense that a normal AAPL Form 610 Operating Agreement would

1 cover it.

2 Q And so without -- there is no agreement
3 under which this acreage could be developed and thereby the
4 interest of R. Howard Olson brought in.

5 A Not in my opinion, no.

6 Q Have you reviewed the correspondence and
7 the efforts made by Hartman to obtain the voluntary joinder
8 of R. Howard Olson?

9 A Yes, I have.

10 Q Would you refer to what has been marked
11 for identification as Hartman Exhibit Eight, identify this,
12 and briefly review it for Mr. Quintana?

13 A Hartman Exhibit Number Eight consists of
14 certain correspondence with Mr. R. Howard Olson, with Sun
15 Oil Company; also includes a copy of the one agreement pro-
16 vided by Sun Oil Company which I testified to earlier.

17 The first letter is dated July 10th,
18 1935, directed from Doyle Hartman to Mr. Howard Olson, re-
19 lating to the proposed well on the land in question that Mr.
20 Hartman proposes to drill.

21 This letter included as an exhibit there-
22 to an AFE which also Mr. Aycock testified to relating to
23 this well; requested Mr. Olson to join in the drilling of
24 the well as to his 25 percent interest; alternatively, there
25 was an offer made to purchase that interest by Doyle Hartman.

1 or to take a farmout from him of such interest.

2 The next letter is a letter from Howard
3 Olson, dated January 31st, 1985, to Mr. Hartman, wherein he
4 basically declines to accept any of these proposals, and in
5 this letter he makes reference to an operating agreement or
6 what he calls an original operating agreement; however, as I
7 understand it, he did not provide a copy of such agreement
8 to Mr. Hartman.

9 There is following a letter dated January
10 24th, 1985, from Mr. Hartman to Mr. Olson again relating to
11 certain information as to the well to be drilled and the
12 existing well, or wells, presently on that tract.

13 There is also a letter dated March 25th,
14 1985, from Sun Exploration and Production company to Mr.
15 Hartman's office providing a copy of a drilling contract
16 which allegedly covers this particular tract. The contract
17 recites a lease which covers the tract involved; however, it
18 goes on point out that there are only two wells that are
19 subject to this agreement and we have determined that
20 neither one of these wells are on the tract involved, so
21 it's my opinion that this particular agreement provided by
22 Sun Exploration and Production has no bearing on ownership
23 of the oil operating rights whatsoever.

24 Q Were there other contacts or attempts made to
25 discuss this matter with Mr. Olson other than what's just

1 reflected in this correspondence?

2 A Yes, that's my understanding, that's
3 there's been continuing discussions by Mr. Hartman's staff
4 with Mr. Olson, culminating in the proposed farmout yester-
5 day by Mr. Olson, which we are hopeful will be consummated
6 in the near future.

7 Q Mr. Strand, in your opinion and based on
8 your experience in working with matters of this nature, has
9 a good faith effort been made by Mr. Hartman to obtain the
10 voluntary joinder of R. Howard Olson in this project?

11 A Yes, I believe the customary steps have
12 been taken to secure his participation or other contractual
13 arrangements relating to drilling of the well, yes.

14 Q Does Exhibit Number Seven contain docu-
15 ments that are kept as part of the ordinary business records
16 of Mr. Hartman?

17 A Yes.

18 MR. CARR: Mr. Quintana, at
19 this time we would offer into evidence Hartman Exhibit Num-
20 ber Eight. I said Seven, I meant Eight.

21 MR. QUINTANA: Exhibit Number
22 Eight in Case 8668 will be entered as evidence.

23 MR. CARR: And that concludes
24 my direct examination of Mr. Strand.

25 MR. QUINTANA: I have no cross-

1 tions of this witness. He may be excused.

2 MR. CARR: I have nothing fur-
3 ther in this case.

4 MR. QUINTANA: Case 8668 will
5 be taken under advisement.

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(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY
CERTIFY that the foregoing Transcript of Hearing before the
Oil Conservation Division (~~Commission~~) was reported by me;
that the said transcript is a full, true, and correct record
of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing transcript is
a complete and correct record of the hearing
held at _____
_____ July 31 1985
866.8
85.
Gilbert P. Quintana Examiner
Oil Conservation Division

8

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
J. SCOTT HALL
PETER N. IVES
LOURDES A. MARTINEZ

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87501
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

August 13, 1985

Mr. Bob Pitske
Bureau of Land Management
Post Office Box 1778
Carlsbad, New Mexico 88220

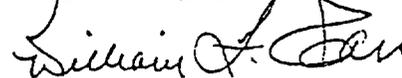
Re: Application of Doyle Hartman for
Compulsory Pooling, Lea County, New Mexico.

Dear Mr. Pitske:

Michelle Hembree of Doyle Hartman's office has requested that we provide you with a copy of the application filed by this office on behalf of Mr. Hartman to pool the southeast quarter of the southeast quarter of Section 23, Township 25 South, Range 37 East, N.M.P.M., Lea County, New Mexico. As you will note from the enclosed, the only interest owner who has not voluntarily agreed to participate in the drilling of a well on this acreage is R. Howard Olson. The case was heard on July 31, 1985 and Mr. Olson, although having received notice of the hearing by certified mail, did not enter an appearance. We are anticipating an order approving the application from the division in the next couple of weeks.

If you need anything further concerning this application, please advise.

Very truly yours,



William F. Carr

WFC/cdd
Enclosure

cc: Ms. Michelle Hembree



HARTMAN EXHIBIT 8

AUG 15 1985

9

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
OPERATOR'S COPY

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK
 DRILL DEEPEN PLUG BACK

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER
 SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
 Doyle Hartman

3. ADDRESS OF OPERATOR
 P. O. Box 10426, Midland, Texas 79702

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*
 At surface 990' FSL & 990' FEL (P)
 At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 3.5 miles east of Jal, New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)
 330

16. NO. OF ACRES IN LEASE
 40

17. NO. OF ACRES ASSIGNED TO THIS WELL
 40

18. DISTANCE FROM PROPOSED* LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
 330

19. PROPOSED DEPTH
 3800

20. ROTARY OR CABLE TOOLS
 Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 3081.9 GL

22. APPROX. DATE WORK WILL START
 August 1985

5. LEASE DESIGNATION AND SERIAL NO.
 -032579E NM-07

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME
 Carlson Federal

9. WELL NO.
 4

10. FIELD AND POOL, OR WILDCAT
 Langlie Mattix

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
 Sec. 23, T-25-S, R-

12. COUNTY OR PARISH
 Lea

13. STATE
 New Mexico

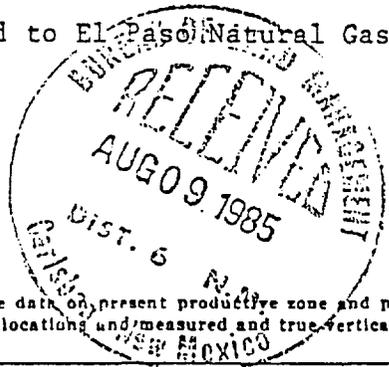
PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
14	9 5/8	36.0	400	350 Circulate
8 3/4	7	23.0	3800	600 Circulate

Before drilling out from under the surface pipe, the well will be equipped with 3000-psi 10 inch series 900 double-ram hydraulic BOP.

For other necessary BOP data required with this ADP, see attached Drilling Program.

Note: Any gas produced from this well is dedicated to El Paso Natural Gas Company.



IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new production zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blow preventer program, if any.

SIGNED Larry A. Newman TITLE Engineer DATE Aug 6, 1985

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE 8-15-85
 AREA MANAGER _____
 CASSEAD RESOURCE AREA _____

Subject to Compulsory Like Approval pooling by State *See Instructic
 Title 1, Section 1001, makes it a crime for any person known to the United States any false, fictitious or fraudulent statements or reports.

APPROVAL SUBJECT TO GENERAL REQUIREMENTS SPECIAL STIPULATIONS ATTACHED

HARTMAN EXHIBIT 9

10

Notes on Carlson Federal

7-10-85 ltr DH = HO - Proposed well
offer^{gain} hung on j.o.

7-30-85 - ^{RS} + Olsen recy - may farmout
adv Bill Carr

7-30-85 ltr to Olsen per DH

per Gad "adv OCD Olsen has
agreed to mutually acceptable
j.o.

RS old Carol Hunt adv only 1

8-19-85 old Olsen's eye (Carol) - Old
Out of town - took j.o. into w
him - Alaska - she thought
was going to sign B-4 he left -
should call in tomorrow

8-22-85 Old Carol back - She still
has not heard from him -
will be tomorrow or Monday

8-29-85 James Faraker called me
offer to sell

11



DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

September 20, 1985

Mr. James P. Foraker
1140 NW 63rd Street
Oklahoma City, Oklahoma 73116

Re: Carlson Lease
SE/4 SE/4 Section 23 and
SE/4 NE/4 Section 26
T-25-S, R-37-E
Lea County, New Mexico

Dear Mr. Foraker:

Enclosed please find two copies of Partial Assignment and Bill of Sale as well as four copies of the federal form to be filed with the Bureau of Land Management.

We have left a space after Mr. Olsen's name in each case so that you can add "a single man" or his wife's name, whichever is appropriate.

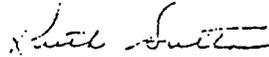
After you have had a chance to look these over, we will discuss the method of exchanging our cashier's check in the amount of \$50,000.00 for the executed assignment.

I have discussed the matter of operating costs with our Controller, Mr. Jim Burr, and he has advised me that September billings have gone out, but he will credit Mr. Olsen's account so that as of September 30, it will show zero balance.

Please let us know if we may be of further assistance and thank you for your cooperation in this matter.

Very truly yours,

DOYLE HARTMAN


Ruth Sutton
Landman

RS/mh

Enclosures as above

HARTMAN EXHIBIT 11

Exhibit "A" to Partial Assignment
 and Bill of Sale from R. Howard Olsen
 to Doyle Hartman covering various
 Lands in Lea County, New Mexico

LEASE NAME	LESSOR	LESSEE	DATE	RECORDED	DESCRIPTION OF PROPERTY
Carlson	U. S. A. NM-0766	Union Texas Natural Gas Corporation and Joseph E. Seagraves & Sons, Inc.	11/1/61	Not Recorded	Insofar and only insofar as lease covers the SE/4 SE/4 Section 23, T-25-S, R-37-E and SE/4 NE/4 Section 26, T-25-S, R-37-E limited from the surface down to 4,000 feet as to oil rights only.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

TRANSFER, ASSIGNMENT, OR SUBLEASE
OF OPERATING RIGHTS IN OIL AND GAS LEASE

FORM APPROVED
OMB NO. 1004-0034
Expires August 31, 1985

Lease Serial No.

NM-0766

Lease effective date

November 1, 1961

PART I

1. Assignee's Name

Doyle Hartman

Address (include zip code)

Post Office Box 10426, Midland, Texas 79702

The undersigned, as owner of 25% percent of operating rights in the above-designated oil and gas lease, hereby transfers, assigns, and/or subleases to the assignee shown above, the operating rights in such lease as specified below.

2. Describe the lands affected by this transfer, assignment, and/or sublease (43 CFR 3101.2-3 or 3101.1-4)

Insofar only as said lease covers the SE/4 SE/4 Section 23 and the SE/4 NE/4 Section 26, T-25-S, R-37-E from the surface to 4,000 feet as to oil rights only.

Lea County, New Mexico

3. Specify interest or percent of operating rights being conveyed to assignee	100%
4. Specify interest or percent of operating rights being retained by assignor	None
5. Specify overriding royalty interest being reserved by assignor	None
6. Specify overriding royalty previously reserved or conveyed, if any	12.305%

7. If any payments out of production have previously been created out of this interest, or if any such payments are being reserved under this transfer, assignment, or sublease, attach statement giving full details as to amount, method of payment, and other pertinent terms as provided under 43 CFR 3106.

It is agreed that the obligation to pay any overriding royalties or payments out of production of oil created herein, which, when added to overriding royalties or payments out of production previously created and to the royalty payable to the United States, aggregate in excess of 17 1/2 percent, shall be suspended when the average production of oil per well per day averaged on the monthly basis is 15 barrels or less.

I CERTIFY That the statements made herein are true, complete, and correct to the best of my knowledge and belief and are made in good faith.

Executed this _____ day of _____, 19 _____

(Assignor's Signature)

R. Howard Olsen

P. O. Box 32279
(Assignor's Address)

Phoenix, Arizona 85016
(City) (State) (Zip Code)

Title 18 U.S.C., Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious, fraudulent statements or representations as to any matter within its jurisdiction.

THE UNITED STATES OF AMERICA

Assignment approved effective _____ By _____
(Authorized Officer)

(Title) (Date)

NOTE: This form may be reproduced provided that copies are used only for informational purposes and are not to be used for legal proceedings.

PART II

ASSIGNEE'S APPLICATION FOR APPROVAL OF TRANSFER
OF OPERATING RIGHTS AND/OR OPERATING AGREEMENT (SUBLEASE)

- A. ASSIGNEE CERTIFIES THAT the assignee and all other parties in interest (as defined in 43 CFR 3100.0-5(b)) in this assignment are:
1. Citizens of the United States or qualified alien stockholders in a domestic corporation; association of the United States; or any State or Territory thereof; or municipalities.
 2. Of the age of majority in the State where the lands to be assigned are located.
 3. In compliance with the acreage limitation set forth in 43 CFR 3101.1-5 and 3101.2-4.
- B. ASSIGNEE AGREES That, upon approval of this transfer of operating rights and/or operating agreement (sublease) by the authorized officer of the Bureau of Land Management, he will be bound by the terms and conditions of the lease described herein as to the interests covered by this assignment, including, but not limited to, the obligation to conduct all operations on the leasehold in accordance with the terms and conditions of the lease, to condition all wells for proper abandonment, to restore the leased lands upon completion of any drilling operations as prescribed in the lease, and to furnish and maintain such bond as may be required by the lessor pursuant to the regulations (43 CFR 3104.2).
- C. IT IS HEREBY CERTIFIED That the statements made herein are true, complete, and correct to the best of undersigned's knowledge and belief and are made in good faith.

Executed this day of , 19 .

(Assignee's Signature)
Doyle Hartman

P. O. Box 10426

(Assignee's Address)

Midland, Texas 79702

(City) (State) (Zip Code).

Title 18 U.S.C., Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious, or fraudulent statements or representations as to any matter within its jurisdiction.

INSTRUCTIONS

USE OF FORM - Use only for assignment of operating rights (including working interests) in oil and gas leases. If transfer of operating rights is accompanied by an operating agreement, a single copy of such agreement must be submitted with the assignment. If more than one transfer of operating rights is made out of a lease, a separate instrument of transfer is required for each assignment. A separate instrument of assignment shall be used for each lease out of which an assignment is made.

FILING AND NUMBER OF COPIES - File three (3) completed

and manually signed copies in the appropriate BLM office. A \$25.00 nonrefundable filing fee must accompany this assignment. File assignment within ninety (90) days after date of final execution.

3. EFFECTIVE DATE OF ASSIGNMENT - The assignment, if approved, takes effect on the first day of the month following the date of filing of all required papers. If an operator's bond is required, it must be furnished prior to approval of the assignment.

NOTICE

The Privacy Act of 1974 and the regulation in 43 CFR 2.48(d) provide that you be furnished the following information in connection with information required by this assignment and request for approval.

AUTHORITY: 30 U.S.C. et. seq.

PRINCIPAL PURPOSE - The information is to be used to process the assignment and request for approval.

ROUTINE USES:

- (1) The adjudication of the assignee's rights to the land or resources.
- (2) Documentation for public information in support of notations made on land status records for the management, disposal, and use of public lands and resources.
- (3) Transfer to appropriate Federal agencies when concurrence is required prior to granting a right in public lands or resources.
- (4)(5) Information from the record and/or the record will be transferred to appropriate Federal, State, local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecutions.

EFFECT OF NOT PROVIDING INFORMATION - If all the information is not provided, the assignment may be rejected.

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that:
this information is being collected pursuant to the law (43 CFR 3106-3(c)).
this information will be used to create a record of lease assignment.
your response to this request is required to obtain a benefit.

12

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8668
Order No. R-8031

APPLICATION OF DOYLE HARTMAN FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on July 31, 1985, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this 27th day of September, 1985, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Doyle Hartman, seeks an order pooling all mineral interests from the surface to the base of the Langlie-Mattix Pool underlying the SE/4 SE/4 of Section 23, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico.
- (3) The applicant has the right to drill and proposes to drill a well at a standard location thereon.
- (4) There are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil in any pool completion resulting from this order, the subject application should be approved by

pooling all mineral interests, whatever they may be, within said unit.

(6) The applicant should be designated the operator of the subject well and unit.

(7) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) \$5,500.00 per month while drilling and \$550.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1986, the order pooling said unit should become null and void and of no effect whatsoever.

(14) Should all the parties to this force pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(15) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Langlie-Mattix Pool underlying the SE/4 SE/4 of Section 23, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1986, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Queen formation;

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of January, 1986, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) Doyle Hartman is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall

furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$5,500.00 per month while drilling and \$500.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force pooling provisions of this order.

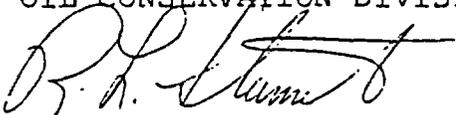
(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

-6-

Case No. 8663
Order No. R-8031

DONE at Santa Fe, New Mexico, on the day and year
hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



R. L. STAMETS
Director

S E A L

fd/

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DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10428

MIDLAND, TEXAS 79702

(915) 684-4011

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

October 1, 1985

Mr. Howard Olsen
Post Office Box 32279
Phoenix, Arizona 85018

Re: Carlson Federal No. 4
SE/4 Section 23 and
SE/4 NE/4 Section 26
T-25-S, R-37-E
Lea County, New Mexico

Dear Mr. Olsen:

Please refer to our past correspondence relative to drilling the above-captioned well.

As you are no doubt aware, we have tried very hard to comply with the changes in your position as to this proposed well.

On July 30, 1985, the date of our hearing before the New Mexico Oil Conservation Division, Carol from your office advised us by telephone that you had decided you would farmout your interest. We then advised the NMOCDD that we had your voluntary cooperation and wrote you a letter setting out farmout terms. Over the next few weeks I made several calls to try to ascertain if the terms were acceptable.

Later Mr. James Foraker called us and advised that you preferred to sell you interest to us. After we had made a firm deal over the phone, including specifics for exchanging the executed assignment for our Cashiers Check, I was surprised and amazed to learn that you would not agree to execute the assignment because it included all of the acreage associated with the lease. This was especially strange in view of the fact that I had previously furnished Mr. Foraker various materials to convince you of your ownership of the tract in Section 26.

Since considerable time has elapsed, we believe this matter should be handled as agreed.

Mr. Howard Ols
October 1, 1985
Page 2

Please let us hear from you.

Very truly yours,

DOYLE HARTMAN

Ruth Sutton

Ruth Sutton
Landman

RS/mh

cc: Mr. James Foraker
1140 N. W. 63rd Street
Oklahoma City, Oklahoma 73116

PS Form 3811, July 1983 447-845

SENDER: Complete items 1, 2, 3 and 4.
 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

- Show to whom, date and address of delivery.
- Restricted Delivery.

3. Article Addressed to:
 Howard Olsen
 P.O. Box 32279
 Phoenix, Arizona 85018

4. Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	Article Number P 167 617 962
---	--

Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature - Addressee
 X

6. Signature - Agent
 X

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

DOMESTIC RETURN RECEIPT

Carlson Fed No. 4-H. Olsen/mh

STAGE STAMPS TO ARTICLE TO
 FEE, AND CHARGES FOR ANY SEL
 STAMPED, stick the gummed stud
 and present the article at a post of
 cipl postmarked, stick the gumme
 and the receipt, and mail the arti
 cept, write the certified mail number a
 the front of the article by means of
 front of article; RETURN RECE
 ricted to the addressee, or to
 Y on the front of the article
 e blocks in item 1 of Form 3811
 requested in the appropriate sect
 sent if you make inquiry

P 167 617 962

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to	
Mr. Howard Olsen	
Street and No.	
P. O. Box 32279	
P.O. State and ZIP Code	
Phoenix, Arizona 85018	
Postage	\$.22
Certified Fee	.75
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	.60
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 1.57

Postmark or Date

10-02-85

Carlson Fed No. 4-H. Olsen/mh

CERTIFIED

P 167 617 962

MAIL

DOI

MIDL

* U.S.G.P.O. 1984-46-014

PS Form 3800, Feb. 1982

Mr. Howard Olsen
Post Office Box 32279
Phoenix, Arizona 85018



PS Form 3811, July 1983 447-845

SENDER: Complete items 1, 2, 3 and 4.
 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. Show to whom, date and address of delivery.
 2. Restricted Delivery

3. Article Addressed to:
 Howard Olsen
 P.O. Box 32279
 Phoenix, Arizona 85018

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured	P 167 617 962
<input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD	
<input type="checkbox"/> Express Mail	

Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature - Addressee
[Signature]

6. Signature - Agent
[Signature]

7. Date of Delivery
 10/9/85

8. Addressee's Address (ONLY if requested and fee paid)

Carlson Fed No. 4-H. Olsen/mh

DOMESTIC RETURN RECEIPT

P 167 617 962

RECEIPT FOR CERTIFIED MAIL
 NO INSURANCE COVERAGE PROVIDED
 NOT FOR INTERNATIONAL MAIL
 (See Reverse)

Sent to Mr. Howard Olsen	
Street and No. P. O. Box 32279	
P.O. State and ZIP Code Phoenix, Arizona 85018	
Postage	\$.22
Certified Fee	.75
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	.60
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 1.57
Postmark or Date 10-02-85	
Carlson Fed No. 4-H. Olsen/mh	

* U.S.G.P.O. 1984-448-014
 PS Form 3800, Feb. 1982

14

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

October 4, 1985

Mr. Howard Olsen
Post Office Box 32279
Phoenix, Arizona 85018

Re: Carlson Federal Lease
SE/4 SE/4 Section 23 and
SE/4 NE/4 Section 26
T-25-S, R-37-E
Lea County, New Mexico

Dear Mr. Olsen:

Please refer to the numerous telephone conversations and vast correspondence we have had with your appointed agents concerning your interest in the Carlson Federal Lease located in Sections 23 and 26, T-25-S, R-37-E, Lea County, New Mexico.

On September 18, 1985, after much negotiation between Ruth Sutton of Doyle Hartman's office and James Foraker, your attorney and agent in Oklahoma City, a firm commitment was reached (at your initiation) for Doyle Hartman to purchase your interest in the above-described Carlson Federal Lease. Part of the terms were to be the exchange of your fully executed assignment of 100% of your interest in the Carlson Federal Lease for Hartman's Cashier's Check in the amount of \$50,000.00. This method of exchange was also agreed to at your request. We immediately followed up on this verbal commitment by furnishing the Assignment requested by Mr. Foraker for your execution and since that date, we have proceeded with the drilling of a well on the Carlson Lease at our sole risk and expense based on your agreement to convey to us your interest as outlined above.

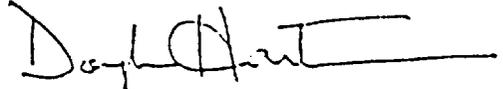
Since we have proceeded in good faith with our operations on the Carlson lease based on our understanding that a firm agreement had been reached with you as outlined above, we ask that you immediately acknowledge that we indeed have a previously negotiated and agreed upon deal for Doyle Hartman to purchase 100% of your interest in the Carlson Federal Lease (SE/4 SE/4 Section 23 and SE/4 NE/4 Section 26, T-25-S, R-37-E, Lea County, New Mexico) with the consideration being Doyle Hartman's Cashier's Check drawn by the RepublicBank/First National, Midland in the

HARTMAN EXHIBIT 14

Mr. Howard Ols
October 4, 1985
Page 2

amount of \$50,000.00. In the event we do not hear from you by Friday, October 11, 1985 acknowledging the above, we will turn this matter over to our attorney, Mr. Robert H. Strand for further action.

Very truly yours,



Doyle Hartman

cc: Mr. Robert H. Strand
Atwood, Malone, Mann & Turner
Post Office Drawer 700
Roswell, New Mexico 88201

Mr. James Foraker
1140 N. W. 63rd Street
Oklahoma City, Oklahoma 73116

PS Form 3811, July 1983 447-945

SENDER: Complete items 1, 2, 3 and 4.
 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

- Show to whom, date and address of delivery.
- Restricted Delivery.

3. Article Addressed to:
 Mr. Howard Olsen
 P. O. Box 32279
 Phoenix, Arizona 85018

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P 167 617 963

Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature - Addressee
 X

6. Signature - Agent
 X

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

DOMESTIC RETURN RECEIPT

Carlson Fed. No. 4-Olsen/mh

STICK POSTAGE STAMPS TO ARTICLE 1
 CERTIFIED MAIL FEE, AND CHARGES FOR ANY 2
 If you want this receipt postmarked, stick the gummed 3
 5. the receipt attached and present the article at a post
 (extra charge)
 If you do not want this receipt postmarked, stick the gum
 6. date, detach and retain the receipt, and mail the ar
 8011, and attach it to the front of the article by means
 7. You want a return receipt, write the certified mail numbe
 8. of article. Endorse front of article, RETURN RB
 9. You want delivery restricted to the addressee, or
 10. RESTRICTED DELIVERY on the front of the article.
 11. After fees for the services requested in the appropriate 13
 12. ed, check the applicable blocks in item 1 of form 381
 13. 14. Give this receipt and present it if you make inquiry.

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

Mr. Howard Olsen
Post Office Box 32279
Phoenix, Arizona 85018

P 167 617 963

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

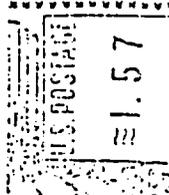
Sept. to	
Mr. Howard Olsen	
Special Del. No. Box 32279	
P.O. State and ZIP Code	
Phoenix, Arizona 85018	
Postage	\$.22
Certified Fee	.75
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	.60
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$1.57
Postmark or Date	10-04-85

Carlson Fed No. 4-mh

CERTIFIED

P 167 617 963

MAIL



* U.S.G.P.O. 1984-446-014

PS Form 3800, Feb. 1982

PS Form 3871, July 1983 447-945

DOMESTIC RETURN RECEIPT

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. Show to whom, date and address of delivery.
 2. Restricted Delivery.

3. Article Addressed to:
 Mr. Howard Olsen
 P. O. Box 32279
 Phoenix, Arizona 85018

4. Type of Service: Article Number
 Registered Insured
 Certified COD P 167 617 963
 Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED

5. Signature - Addressee
[Signature]

6. Signature - Agent
[Signature]

7. Date of Delivery
 10/2/85

8. Addressee's Address (ONLY if requested and fee paid)

Carlson Fed. No. 4-Olsen/mh

P 167 617 963

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
 NOT FOR INTERNATIONAL MAIL

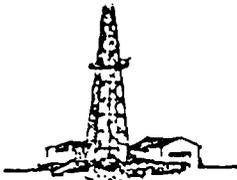
(See Reverse)

* U.S.G.P.O. 1984-446-014

Sent to	Mr. Howard Olsen
Street and No.	P. O. Box 32279
P.O., State and ZIP Code	Phoenix, Arizona 85018
Postage	\$.22
Certified Fee	.75
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	.60
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$1.57
Postmark or Date	10-04-85
Carlson Fed. No.	4-mh

PS Form 3800, Feb. 1982

15



OIL AND GAS
EXPLORATION AND INVESTMENTS

JAMES P. FORAKER
GLENBROOK CENTRE-WEST
1140 N.W. 63RD STREET
OKLAHOMA CITY, OKLAHOMA 73116

OFFICE 405/842-0685
RESIDENCE 405/751-5386

October 4, 1985

Mr. Howard Olsen
P. O. Box 32279
Phoenix, Arizona 85016

Dear Howard:

Enclosed herewith is the original of an Assignment prepared by Doyle Hartman of Midland, Texas, on the Carlson lease which covers 40 acres in the SE/4 SE/4 of Section 23 and the SE/4 NE/4 of Section 26-T25S- R37E, Lea County, New Mexico. I assumed you would be here on September 26, so I retained the original September 20 letter, assignment and B.L.M. forms from Miss Sutton.

I had not been informed that the Carlson lease also covered the 40 acres in Section 26. A few days after receiving the proposed assignment, Miss Sutton by hand-written letter forwarded to me photocopies of portions of the history of said lease.

Today I received from Miss Sutton a photocopy of her letter to you dated October 1 pertaining to these properties.

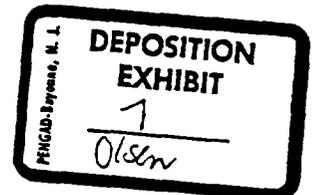
Pursuant to your instructions I have ceased work on the Carlson project. If anything further from me is needed in this matter, please advise.

You may pay me for my services on this project an amount you consider appropriate in accordance with our previous understanding.

Sincerely yours,

James P. Foraker

JPF/dea
Enclosures



16

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
J. SCOTT HALL
PETER N. IVES
LOURDES A. MARTINEZ

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87501
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

October 29, 1985

HAND DELIVERED

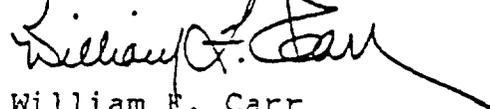
R. L. Stamets, Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
State Land Office Building
Santa Fe, New Mexico 87501

Re: Application of Doyle Hartman for Compulsory
Pooling, Lea County, New Mexico.

Dear Mr. Stamets:

Enclosed in triplicate is the Application of Doyle Hartman
in the above-referenced case. Mr. Hartman respectfully requests
that this matter be placed on the docket for the Examiner
hearings scheduled on November 21, 1985.

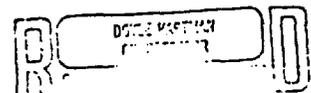
Very truly yours,



William F. Carr

WFC/cv
enclosures

cc: (w/enclosure)
Mr. Doyle Hartman



RECEIVED

OCT 29 1985

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF DOYLE HARTMAN FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

Case _____

APPLICATION

Comes now, DOYLE HARTMAN, by and through his undersigned attorneys and, as provided by Section 70-2-17, N.M.S.A. (1978), hereby makes application for an order pooling all of the mineral interests from the surface to the base of the Langlie Mattix formation, in and under the SE/4 of NE/4 of Section 26, Township 25 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and in support thereof would show the Division:

1. Applicant owns or represents approximately 75% of the working interest in and under the SE/4 of NE/4 of Section 26, and applicant has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced pooled unit to a well to be drilled at a standard location in said Section 26.

3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other interest owners in the SE/4 of NE/4 of said Section 26, except for R. Howard Olson, Post Office Box 32279, Phoenix, Arizona 85018, owner of a 25% working interest.

4. Said pooling of interests and well completion will avoid the drilling of unnecessary wells, will prevent waste and

will protect correlative rights.

5. In order to permit the applicant to obtain his just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled, and applicant should be designated the operator of the well to be drilled.

WHEREFORE, applicant prays that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on November 21, 1985, and that after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for applicant to recover his costs of drilling, equipping and completing the well, his costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well, approving the location of the well as proposed by applicant, and making such other and further provisions as may be proper in the premises.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By


William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87501
(505) 988-4421

ATTORNEYS FOR DOYLE HARTMAN

17

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
J. SCOTT HALL
PETER N. IVES
JOHN H. BEMIS

GUADALUPE PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87501
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-8043

November 11, 1985

BEFORE EXAMINER STOGNER
Oil Conservation Division
~~HARTMAN~~ Exhibit No. 7
Case No. 8769

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

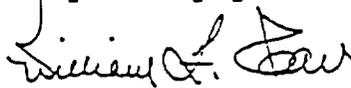
R. Howard Olson
Post Office Box 32279
Phoenix, Arizona 85018

Re: Case 8769: Application of Doyle Hartman for
Compulsory Pooling, Lea County, New Mexico.

Dear Mr. Olson:

Enclosed is a copy of the docket for the Oil Conservation
Division Examiner hearings scheduled for Thursday, November 21,
1985. You have an interest which may be affected by the above-
referenced case.

Very truly yours,



William F. Carr

WFC/cv
enclosure

PS Form 3800, Feb. 1982

* U.S.G.P.O. 1984-446-014

Street and No.	Sent to
P. O. Box 32279	R. Howard Olson
P.O. State and Zip Code	Phoenix, AZ 85018
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 11
Postmark or Date	11/11/85

HARTMAN EXHIBIT 17

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

18

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

37-035-2952

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK
DRILL DEEPEN PLUG BACK

b. TYPE OF WELL
OIL WELL GAS WELL OTHER
SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
Doyle Hartman

3. ADDRESS OF OPERATOR
P. O. Box 10426, Midland, Texas 79702

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
At surface
1750' FNL & 990' FEL (H)
At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
3.5 miles east and 0.375 miles south of Jal, New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)
330

16. NO. OF ACRES IN LEASE
80

17. NO. OF ACRES ASSIGNED TO THIS WELL
40

18. DISTANCE FROM PROPOSED* LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
330

19. PROPOSED DEPTH
3650

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3060.3 GL

22. APPROX. DATE WORK WILL START*
November, 1985

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
14	9 5/8	36.0	400	350 Circulate
8 3/4	7	23.0	3650	600 Circulate

Before drilling out from under the surface pipe, the well will be equipped with a 3000-psi 10 inch series 900 double-ram hydraulic BOP.

For other necessary BOP data required with this ADP, see attached Drilling Prognosis.

Note: Any gas produced from this well is dedicated to El Paso Natural Gas Company.

HARTMAN EXHIBIT 18

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Larry A. N... TITLE Engineer DATE November 11, 1985

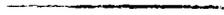
(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE 11-29-85

Subject to Force Like Approval
DEC 4 1985 APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS
*See Instructions On Reverse Side

19



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

21 November 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of Doyle Hartman for CASE
compulsory pooling, Lea County, 8769
New Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

Jeff Taylor
Attorney at Law
Legal Counsel to the Division
Energy and Minerals Dept.
Santa Fe, New Mexico 87501

For the Applicant:

Willam F. Carr
Attorney at Law
CAMPBELL & BLACK P. A.
P. O. Box 2208
Santa Fe, New Mexico 87501

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I N D E X

WILLIAM P. AYCOCK

Direct Examination by Mr. Carr	4
Cross Examination by Mr. Stogner	24

RUTH SUTTON

Direct Examination by Mr. Carr	25
--------------------------------	----

ROBERT H. STRAND

Direct Examination by Mr. Carr	28
Cross Examination by Mr. Stogner	31

E X H I B I T S

Hartman Exhibit One, Plat	5
Hartman Exhibit Two, Structure Map	20
Hartman Exhibit Three, Cross Section A-A'	12
Hartman Exhibit Four, Cross Section B-B'	13
Hartman Exhibit Five, Tabulation	16
Hartman Exhibit Six, Correspondence	26
Hartman Exhibit Seven, Letter	27
Hartman Exhibit Eight, Drilling Contract	30

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MR. STOGNER: The hearing will
come to order.

Call next Case Number 8769,
which is the application of Doyle Hartman for compulsory
pooling, Lea County, New Mexico.

We will now call for appear-
ances.

MR. CARR: May it please the
Examiner, my name is William F. Carr, with the law firm
Campbell & Black, P. A., of Santa Fe. We represent Mr.
Hartman in this matter and have three witnesses.

MR. STOGNER: Are there any
other appearances?

Will all three witnesses please
stand and be sworn.

(Witnesses sworn.)

WILLIAM P. AYCOCK,
being called as a witness and being duly sworn upon his
oath, testified as follows, to-wit:

DIRECT EXAMINATION

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BY MR. CARR:

Q Will you please state your full name and present residence?

A William P. Aycock, Midland, Texas.

Q Mr. Aycock, by whom are you employed and in what capacity?

A By Doyle Hartman as a consulting petroleum engineer in connection with Case 8769, Docket 36-85.

Q Have you previously testified before this Division and had your credentials as a petroleum engineer accepted and made a matter of record?

A I have.

Q Are you familiar with the application filed in this case on behalf of Mr. Hartman?

A I am.

Q Are you familiar with the subject acreage?

A I am.

MR. CARR: Are the witness' qualifications acceptable?

MR. STOGNER: They are.

Q Mr. Aycock, will you briefly state what Mr. Hartman seeks in this case?

A Mr. Hartman seeks an order pooling all

1 the mineral interest from the surface to the base of the
2 Langlie Mattix Pool underlying the southeast quarter north-
3 east quarter, which is Unit H, of Section 26, Township 25
4 South, Range 37 East, to form a standard 40-acre oil spacing
5 proration unit to be dedicated to a well to be drilled
6 thereon.

7 Q Have you prepared certain exhibits for
8 introduction in this case?

9 A I have.

10 Q Would you please refer to what has been
11 marked for identification as Hartman Exhibit Number One,
12 identify this, and review the information contained thereon?

13 A Exhibit Number One is an acreage owner-
14 ship plat that shows the acreage in question that is des-
15 cribed in the application. It shows the existing producing
16 well, the Doyle Hartman Carlson Federal No. 2, located 1980
17 feet from the north and 660 feet from the east lines of Sec-
18 tion 26, Township 25 South, Range 37 East, which is a Lang-
19 lie Mattix Pool producer that was temporarily abandoned in
20 January of 1973, and it shows the proposed infill location,
21 the Doyle Hartman Carlson Federal No. 5, to be located 1750
22 feet from the north line and 990 feet from the east line of
23 Section 26, Township 25 South, Range 37 East, and also to be
24 completed in the Langlie Mattix Pool.

25 In addition, it shows the nearby produc-

1 ing wells that are consequent to this application as well as
2 showing the pre-existing lease that was put on for the 40-
3 acre proration unit that comprises the southeast quarter of
4 the southeast quarter of Section 23, that includes a similar
5 situation in which the original producer was the Doyle Hart-
6 man Carlson Federal No. 3, located 660 feet from the south
7 and east lines of Section 23, Township 25 South, Range 37
8 East, in the Langlie Mattix Pool, and the infillo producer,
9 the Doyle Hartman Carlson Federal -- Carlson No. 4, located
10 990 from the south and 990 from the east line of Section 23,
11 Township 25 South, Range 37 East, in the Langlie Mattix
12 Pool, and a great deal of the testimony and the information
13 that will be presented in today's case has previously been
14 presented in that case and that case was Case --

15 MR. CARR: Mr. Examiner, that
16 case was Case 8668, which was --

17 A Right.

18 MR. CARR: -- presented on July
19 31st of this year, resulted in Order R-8031, which was en-
20 tered on September 27, 1985.

21 We'd ask that you take adminis-
22 trative note of that case. That case is actually, virtually
23 identical to this one, inasmuch as it was to pool a 40-acre
24 tract for an infill Langlie Mattix Well and the only inter-
25 est owner being pooled in that case was Howard Olson, who is

1 the same individual being pooled in this case pursuant to
2 the terms of the identical lease arrangement.

3 MR. STOGNER: I will take ad-
4 ministrative note of Case Number 8668 and the subsequent Or-
5 der R-8031.

6 Q Mr. Aycock, would you review the informa-
7 tion on this exhibit as to the other wells in the immediate
8 area, and here I'd ask that you focus on the future recover-
9 ies that are estimated for these wells.

10 A If you will note that the original -- the
11 8668 case is important as it establishes a predicate for the
12 rest of the information that will be presented here, and you
13 will note that the negative reciprocal slope of the graph of
14 BHP/z as a function of cumulative gas production is 2.29
15 MMCF per psi on the original well.

16 The reason that the Carlson Federal No. 4
17 was drilled was because of that low number for reciprocated
18 sign change slope of the BHP/z curve as compared to the
19 wells that basically offset both properties to the east and
20 southeast.

21 Those properties are, with the indicated
22 nature of reciprocal slope of the BHP/z as a function of
23 cumulative gas (not understood) the Amerada Hess Ida Wimber-
24 ly No. 11, located 1980 feet from the south and 660 feet
25 from the west line of Section 24, Township 25 South, Range

1 East, in the Langlie Mattix Pool, located northeast of the
2 current application, the reciprocated sign change slope of
3 the BHP/z as a function of cum gas data give us 12.73 MMCF
4 per psi.

5 The next well to the south is the --
6 which is a diagonal north offset to the -- diagonal north-
7 east offset to the section in which the application -- for
8 which the application has been made, is the Amerada Hess Ida
9 Wimberly No. 13, located 330 feet from the south and 330
10 feet from the west line of Section 24, Township 25 South,
11 Range 37 East, and the sign change reciprocated slope of the
12 BHP/z as a function of cumulative gas graph is 16.16 MMCF
13 per psi.

14 And then to the southeast we have the El
15 Paso Natural Gas Company Carlson "A" Federal No. 2, located
16 660 feet from the south and 660 feet from the west line of
17 Section 25, Township 25 South, Range 37 East in the Langlie
18 Mattix Pool, and the sign change reciprocated slope of the
19 BHP/z as a function of cum gas graph is 10.3 MMCF per psi.

20 The reason for the drilling of both the
21 Carlson Federal 4 and the proposed Carlson Federal No. 5,
22 which is the subject of this application, is because the
23 slopes of these curves and the fact that there is no produc-
24 tion on the 40-acre tract that is the subject of the current
25 application, there is no production and the well slope of

1 the curves for the wells to the southeast, east, and north-
2 east of the subject tract indicate that there is substantial
3 reserves still in the Langlie Mattix and, in fact, it is
4 being drained by the production from these wells, that forms
5 the predicate for the application.

6 Q Mr. Aycock, if the wells are not drilled
7 will the correlative rights of the interest owners in those
8 tracts be adversely affected?

9 A They will be because the reservoir pres-
10 sure is low enough that unless timely development occurs the
11 reservoir pressure will be to the point that there will be
12 no remaining reserves or their recovery would be prolonged
13 or impossible, so that if it's not done rather expeditious-
14 ly, there's no sense in doing it at all.

15 Q Now I'd like to direct your attention to
16 the prior pooling case and the acreage in the southeast
17 quarter of the southeast quarter of Section 23.

18 The original Langlie Mattix well on that
19 pool produced for some period of time, I believe.

20 A It did.

21 Q Do you have any idea what the prior pro-
22 duction from that well was?

23 A Yes, I do, if you'll give me a moment to
24 refer to the hearing file for that hearing, I can tell you.

25 As of May 1st, 1985, the cumulative pro-

1 duction for the Doyle Hartman Carlson Federal No. 3, which
2 is located 660 from the south and 660 from the east line of
3 Section 23, Township 25 South, Range 37 East, was 1,496
4 MMCF, and it produced during the months of January through
5 April of 1985 an average production of 36 MCF of gas per
6 day.

7 Q Now, Mr. Aycok, has Mr. Hartman con-
8 cluded the Carlson No. 4 on that 40-acre tract?

9 A Yes, he has.

10 Q And what kind of a well has he been able
11 to make at that location?

12 A An attractive Langlie Mattix very commer-
13 cial gas well.

14 Q Would you now refer to what has been mar-
15 ked for identification as Hartman Exhibit Number Two and
16 identify this and review it, please?

17 A Exhibit Number Two is a structure map on
18 top of the Penrose Sand. As the Examiner is aware, the
19 Langlie Mattix pool is composed of the Queen and Penrose
20 zones and the top of the Penrose is adequate to depict the
21 structural situation in the vicinity of the proposed loca-
22 tion.

23 The structure map shows the traces of two
24 cross sections, which will be subsequently presented as ex-
25 hibits. It shows that we have a small closure here that

1 trends either almost due north/south or slightly
2 northwest/southeast on top of the Penrose Sand, and it shows
3 that the tract that is the subject of this application lies
4 near the southwestern side of that area and approximately
5 125 feet above the original gas/oil contact, which is lo-
6 cated to the west and the southwest.

7 In viewing this map you need to be aware
8 that the potential development matrix in this area for the
9 Langlie Mattix are twofold and both of these matters have
10 been dwelt on in detail in the transcript of the previous
11 hearing, and I will not impose upon the Examiner's time by
12 reciting those, but I would request that he take particular
13 note of the testimony in the -- in this previous case as to
14 the risk factors.

15 They are water production due to water
16 injection into the gas reservoirs in the vicinity of the
17 gas/oil contact located to the west and southwest; and com-
18 pletion problems with the low reservoir pressures in both
19 the subject zones, those being the Penrose Sand and the
20 Queen Sand. All of these problems were discussed at some
21 length in the previous case and there is also the possibil-
22 ity in some of the wells that were drilled to the San Andres
23 of having water flow, cross flow, up from the San Andres in-
24 to any of these zones if they were not properly cemented or
25 properly plugged.

1 Q Mr. Aycock, are you prepared to make a
2 recommendation to Mr. Stogner as to the risk penalty that
3 should be assessed against any interest owner who does not
4 voluntarily participate in the drilling of this well?

5 A As was documented in Case 8668 and was
6 approved by the Commission in the order, we recommend a 200
7 percent risk penalty for nonjoining parties.

8 Q Now this exhibit also contains traces for
9 your subsequent cross sections.

10 A It does.

11 Q Would you now go to Exhibit Three, your
12 cross section A-A', and briefly review that for Mr. Stogner?

13 A Exhibit Three is cross section A-A',
14 which is a north/south cross section, and if you will refer
15 to Exhibit Two you will notice that it passes through the
16 pre-existing well that's on the tract that is the subject of
17 this application, and also includes both the pre-existing
18 and infill wells that were drilled on the southeast quarter
19 of the southeast quarter of Section 23 and were the subject
20 of Case 8668.

21 Without -- without going into great,
22 tremendous detail as to the -- on -- on each well, the cross
23 section substantiates beyond doubt that all of the Langlie
24 Mattix zones were originally gas-bearing and would produce
25 gas at attractive rates; and it shows that the Hartman Carl-

1 son Federal No. 4, which was completed in September 20th,
2 1985, through perforations between depths of 2946 and 3161
3 feet, had an initial flowing potential of 577 MCF per day,
4 although it is located on the same proration unit with a
5 well that was producing --^s produced during the first four
6 months of 1985 at about 36 to 38 MCF per day, so this well
7 alone illustrates that the hypothesis that there are sub-
8 stantial remaining commercially recoverable gas reserves in
9 both the Penrose and Queen portions of the Langlie Mattix
10 Pool within the area of this application can be documented.

11 The rest of the north/south cross section
12 simply serves to show that all the gas had been produced at
13 various rates from all of the wells and it has been quite
14 attractive in the vicinity of the -- of the application well
15 in the past.

16 I won't go into all the details because I
17 think the Examiner is able to review this at his leisure,
18 but I believe that it will document the fact that all of
19 these zones did produce gas, are gas-bearing, and are cer-
20 tainly able to produce gas at attractive, commercial rates
21 upon development.

22 Q Will you now refer to Hartman Exhibit
23 Number Four, your B-B' cross section, and discuss this for
24 Mr. Stogner?

25 A Cross section B-B' is a northwest/south-

1 east cross section that ties into Exhibit Three, cross sec-
2 tion A-A', at the previous producer on the application
3 tract, that being the Doyle Hartman Carlson Federal No. 2,
4 located 1980 feet from the north and 660 feet from the east
5 line of Section 26, Township 25 South, Range 37 East.

6 We would ask the Examiner to note parti-
7 cularly that the shut-in wellhead pressure of this well is
8 64 psi at the present time.

9 Exhibit Four will serve to document simi-
10 lar type information to what has been discussed for Exhibit
11 Three, and that is that all of the wells for which the Lan-
12 glie Mattix zones have been tested within the area have pro-
13 ven to be productive of either gas or oil, depending upon
14 the dates at which they were -- the wells to the northeast
15 were back in the thirties and one of them was completed for
16 a gas well and another was completed for an oil well, the
17 first two on the cross section. The next two were completed
18 as oil wells and the rest of them have been oil and gas, but
19 you will find that basically in the area now that we're
20 talking about, gas is the remaining recoverable hydrocarbon
21 product in both of the Langlie Mattix zones.

22 This also shows that over a period of
23 time that stretches from the thirties through the contempor-
24 aneous (sic) time there has been, not continuous, but spora-
25 dic development of these Langlie Mattix zones in response to

1 the varying economic factors.

2 Q Would you now just briefly summarize the
3 conclusions you've reached concerning this proposal based on
4 your study of the immediate area?

5 A The proposed location is on the flank of
6 a small closure that is contained within a larger
7 north/south trend. The indications are that the porosity
8 and permeability of the zones are quite good when they're
9 properly stimulated, because based upon the results that Mr.
10 Hartman has achieved a half a mile north on his Carlson Fed-
11 eral 4, he is able to complete a new well that would make
12 577 MCF per day on potential when it's located on the same
13 40-acre tract as a well that's producing 36 MCF per day from
14 the same zones.

15 We know that there is -- that there is
16 the risk of some water production in the area because of the
17 injection that has taken place to the northeast, in particu-
18 lar on, at or about the original gas/oil contact for the
19 Langlie Mattix zones.

20 We know that the reservoir pressure is
21 low, as we discussed, the shut-in wellhead pressure for the
22 existing Carlson Federal No. 2 of 164 psi, and as we delve
23 into at some length in the transcript of Case 8668, the pre-
24 sence of low reservoir pressures can lead to significant
25 risks in the drilling and completion of the wells.

1 So my conclusion is the following: That
2 there are commercially recoverable gas reserves remaining in
3 the Langlie Mattix Pool at the area of the application well;
4 that these reserves cannot be recovered without redevelop-
5 ment, based upon the experience a half a mile north with the
6 previous Case 8668; that I would anticipate the probability
7 that if a well is completed successfully in the Langlie Mat-
8 tix, it will be an attractive producer, but there are risk
9 factors associated with the production that have to do with
10 the mechanics of drilling and completing wells in low pres-
11 sure reservoirs and the fact that you cannot define exactly
12 where the water that has been injected will go within these
13 zones. It probably will not be at these locations but there
14 is a possibility that you could produce significant water.

15 And as a result of all this, I recommend
16 a 200 percent risk factor for non-joining parties and be-
17 lieve that the well will, if completed, will lead to an at-
18 tractive commercial well in the Langlie Mattix zones.

19 Q Mr. Aycock, would you now go to Hartman
20 Exhibit Number Five, the production tabulation, and briefly
21 review that for the examiner?

22 A Exhibit Number Five is composed of
23 production tabulations with rate/time graphs and BHP/z as a
24 function of cumulative gas graphs for wells that are located
25 on the cross sections that are Exhibit Three and Exhibit

1 Four.

2 The first one that's presented is the
3 Cities Service Dabbs No. 1, located in Unit B of Section
4 23. As you will recall, it was the first -- the lefthand
5 well on Exhibit -- on cross section B-B', which was Exhibit
6 Four.

7 You'll notice that prior to it being con-
8 verted to water injection as the Langlie Mattix Queen Unit
9 No. 31, and deepened, that there is an apparent -- starting
10 in 1953 there is an apparent reversal of the established --
11 well, it's actually before that, there was -- there was a
12 trend of low pressures and then slowly, over the years it
13 built up until 195 -- we've got a skip here -- okay, the
14 first one's that available was in 1949; it's 528 psi, and
15 these are in reverse order is the way you have to view them,
16 and the pressure did not decline very much and then it drop-
17 ped rather rapidly, and the last one that was available was
18 back in '69, and it was 129 psi at that time, and you can
19 review the rate/time curve and you will notice that there
20 is, since 1960, until it was -- until it ceased in 1969,
21 with the exception of 1964, it was -- it was a somewhat er-
22 ratic but fairly uniform rate/time curve and there is a
23 pretty well established BHP/z trend that's -- that would in-
24 dicate an extrapolated value of about somewhere in the
25 vicinity of 6.5 to 6.7 BCF original gas in place.

1 The next one that's listed would be the
2 Cities Service Dabbs No. 2, which is now the Mobil Langlie
3 Mattix Queen Unit No. 35, and it's located in Unit E of Sec-
4 tion 23, and it's also been converted to water injection.

5 And since it was an oil well, there are
6 no pressures available and -- but the gas production is
7 graphed from '59 through '63, and you'll notice a very grad-
8 ual, fairly regular decline in gas productivity as would be
9 anticipated.

10 The next well is the Carlson Federal No.
11 3, the El Paso Carlson Federal No. 3, that is located in
12 Section 23, also, and that well has accumulated approximate-
13 ly 1.1 BCF of gas from initial time through June of 1985,
14 and is producing at plus or minus 120 to 180 MCF per month.

15 It does not show much decline on the
16 rate/time curve, and it shows a very gradual reciprocated
17 slope of 4.3 MMCF per psi on the BHP/z as a function of cum
18 gas curve.

19 The next well that's tabulated is the
20 Hartman Carlson Federal No. 3, which is the pre-existing
21 well that was -- that is located -- it's the third well from
22 the right -- left side of cross section A-A', which is Exhi-
23 bit Three, and you'll notice that that well, as of July 1st,
24 1985, had produced approximately 1.5 BCF of gas and was pro-
25 ducing at about a million cubic feet a month, or a little

1 over 30 MCF a day.

2 It's had an irregular but rather -- but
3 it gyrates around approximately a million cubic feet per
4 month and has since 1974, and as we previously stated, the
5 reciprocated sign changed slope of the BHP/z as a function
6 of cum gas, 2.15 MMCF per psi.

7 The next well would be the Ida Wimberly
8 No. 16, which we've previously discussed.

9 The Ida Wimberly No. 15 is located in
10 Section 25, Township 35 South, Range 37 East, and it has
11 produced an accumulative production of 1.15 BCF as of July
12 1st, 1985, and is producing at about 100 MCF per month; has
13 a well defined decline trend on the rate -- gas rate/time
14 and has a reciprocated sign change slope fo the BHP/z as a
15 function of cumulative gas graph of 15.55 MMCF, indicating
16 that although the rates are low it is ineffectively draining
17 a large area.

18 The next well is the Amerada Hess Ida
19 Wimberly No. 14, located in Section 25, Township 25 South,
20 Range 37 East, in Unit G. It has accumulated approximately
21 600-million cubic feet of gas as of July 1st, 1985, and is
22 producing at about 900 -- producing between 900 and 1000, a
23 million cubic feet per month, and the rate/time curve indi-
24 cates a very regular, with the exception of the year 1983,
25 it's been a very regular curve at about a million cubic feet

1 a month average, and the graph of BHP/z as a function of
2 cumulative gas production yields a sign change reciprocated
3 slope of 8.5 MMCF per psi, indicating once again that al-
4 though it is declining at a low rate of decline, it is inef-
5 fectively draining a rather large area.

6 The next well is the El Paso Natural Gas
7 Company Carlson "A" Federal No. 2, located in Unit M of Sec-
8 tion 25, Township 25 South, Range 37 East. It has accumu-
9 lated approximately 2.2 BCF of gas production as of July
10 1st, 1985, and was producing at about 3.2 million cubic feet
11 per month.

12 The rate/time curve has an irregular
13 downward, very gradual slope, and the slope of the BHP/z as
14 a function of cumulative gas production when reciprocated
15 and with the sign change, is 10.33 MMCF per psi, as we pre-
16 viously testified.

17 Then we have the Amerada Hess Ida Wimber-
18 ly No. 1, located in Unit A of Section 26, Township 25
19 South, Range 37 East.

20 The cumulative gas production is low. We
21 did not add it up. It's an erratic downward curve during
22 the time it was on production as far as the rate/time is
23 concerned and the BHP/z as a function of cumulative gas
24 curve has a reciprocated sign change slope of only 3.96 MMCF
25 per psi, indicating that it was not draining a very large

1 area and was ineffectively draining it, as well.

2 The Terra Carlson Federal No. 1 operated
3 by Doyle Hartman is located in Unit C of Section 26, Town-
4 ship 25 South, Range 37 East, and has a cumulated since ini-
5 tial production approximately 2.9 BCF of gas and was produc-
6 ing between -- has produced as high as 4-million cubic feet
7 per month within the year prior to July 1st, 1985, and was
8 producing approximately an average of around 3.3-million
9 cubic feet per month; has a definite downward, defined down-
10 ward trend on the rate/time curve and there is no BHP/z data
11 available to plot a -- to determine the slope of that curve.

12 The Santa Fe Energy Carlson "B" 26 No. 4
13 is located in 26-I, 25 South, 37 East. It has accumulated
14 1.4 BCF of gas production as of July 1st of 1985. It is
15 producing at between 560 and 720 MCF per month with a very
16 slight downward trend to the rate/time curve and with a re-
17 ciprocated sign change slope of the BHP/z as a function of
18 cumulative gas curve of only 5.5 MMCF per psi, indicating
19 once again that it is not draining a very large area and is
20 not draining it very effectively.

21 Q Mr. Aycock, what is the estimated cost of
22 the proposed well?

23 A We are using the same AFE for this as we
24 did for Case 8668, which indicates the cost of a producing
25 well at \$390,000 and a dry hole at \$142,000.

1 Q Are these --

2 A And that is with contingencies. With a
3 routine well with no contingencies the drilling -- the com-
4 pleted cost would be \$329,000.

5 Q And these costs are in line with the
6 costs for other wells in the area?

7 A They're in line with Mr. Hartman's cur-
8 rent experience as the most active operator in the Jalmat-
9 Langlie Mattix trend at the present time.

10 Q Have you made an estimate of the overhead
11 and administrative costs to be assessed while drilling this
12 well and also while --

13 A Yes.

14 Q -- producing it?

15 A \$550 per month while producing and \$5500
16 per month while drilling.

17 Q Are these the figures that were author-
18 ized by the Commission in Order R- -- or in the prior order
19 for the acreage to the north?

20 A For Case 8668, yes, they were.

21 Q And do you recommend that these figures
22 be included in any order which results from today's hearing?

23 A I do.

24 Q Mr. Aycock, does Mr. Hartman request to
25 be designated operator of the proposed unit and well?

1 A He does.

2 Q In your opinion will granting this appli-
3 cation be in the best interest of conservation, the preven-
4 tion of waste, and protection of correlative rights?

5 A I believe it would.

6 Q Will we call another witness to discuss
7 land matters and efforts to obtain voluntary joinder?

8 A Yes, we will.

9 MR. CARR: At this time, Mr.
10 Stogner, we would offer into evidence Hartman Exhibits One
11 through Five.

12 MR. STOGNER: Exhibits One
13 through Five will be admitted into evidence.

14 Q Mr. Aycock, when does Mr. Hartman plan to
15 drill this well?

16 A As soon as possible. We'd like to com-
17 plete it before year end, if possible.

18 Q And therefore do we request that the or-
19 der be expedited?

20 A We would appreciate it very much.

21 MR. CARR: I have nothing fur-
22 ther of Mr. Aycock.

23

24

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CROSS EXAMINATION

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BY MR. STOGNER:

Q Mr. Aycock, on all the production summaries you've given me here, it would be easy to say this proposed well would be offsetting some pretty good producers, would it not?

A Yes.

Q Has Hartman in the past joined anybody else in overhead charges of \$5500 while drilling and \$550 while producing?

A I'm not aware that he has but the reason he hasn't, there just never has been an occasion to do it. Of all the things he's been associated with for about four of the six years that I've been doing work for him, the only ones that have been an exception to this have been deep wells; have been Morrow or Atoka wells, and those were, you know, that's -- that is five or six year old history.

Since that time he has not participated, to my knowledge, in any of these shallow wells with another operator. He's been the operator of everything that he's participated in.

MR. STOGNER: I have no further questions of Mr. Aycock.

Is there anything further of this witness?

1 MR. CARR: Nothing further.

2 MR. STOGNER: Mr. Aycock may be
3 excused.

4 MR. CARR: At this time I'd
5 call Miss Sutton.

6
7 RUTH SUTTON,
8 being called as a witness and being duly sworn upon her
9 oath, testified as follows, to-wit:

10
11 DIRECT EXAMINATION

12 BY MR. CARR:

13 Q Will you state your full name and place
14 of residence?

15 A Ruth Sutton, Midland, Texas.

16 Q Miss Sutton, by whom are you employed and
17 in what capacity?

18 A By Doyle Hartman as a landman.

19 Q Have you previously testified before this
20 Division and had your credentials as a landman accepted and
21 made a matter of record?

22 A Yes, I have.

23 Q Are you familiar with the application
24 filed in this case on behalf of Mr. Hartman?

25 A Yes.

1 Q Are you familiar with the subject ac-
2 reage?

3 A Yes.

4 MR. CARR: Are the witness'
5 qualifications acceptable?

6 MR. STOGNER: They are.

7 Q Miss Sutton, would you refer to what has
8 been marked for identification as Hartman Exhibit Number
9 Six, identify this, and review it for Mr. Stogner?

10 A This is a packet of our correspondence
11 with Mr. Olson, the other interest owner, between the dates
12 of January 24th and October 4th, '85.

13 This acreage in this lease is the same
14 Federal lease as that in our Case 8668, which we've talked
15 about earlier, and on July 30, the day before the hearing
16 for that case, Mr. Olson called us and said he had decided
17 to farmout but subsequent to that, before we could send an
18 agreement, he decided to sell all of his interest to Mr.
19 Hartman and in this packet is a partial assignment and Bill
20 of Sale which was furnished to Mr. Olson on September 20th,
21 '85; however, we still don't have that signed back, which
22 is, of course, why we're here.

23 Mr. Olson travels extensively and is fre-
24 quently out of the country for long periods of time, so we
25 don't have much contact. That's why we had to go ahead with

1 our hearing, because we do have this well for our year-end
2 drilling plans and would like to drill it in (not under-
3 stood).

4 Q And if an agreement is received back from
5 Mr. Olson you would immediately advise the Division that the
6 pooling order --

7 A Yes, sir.

8 Q -- was unnecessary.

9 In your opinion has Mr. Hartman
10 made a good faith effort to obtain Mr. Olson's voluntary
11 joinder in this well?

12 A Yes.

13 Q Could you identify what has been marked
14 as Hartman's Exhibit Number Seven, please?

15 A This is a letter dated November 11 noti-
16 fying Mr. Olson of this hearing and the one you have does
17 not have a return receipt but Mr. Stogner, here it is, ap-
18 pended to that.

19 Q So we have received a return receipt on
20 this letter?

21 A Yes.

22 Q Were Exhibits Six and Seven either pre-
23 pared by you or compiled under your direction and supervi-
24 sion?

25 A Yes.

1 MR. CARR: At this time, Mr.
2 Stogner, we would offer into evidence Hartman Exhibits Six
3 and Seven.

4 MR. STOGNER: Exhibits Six and
5 Seven will be admitted into evidence.

6 MR. CARR: And I have no fur-
7 ther questions of Miss Sutton.

8 MR. STOGNER: Are there any
9 questions of this witness?

10 If not, she may be excused.

11 MR. CARR: At this time I call
12 Bob Strand.

13
14 ROBERT H. STRAND,
15 being called as a witness and being duly sworn upon his
16 oath, testified as follows, to-wit:

17
18 DIRECT EXAMINATION

19 BY MR. CARR:

20 Q Will you state your full name and place
21 of residence?

22 A Robert H. Strand, Roswell, New Mexico.

23 Q Mr. Strand, by whom are you employed and
24 in what capacity?

25 A I'm an attorney with the firm of Atwood,

1 Malone, Mann, and Turner in Roswell.

2 Q Are you employed in this case by Mr.
3 Hartman?

4 A Yes, I am.

5 Q What have you been asked to do for Mr.
6 Hartman in regard to this case?

7 A As part of this case, as well as the
8 prior case, Case 8669, I believe it is, I was retained by
9 Mr. Hartman to examine title to these leases and examine
10 various other instruments relating to the lands involved.

11 Q And have you made that review?

12 A Yes, I have.

13 Q And you're familiar with the application
14 filed in this case on behalf of Mr. Hartman?

15 A Yes, I am.

16 Q Mr. Strand, would you advise Mr. Stogner
17 of what conclusions you have reached as a result of your
18 work as to the status of the ownership under the 40-acre
19 tract which is the subject of today's hearing?

20 A The operating rights involved under this
21 tract, as well as the tract involved in the prior hearing,
22 are owned of record 75 percent by Doyle Hartman and other
23 persons associated with him, and 25 percent by R. Howard Cl-
24 son.

25 Q Would you identify what has been marked

1 as Hartman Exhibit Number Six and explain to Mr. Stogner why
2 this document has been included in this -- in the exhibits
3 presented in this case?

4 A Mr. Hartman purchased his share of the
5 operating rights under this particular tract from Sun
6 Exploration and Production Company, I believe, in May of
7 1984.

8 At that -- subsequent to that purchase
9 and to the drilling of the prior well, there was some ques-
10 tion raised as to what operating agreement, if any, was ef-
11 fective as to these lands. This particular contract, desig-
12 nated as a drilling contract, being Exhibit Number Six, was
13 provided to Mr. Hartman from Sun's files.

14 Q That's Exhibit Number Eight.

15 A Number Eight.

16 Q Yes.

17 A From Sun Exploration and Production Com-
18 pany's files with some indication from them that they felt
19 that this was the operating agreement, as such, covering
20 these lands.

21 I reviewed this agreement and it does not
22 appear to me to cover the lands involved or the intervals,
23 and as best we can determine at this point in time, there is
24 no formal operating agreement of any type covering these
25 lands.

1 Q And so the way to bring this acreage in,
2 absent a new agreement with Mr. Olson, is to come seeking a
3 pooling order.

4 A Yes.

5 MR. CARR: At this time, Mr.
6 Stogner, I would move the admission of Exhibit Number Eight,
7 which is a copy of the drilling contract about which Mr.
8 Strand testified.

9 MR. STOGNER: Exhibit Number
10 Eight will be admitted into evidence.

11 MR. CARR: And I have no fur-
12 ther questions of this witness.

13
14 CROSS EXAMINATION

15 BY MR. STOGNER:

16 Q Mr. Strand, when did this document become
17 in effect?

18 A Mr. Stogner, I don't believe it ever was
19 effective. It does not cover the lands involved.

20 Q Okay. I have no further witnesses of Mr.
21 Strand -- I mean no further questions of Mr. Strand.

22 MR. STOGNER: Are there any
23 other questions of this witness?

24 MR. CARR: I have no further
25 questions of this witness.

1 MR. STOGNER: If not, he may be
2 excused.

3 Anything further in Case 8769?

4 MR. CARR: Mr. Stogner, I have
5 a proposed order to offer and would request that you expedite
6 the order in this case as soon as possible.

7 MR. STOGNER: Thank you, Mr.
8 Carr.

9 MR. CARR: And I have nothing
10 further in this case.

11 MR. STOGNER: Does anybody else
12 have anything further in 8769?

13 If not, this case will be taken
14 under advisement.

15

16

(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9769, heard by me on 21 November 1985.

Michael E. Stogner, Examiner
Oil Conservation Division

20

—

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir. Use "APPLICATION FOR PERMIT--" for such proposals.)

NM-0766
6 IF INDIAN, ALLOTTEE OR TRIBE NAME

1. OIL WELL GAS WELL OTHER

7. UNIT AGREEMENT NAME

2. NAME OF OPERATOR

8. FARM OR LEASE NAME

Doyle Hartman
3. ADDRESS OF OPERATOR

Carlson Federal
9. WELL NO.

Post Office Box 10426 Midland, Texas 79702
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also space 17 below.)
At surface

5
10. FIELD AND POOL, OR WILDCAT

Langlie Mattix
11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA

1750 FNL & 990 FEL (H)

Section 26, T-25-S, R-37
12. COUNTY OR PARISH 13. STATE

14. PERMIT NO.
30-025-70578

15. ELEVATIONS (Show whether DF, RT, CR, etc.)
3060.3 G.L.

Lea NM

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

SUBSEQUENT REPORT OF:

TEST WATER SHUT-OFF
FRACTURE TREAT
SHOOT OR ACIDIZE
REPAIR WELL
(Other)

PULL OR ALTER CASING
MULTIPLE COMPLETE
ABANDON*
CHANGE PLANS

WATER SHUT-OFF
FRACTURE TREATMENT
SHOOTING OR ACIDIZING
(Other)

REPAIRING WELL
ALTERING CASING
ABANDONMENT*
Spud and set casing

(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting and proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Spudded well at 5:30 p.m. CST 12-10-85. Drilled 14-3/4" hole to a total depth of 414' with spud mud. Ran 11 joints (418.24') of 9-5/8" OD, 36 lb/ft, ST&C casing and landed at 414'. Cemented with 200 sx API Class C cement containing 4% gel followed by 150 sx of API Class C cement. Plug down at 5:15 a.m. CST 12-11-85. Circulated 80 sx of excess cement to pits. WOC 18 hours.



18. I hereby certify that the foregoing is true and correct

SIGNED Michelle Humber

TITLE Administrative Assistant

DATE December 12 1985

(This space for Federal or State office use)

APPROVED BY _____ TITLE _____ DATE _____
CONDITIONS OF APPROVAL, IF ANY:

ACCEPTED FOR RECORD

Handwritten signature

*See In...

DEC 16 1985

DEC 13 1985

HARTMAN EXHIBIT 20

21



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8769
Order No. R-8091

APPLICATION OF DOYLE HARTMAN FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

ORDER OF THE DIVISION

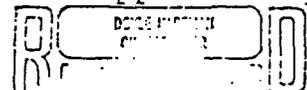
BY THE DIVISION:

This cause came on for hearing at 8 a.m. on November 21, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 6th day of December, 1985, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Doyle Hartman, seeks an order pooling all mineral interests from the surface to the base of the Langlie-Mattix Pool underlying the SE/4 NE/4 (Unit H) of Section 26, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico.
- (3) The applicant has the right to drill and proposes to drill a well at a standard oil well location thereon.
- (4) There are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil in any pool completion resulting from this order, the subject application should be approved by



pooling all mineral interests, whatever they may be, within said unit.

(6) The applicant should be designated the operator of the subject well and unit.

(7) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) At the time of the hearing the applicant proposed that the reasonable monthly fixed charges for supervision while drilling and producing should be \$5500.00 and \$550.00, respectively, based on Division Order No. R-8031, dated September 27, 1985, which authorized these charges as "reasonable monthly fixed charges".

(12) The evidence presented in this case and in Division Case No. 8668, in which said Order No. R-8031 was subsequently issued, is insufficient to support these proposed charges as being "reasonable" and said rates should therefore be adjusted in the case to reflect a more reasonable rate.

(13) \$4800.00 per month while drilling and \$480.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject

well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(14) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(15) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before February 1, 1986, the order pooling said unit should become null and void and of no effect whatsoever.

(16) Should all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(17) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Langlie-Mattix Pool underlying the SE/4 NE/4 (Unit H) of Section 26, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard oil well location thereon.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the first day of February, 1986, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Langlie-Mattix Pool;

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the first day of February, 1986, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown;

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Doyle Hartman is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting

working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$4800.00 per month while drilling and \$480.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

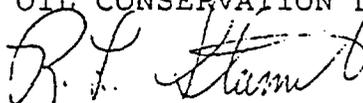
-6-

Case No. 8769
Order No. 8091

(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



R. L. STAMETS,
Director

S E A L

22

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

January 6, 1986

CERTIFIED

Mr. R. Howard Olsen
Post Office Box 32279
Phoenix, Arizona 85018

Re: Carlson Lease
SE/4 SE/4 Section 23 and
SE/4 NE/4 Section 26
T-25-S, R-37-E
Lea County, New Mexico

Dear Mr. Olsen:

Reference is made to our various correspondence and conversations wherein you agreed to sell 100% of your interest in the Carlson lease located SE/4 SE/4 Section 23 and SE/4 NE/4 Section 26, T-25-S, R-37-E, Lea County, New Mexico for \$50,000.00.

As you know, based upon the assurance that a firm agreement to purchase your interest in the Carlson lease had been reached, we proceeded with our operations on the lease. However, since the final execution of the sale had not been executed before the end of the year, and we felt like another well needed to be drilled as soon as possible, we proceeded with a force pooling hearing to pool the interest we have negotiated to purchase from you so that we could drill the Carlson Federal No. 5.

The compulsory pooling order has been granted, the Carlson Federal No. 5 has been drilled, and we are extremely anxious to finalize the purchase by Doyle Hartman of 100% of your interest in the Carlson lease.

Please let us know how you would like to close this purchase so that we can make all the final arrangements.

Thank you for your prompt attention to this matter.

Very truly yours,

DOYLE HARTMAN

Ruth Sutton
(RM)

Ruth Sutton
Landman

RS/dr

HARTMAN EXHIBIT 22

Post. ltr not finished

Mr. R. Howard sen
January 6, 1962
Page 2

cc: Mr. Robert H. Strand
Atwood, Malone, Mann & Turner
Post Office Drawer 700
Roswell, New Mexico 88201 .

P 167 325 606

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

* U.S.G.P.O. 1984-446-014 PS Form 3800, Feb. 1982	Sent to	<i>R. Harold Olsen</i>
	Street and No.	<i>Box 322 79</i>
	P.O., State and Zip Code	<i>Helena, MT 59018</i>
	Postage	\$ <i>22</i>
	Certified Fee	<i>75</i>
	Special Delivery Fee	
	Restricted Delivery Fee	
	Return Receipt Showing to whom and Date Delivered	<i>60</i>
	Return receipt showing to whom, Date, and Address of Delivery	
	TOTAL Postage and Fees	\$ <i>1.57</i>
Postmark or Date	<i>1-6-86</i>	
<i>Carlson Lease (Sun)</i>		

JAN 6 1986
TEX.
20743
1.57

Mr. R. Howard Olsen
Post Office Box 32279
Phoenix, Arizona 85018

P 167 325 606

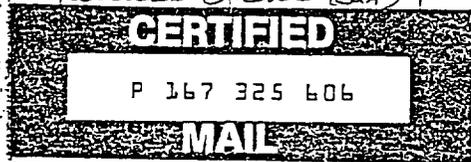
RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

* U.S.C.P.O. 1984-448 014	
Sent to	<i>R. Howard Olsen</i>
Street and No.	<i>P.O. Box 32279</i>
P.O. State and ZIP Code	<i>Phoenix, AZ 85018</i>
Postage	\$ <i>22</i>
Certified Fee	<i>75</i>
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	<i>60</i>
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ <i>1.57</i>
Postmark or Date	<i>1-6-86</i>
<i>Carlson Lease (son)</i>	

PS Form 3800, Feb. 1982



PS Form 3811, July 1983 447-845

SENDER: Complete items 1, 2, 3 and 4.
Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for service(s) requested.

1. Show to whom, date and address of delivery.
2. Restricted Delivery.

3. Article Addressed to:
R. Howard Olsen
P.O. Box 32279
Phoenix, AZ 85018

4. Type of Service: Article Number
 Registered Insured
 Certified COD *PL67395606*
 Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee

6. Signature - Agent

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)
Carlson Lease (son)

Please clear tags

Carlson Lease (son) 1-6-86

DOYLE HARTMAN
Oil Operator

F. O. BOX 10426
MIDLAND, TEXAS 79702

CLAIM CHECK
NO. 767378

HOLD

DATE FEB 3 1986

1ST NOTICE

2ND NOTICE

RETURN

Detached from
PS Form 3849-A
Oct. 1980

CLAIM CHECK
NO. 894757

HOLD

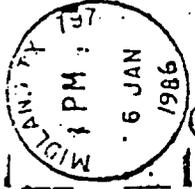
DATE JAN 6 1986

1ST NOTICE

2ND NOTICE

RETURN

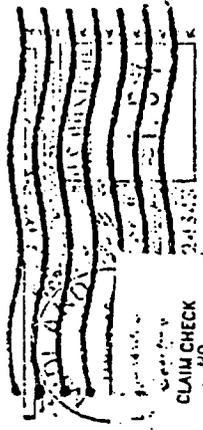
Detached from
PS Form 3849-A
Oct. 1980



POSTAGE DUE 1.05

Mr. R. Howard Olsen
Post Office, Box 32279
Phoenix, Arizona 85018

UNCLAIMED



CLAIM CHECK
NO. 746975

HOLD

DATE FEB 13 1986

1ST NOTICE

2ND NOTICE

RETURN

Detached from
PS Form 3849-A
Oct. 1980



23



P. O. BOX 1492
EL PASO, TEXAS 79978
PHONE: 915-541-2600

February 28, 1986

NOTICE TO SELLERS

This notice is intended to advise you of certain recent developments in El Paso Natural Gas Company's ("El Paso") interstate markets, and of El Paso's plans to deal with the increased competition presented by such developments. El Paso's projected sales for 1986 are expected to decline by approximately 20% from the sale levels experienced in 1985, due in large part to the decisions of El Paso's largest customers to purchase low-cost "spot market" gas in lieu of El Paso's system supply. Moreover, with the continuing precipitous decline in oil prices, El Paso's projected 1986 sales are at risk of being diminished further because approximately 30% of the remaining gas load on El Paso's system is capable of switching to fuel oil consumption.

HARTMAN EXHIBIT 23

MAR 3 1986

In order to preserve its projected sales levels against loss to alternate fuels and/or alternate sources of gas, El Paso has recently taken action under its market-out clauses, where permitted, to reduce all prices to \$2.20 per MMBtu, plus taxes, thereby terminating the payment of the higher market-out prices described in El Paso's letter of September 27, 1985 (received by most, though not all, of El Paso's sellers). El Paso also intends to modify its production-scheduling procedures in a manner that maximizes, to the extent practicable and legally permissible, the purchases of gas from El Paso's lowest cost sources of supply.

I.

As is the case with the natural gas industry in general, El Paso's market has eroded substantially since 1981. The market for natural gas has declined for a number of reasons, including abundance of cheap hydroelectric power, the activation of major nuclear power plants, low levels of economic growth and the increase of conservation. In addition, intense "gas-vs.-gas" competition has developed among the traditional pipeline suppliers to El Paso's two partial-requirements customers in California (Southern California Gas Company ("SoCal") and Pacific Gas & Electric Company ("PGandE") who, together, make up 80% of El Paso's market). Although El Paso has been largely successful in maintaining the competitiveness of its sales price with other traditional long-term suppliers through market-out actions, contract renegotiations, reductions in workforce and other stringent cost control and efficiency

measures, El Paso's sales have nevertheless declined from approximately 3,450 MMcf per day in 1981 to approximately 2,400 MMcf per day in 1985.

Until 1985, El Paso's customers did not themselves purchase any gas supplies from short-term non-dedicated sources. In mid-1985, however, the market environment changed radically. Beginning in March, 1985, on an experimental basis, and expanding in July, 1985 to a truly massive scale, SoCal began to displace El Paso's sales gas with low-cost gas purchased on a "spot" basis. Since July, 1985, SoCal's spot purchases have averaged about 680 MMcf per day. PGandE and Southwest Gas Corporation (El Paso's third largest customer) also each make substantial spot gas purchases. The net wellhead price of spot market gas purchased by El Paso's customers has declined from the range of \$1.95 - \$2.25 per MMBtu (inclusive of taxes) in mid-1985 to the range of \$1.45 - \$1.70 per MMBtu (inclusive of taxes) in March, 1986. By comparison, El Paso's equivalent wellhead weighted average cost of gas, inclusive of taxes, was \$2.64 per MMBtu in mid-1985, and \$2.46 per MMBtu in late 1985 and early 1986. Against such competition, El Paso lost substantial sales. This, in turn, forced El Paso to reduce its takes of gas from its suppliers.

The massive displacement of El Paso's sales gas by spot market gas is expected to continue in 1986. El Paso now projects that its 1986 sales will be approximately 1,910 MMcf per day, which represents a

decline of approximately 20% from the average-day sales of 2,404 MMcf per day in 1985.

In order to maintain this share of its customers' expected purchases of long-term gas supplies, El Paso must remain competitive with the traditional interstate pipeline suppliers: Transwestern Pipeline Company ("Transwestern") and Pacific Gas Transmission (an affiliate of PGandE). El Paso stands to lose up to 600 MMcf per day of sales unless it keeps its sales rates within a range of the rates of these competitors prescribed by the California Public Utilities Commission ("CPUC").

An additional and immediate threat to El Paso's projected 1986 sales is the potential that major end-user customers of SoCal and PGandE will switch fuels and begin consuming fuel oil. Oil prices have dropped precipitously in recent weeks, to price levels not seen since 1979. As a result, fuel oil is now available at prices below El Paso's current sales rates. In early February, 1986, SoCal narrowly averted the loss of some 600 MMcf per day of sales when an arrangement was worked out with certain of its electric-generation customers to enable those end-users to continue to purchase and consume natural gas, rather than switch to fuel oil. Much of this sales loss would have been borne by El Paso. In approving the arrangement, however, the CPUC limited its term to a period extending only through March 19, 1986. At that time, the CPUC intends to "re-examine market conditions" and review the "actions [that] SoCal's

interstate pipeline suppliers take to keep gas rates competitive with declining alternate fuel prices." See CPUC Resolution G-2664, dated February 11, 1986 (copy attached). The CPUC conveyed a clear message that El Paso's sales to California customers may suffer considerable losses unless its rates are "competitive with alternate fuel prices:"

By allowing this temporary deviation, we are providing SoCal's long-term suppliers with a "grace period" in which to react to the declining fuel oil market and adjust their commodity rates to levels that are competitive with alternate fuel prices. If they succeed, all utility customers will benefit from reduced gas prices. If the pipelines cannot respond, however, some fuel switching may result. Furthermore, there is no reason for California utilities to continue to commit to a 60% purchase level (a level this Commission has never ratified) for long-term supplies unless there is assurance that such gas will be marketable to fuel switching customers.

CPUC Resolution G-2664 at p. 2.

Unless El Paso's rates are "competitive with alternate fuel prices," El Paso stands to lose not only its share of the sales retained as a result of the above-described arrangement, but also could lose significant additional sales as a result of other end-users switching to lower-cost fuel oil. El Paso estimates that its gas sales could decline to approximately 1,350 MMcf per day if its prices are not competitive with fuel oil prices. In fact, a substantial amount of sales have already been lost, at least temporarily, as a direct result of the decline in fuel oil prices. PGandE has decreased its purchases of

El Paso's gas by approximately 200 MMcf per day, in favor of purchases of low-cost spot market gas, so as to avoid fuel switching.

II.

In order to maintain its presently-projected sales levels against competition from other gas suppliers as well as alternate fuels, El Paso must take immediate action to reduce its sales rates. El Paso's primary means of accomplishing such reductions in the past has been to decrease gas costs (which account for over 80% of El Paso's sales rate) through market-out actions and contract renegotiations. In this instance, El Paso has determined to effect reductions in its gas costs by again exercising its market-out rights. Alone, however, this further market-out reduction would not be enough. Thus, El Paso also now intends to reduce its gas costs by modifying its production-scheduling procedures in a manner that maximizes, to the extent practicable, purchases of gas from low-cost sources of supply.

1. Market-Out Action.

By letter dated September 27, 1985, mailed to most of El Paso's suppliers, El Paso exercised its market-out rights, where permitted, to reduce prevailing prices to \$2.20 per MMBtu, plus taxes. This letter further provided, however, that in the event all of an individual seller's contracts with El Paso contained broad market-sensitive pricing provisions, then certain higher market-out prices would apply. These

higher market-out prices ranged from \$2.30 per MMBtu to \$2.60 per MMBtu, depending upon the area in which the gas is located. El Paso has now determined that it is necessary and appropriate, under the existing gas supply and market demand environment, to eliminate these higher market-out prices and to establish a uniform market-out price equal to \$2.20 per MMBtu, plus taxes, effective March 1, 1986. The notices implementing this action were mailed this week.

2. Modifications to Production Scheduling Procedures

In order to derive further gas-cost savings without a more drastic market-out action, El Paso has also determined to modify its production-scheduling procedures. In past periods, El Paso attempted to ratably apportion its market demand system-wide to all of its sellers. This policy was predicated on El Paso's belief that no one segment of its supplier community should bear a disproportionate share of the depressed market demand, and its belief that the combination of state conservation laws and regulations, contractual provisions and operational constraints precluded a more aggressive least-cost scheduling program.

Recent judicial decisions, however, constrict El Paso's ability to apportion its market demand in the manner historically followed. In Transcontinental Gas Pipe Line Corporation v. State Oil & Gas Board, No. 84-1076 (January 22, 1985), the Supreme Court of the United States overturned an attempt by a state to regulate the purchasing practices of

an interstate pipeline. This decision brings into question the validity of many state conservation laws and regulations, insofar as they require interstate pipelines to take gas without regard to cost or market consequences. In Office of Consumers' Counsel v. Federal Energy Regulatory Commission, No. 84-1099 (February 4, 1986), the District Court of Columbia Circuit Court of Appeals remanded a FERC order respecting an interstate pipeline's purchasing practices, holding, inter alia, that FERC must consider anew the question of whether the pipeline's failure to schedule production on the basis of price was an "abuse" under NGPA § 601(c)(2) or "imprudent" under Section 5 of the Natural Gas Act. CPUC Resolution G-2664 and the increasingly unstable gas market, taken together with the uncertainty created by these judicial decisions, clearly dictate that El Paso modify its scheduling practices so as to reduce gas costs.

Under its new production-scheduling procedures, El Paso expects that it will continue to purchase, without curtailment, its "nonswing" supplies (i.e., gas produced in association with oil and gas produced from hardship or emergency wells). El Paso's remaining sources of supplies will be purchased at varying load factors, depending on average cost of each source of supply and operational considerations. However, El Paso presently anticipates that it will continue to purchase "swing" gas supplies on a ratable basis within discrete common sources of supply.

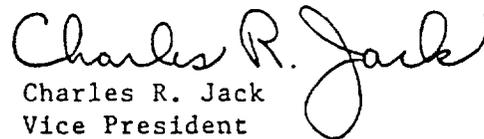
February 28, 1986

III.

El Paso is hopeful that the above-described actions will permit it to achieve its projected sales levels for 1986. These actions may not be enough, however. If El Paso's price becomes noncompetitive (as that term may eventually be defined by the CPUC) with other gas supplies or with alternative fuels, El Paso may be forced to take more drastic price actions or to make further modifications to its production-scheduling procedures. We will strive to keep you informed if such actions become necessary.

Very truly yours,

EL PASO NATURAL GAS COMPANY


Charles R. Jack
Vice President

Attachment

24



DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

March 3, 1986

Oil Conservation Commission
P. O. Box 2088
Santa Fe, N.M. 87501

Attention: Mr. R.L. Stamets

Gentlemen:

A substantial number of Doyle Hartman's wells in Lea County, New Mexico have been shut in by El Paso Natural Gas Company.

As Hartman is in the process of filing a lawsuit against El Paso, we would like to request suspension of calculations for classification or adjustments to the over/under production status on our wells. Once a restraining order is issued against El Paso, we will be able to resume normal production of our wells.

Very truly yours,

DOYLE HARTMAN



Margaret Young
Contract Analyst

/my

cc: Mr. Harold Swain
Mr. Robert Strand
Mr. Wm. F. Carr
Mr. Wm. P. Aycock
Mr. Daniel S. Nutter

25



P. O. BOX 1492
EL PASO, TEXAS 79978
PHONE: 915-541-2600

CHARLES R. JACK, VICE PRESIDENT

May 29, 1986

NOTICE TO SELLERS

This Notice is intended to advise you of certain recent developments affecting El Paso Natural Gas Company ("El Paso") and of the resulting effects on El Paso's relationships with those from whom it purchases gas.

I.

As a federally-regulated interstate natural gas pipeline company, El Paso has a legal duty to provide service to its customers at the lowest reasonable rate consistent with maintenance of adequate service. This duty, as declared by the Federal Energy Regulatory Commission ("FERC") and the federal courts, encompasses a continuing obligation to minimize all costs, including the cost of purchased gas, in a reasonable and prudent manner and with due regard for the marketability of the gas being purchased. El Paso's gas purchase agreements are specifically subject to applicable federal laws, orders and regulations.

During the month of May, 1986, in the discharge of its federally-imposed obligations, El Paso has scheduled its takes from the lowest-cost "swing" pools, after taking gas from all "nonswing" sources. As used throughout this Notice, the terms "nonswing gas" and "nonswing sources" include: (1) hardship or emergency gas; (2) casinghead or associated gas; (3) residue gas; (4) certain downhole commingled gas;

(5) gas received at central points of delivery and which includes casing-head or hardship gas; and (6) gas taken pursuant to certain contractual minimum physical take provisions. The term "swing gas," as used in this Notice, refers to all gas other than "nonswing gas."

You are hereby notified that, in continuing discharge of its duties under federal law, commencing June 1, 1986, and thereafter until further notice, El Paso will extend least-cost scheduling to nonswing sources. El Paso will rank each source of supply by its weighted average cost of gas ("WACOG") and, subject to operational and facility constraints, will schedule gas sequentially from lower-cost to higher-cost sources, including both swing and nonswing sources, to satisfy the demand for gas from El Paso's system supply.

For June, 1986, El Paso believes that sales volumes above 950 BBTu/day cannot be forecast reliably as a basis for production scheduling on a least-cost basis. Given this market, El Paso does not expect to take gas from any source for which the WACOG exceeds \$1.50 per MMBtu, inclusive of taxes. As a result, significant volumes of nonswing gas would not be purchased by El Paso under its existing contracts during June because of least-cost scheduling.

El Paso does not desire to precipitate the hardships which might otherwise result from shutting-in these sources. Therefore, during June, 1986, and thereafter until further notice, El Paso will accept without interruption (subject to sufficient market demand) your tender and delivery of such nonswing gas at existing receipt points. Where nonswing Natural Gas Act ("NGA") gas is sold to El Paso under a FERC rate

schedule, El Paso will pay the applicable filed rate. Nonswing Natural Gas Policy Act ("NGPA") gas will be taken only at a price which fits within least-cost scheduling. Therefore, the amount El Paso will pay for nonswing NGPA gas in June, 1986, will be \$1.50 per MMBtu, inclusive of taxes. The same operating terms and conditions set forth in the pertinent gas purchase agreement will be utilized by El Paso in connection with these purchases.

The price which El Paso can pay for nonswing NGPA gas during periods subsequent to June, 1986 may be higher or lower, depending on changes in market conditions. El Paso will notify its sellers of such gas of any changes prior to the beginning of the applicable month. An affected seller may choose to shut-in its gas rather than sell at the above-described price. In offering to take nonswing NGPA gas at a price which fits least-cost scheduling, El Paso is accommodating both its federal duties and the policies underlying state conservation laws. El Paso does not, however, concede a contractual or statutory duty underlying this offer.

El Paso will not accept gas except in accordance with the production schedule developed to match least-cost sources with available markets. Gas delivered to El Paso in disregard of El Paso's production schedule will be deemed to have been delivered at a sales price equal to the FERC minimum rate of 32.1 cents per MMBtu, inclusive of taxes.

El Paso notes that the production scheduling practices set forth herein will be applicable during June, 1986, and may continue beyond that date. Further changes may be dictated by future events,

however. In particular, pending regulatory proceedings may profoundly affect El Paso and all its sellers, and may dictate further revisions in El Paso's production scheduling practices.

II.

Heretofore, by notices dated September 27, 1985 and February 28, 1986, copies of which are appended hereto and made a part hereof for all purposes, El Paso has described certain causes not reasonably within its control which cumulatively threaten El Paso's continuing ability to perform its obligations under many of its gas purchase contracts.

El Paso must now give notice that, since its last notice of February 28, 1986, there have been further events, occurrences, and governmental and court orders, none of which are or have been reasonably within the control of El Paso, and which, singly and collectively, and operating together with the events, occurrences and governmental orders previously described by El Paso in the attached Notices, constitute events of force majeure under El Paso's gas purchase agreements and excuse El Paso from performing its take obligations under certain of its gas purchase agreements. El Paso also hereby notifies you that its performance under the terms of many of its gas purchase agreements has been rendered commercially impracticable within the meaning of applicable state statutes, and under the common law doctrines of impossibility of performance and frustration of purpose. Among these recent events, occurrences and orders are the following:

- The decision in Office of Consumers' Counsel v. FERC, No. 84-1099 (D.C.C.A.) (referred to on p. 8 of El Paso's February 28th notice) has become final. The parties to that case have announced that rehearing or Supreme Court review will not be sought.

- El Paso's gas markets are under intense pressure as a consequence of the recent, drastic reduction in prices for residual fuel oil. The price of gas over El Paso's system must be competitive with the prices of alternate fuels available to utility and industrial markets if these markets are to be retained.

- Beginning in April, 1986, El Paso's second largest customer, Pacific Gas and Electric Company ("PGandE"), reduced purchases from El Paso by 80 million Mcf per day, with PGandE then buying these volumes from its wholly-owned affiliate, Pacific Gas Transmission Company and its Canadian suppliers at spot prices.

- On March 19, 1986, the Public Utilities Commission of the State of California ("CPUC") in Decision 86-03-057 announced a new and fundamentally altered regulatory framework for the California gas utilities which comprise approximately 80% of El Paso's total market. The CPUC also proposed for comment a number of regulatory changes which, if adopted, will significantly alter the manner in which natural gas is marketed in the State of California.

- Transwestern Pipeline Company made filings with the FERC which not only produced a decrease in Transwestern's commodity sales rate in California from \$2.87 per dekatherm to \$2.51 per dekatherm, effective April 1, 1986, but which also sought authorization from the FERC to permit Transwestern to adjust its rates, at its discretion, by giving only a one-day notice. Transwestern may use this authority to further reduce the purchased gas component of its California sales rate, upon one-day prior notice, to permit it to gain competitive advantage over other suppliers, including El Paso. By orders issued March 28 and 31, 1986, FERC gave the requested authorizations and approvals to be effective April 1, 1986.

-- ~~The FERC has refused to grant El Paso's request for immediate authorization to discount selectively its sales rates to meet price competition from fuel oil and other gas supplies. El Paso is seeking a rehearing, but the FERC has not yet acted on this request.~~

-- The restructuring of El Paso's markets and operations dictated by recent FERC Order Nos. 380 and 436 et seq., and the proposed rules advanced by the Department of Energy in FERC Docket No. RM86-3 (ceiling prices; old gas pricing structure and block billing) have continued to create market uncertainty and market loss. Order Nos. 380 et seq., were affirmed on appeal by the United States Court of Appeals for the District of Columbia Circuit and petitions for writ of certiorari were recently denied by the Supreme Court of the United States. Order Nos. 436 et seq., are now on appeal in the United States Court of Appeals for the District of Columbia. The impact and legality of this latter series of orders will not be finally determined for an indefinite period into the future.

-- Warmer than normal winter and spring temperatures in El Paso's market area, together with higher than normal precipitation (giving rise to availability of abundant supplies of very low-cost hydroelectric power) and the start-up of new nuclear-power facilities, have greatly diminished total gas demand in El Paso's principal markets. The portion of such lost market demand occasioned by the start-up of nuclear-power facilities is permanent.

These events, occurrences and orders have had a significant, adverse impact on El Paso's ability to market the gas committed to it under gas purchase agreements. During January through April, 1986, El Paso sales averaged only 1.5 Bcf/day. By comparison, El Paso's sales in 1985 were approximately 2.45 Bcf/day. Gas available to El Paso for purchase under existing gas purchase agreements during 1986 is approximately 3.5 Bcf/day.

El Paso has continued to exercise due diligence in its efforts to overcome the consequences of these adverse events. Among other things, El Paso has:

- On April 1, 1986, extended its Spot Market Release Gas Program to sellers in the San Juan Basin in order to provide them alternate market opportunities using El Paso as an open access transporter. This program is now available to all sellers of NGPA gas to El Paso.
- On May 9, 1986, filed an application with the FERC to secure appropriate blanket abandonment and certificate authorizations so that sellers of all vintages of gas might have access to the natural gas spot market through El Paso's open access transportation system.
- Participated in every FERC and CPUC proceeding affecting, or potentially affecting, El Paso's market and operation to seek modifications or rejection of regulatory changes which preclude El Paso from performing under its gas purchase agreements.
- On February 28, 1986, filed a PGA reduction of 38.74¢ per MMBtu.
- Filed an Offer of Settlement in Docket No. RP86-45 to seek FERC approval of El Paso's open access tariff and rates.

El Paso pledges its continuing efforts to pursue every reasonable opportunity to protect and expand the market which it has traditionally provided for sellers to the El Paso system, and to remedy the force majeure events herein noticed with all reasonable dispatch. Every effort will be made to provide alternate market opportunities for all sellers during this period of time when El Paso is excused from performance of take obligations in certain of its gas purchase agreements. In particular, any seller desiring to obtain a release from its commitment to

El Paso, whether permanent or temporary, total or partial, will be granted expeditious consideration.

III.

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This Notice shall further serve to notify those sellers whose contracts with El Paso (1) cover any nonswing gas supplies (as defined herein) and (2) contain an Alternate Price or "market-out" clause exercisable at this time, that El Paso, acting in good faith and in accordance with prudent business practices, has determined that its gas supply and market demand environment indicates a downward change in the value to El Paso of all such nonswing gas for which the current price exceeds \$1.50 per MMBtu, inclusive of "state severance taxes" (as defined in NGPA § 110(c)) and any other applicable adjustments or add-ons. Accordingly, El Paso hereby notifies those sellers of its decision to change the price or prices otherwise payable for such nonswing gas under such contracts to an Alternate Price equal to \$1.50 per MMBtu, inclusive of taxes and any other applicable adjustments or add-ons. Said Alternate Price shall become effective for all sales of nonswing gas from and after June 1, 1986, and, subject to the terms and provisions of such contracts, shall continue until further notice from El Paso.

IV.

El Paso sincerely hopes that all its sellers understand that the measures described herein are necessary and reasonable responses to the prevailing conditions. El Paso urges all its sellers whose gas

cannot and will not be taken under the current operating and market conditions to avail themselves of maximum participation in El Paso's ongoing Spot Market Release Program. El Paso further asks that all its sellers support El Paso's requested broadening of the Program to include NGA gas.

In the event you have any questions concerning the implementation of the purchasing practices described herein, you may call El Paso's Gas Purchases Department at (915)541-5408.

Very truly yours,

Charles R. Jack

26

FIFTH JUDICIAL DISTRICT COURT
COUNTY OF LEA
STATE OF NEW MEXICO

FIFTH JUDICIAL DISTRICT COURT
COUNTY OF LEA

'87 MAR 24 02:18

DOYLE HARTMAN, an individual,)
)
 Plaintiff,)
)
 vs.)
)
 EL PASO NATURAL GAS COMPANY,)
 a Delaware corporation,)
)
 Defendant.)

No. CV-86-369(J)

PERMANENT INJUNCTION

In his Complaint, as amended, Plaintiff sought monetary damages caused by Defendant's past breach of the ratable take clauses of certain natural gas purchase contracts. Plaintiff also sought injunctive relief to prevent Defendant's breach of such ratable take clauses in the future.

During the discovery phase of this case, the parties entered into a Stipulation and Agreement Governing Undisputed Contract Coverage which identifies the contracts and wells at issue in this proceeding (the Contract Stipulation). A copy of the Contract Stipulation is attached hereto as Exhibit "A." Further, during the discovery phase of this case, the parties entered into a Stipulation Governing Contract Clauses which identifies five (5) particular ratable take clauses at issue and identifies the various contracts containing each such clause (the "Contract

Clause Stipulation"). A copy of the Contract Clause Stipulation was introduced at trial of this matter as Plaintiff's Exhibit 75 and is attached hereto as Exhibit "B."

Further, during the discovery phase of this case, the parties entered into a Stipulation Concerning Discovery Matters, the Status of Certain Claims and Establishing Certain Schedules in this Litigation -- one aspect of which governs the procedures and mechanics of Plaintiff's claim for injunctive relief (the "Injunction Stipulation"). A copy of the Injunction Stipulation is attached hereto as Exhibit "C." Paragraph 3(B)(6) of the Injunction Stipulation provides as follows:

Injunctive Relief. In lieu of seeking future damages, Plaintiff will request entry of an injunctive order requiring Defendant to honor the contracts for the remaining term thereof. Defendant maintains the right to contest whether a breach has occurred justifying the entry of such order and further maintains the right to assert on appeal the applicability of all its asserted defenses. Defendant does not concede that the granting of an injunction would not cause it unreasonable hardship, nor does Defendant concede that granting an injunction would not violate public policy. Defendant, accordingly, reserves the right to assert these matters as a defense to granting an injunction. Defendant will not, however, assert at trial or on appeal that Plaintiff has an adequate remedy at law in the form of monetary damages nor will Defendant assert

that a permanent injunction should not issue because Plaintiff will not be irreparably injured. Defendant shall not be precluded from presenting a request for relief because of future events which are grounds to modify any injunction which may be issued.

On December 1, 1986, jury trial commenced on the damage portion of Plaintiff's Complaint, as amended. On December 19, 1986, the jury returned its verdict in favor of Plaintiff in the amount of Two Million One Hundred Fifty-three thousand Dollars (\$2,153,000) in compensatory damage and One Million Eighty thousand Dollars (\$1,080,000) in punitive damages.

In light of the jury verdict and in consideration of the Injunction Stipulation between the parties, the Court requested the parties to submit a summary of their respective positions relative to injunctive relief, and supporting authorities therefor.

The Court, having considered the additional tendered evidence of Defendant and the objections of Plaintiff to such tender, and the Court considering such tender as if it were evidence in this matter and considering the argument and authorities of the parties on the issue of injunctive relief, finds and concludes as follows:

FINDINGS OF FACT

1. Plaintiff Doyle Hartman is an individual who is a resident of the State of Texas and who is authorized to do and is doing business in the State of New Mexico.

2. Defendant El Paso Natural Gas Company is a Delaware

corporation, the principal place of business of which is in the State of Texas and which is authorized to do and is doing business in the State of New Mexico.

3. Plaintiff engages in the business of exploring for, producing and selling natural gas in the State of New Mexico, principally in Lea and Eddy Counties, New Mexico. Plaintiff owns interests in several natural gas properties in Lea and Eddy Counties, New Mexico, the production from which is to be sold at the wellhead, pursuant to written natural gas purchase contracts.

4. Defendant engages in the business of purchasing natural gas at the wellhead as well as at the tailgate of certain processing plants in the State of New Mexico and transporting most of such gas for resale outside of the State of New Mexico.

5. Plaintiff owns interests in and operates several natural gas properties in Lea and Eddy Counties, New Mexico, the production of which is sold to Defendant, pursuant to certain natural gas purchase contracts. Certain of such contracts relate to the sale of gas from natural gas wells ("dry gas"), while others relate to the sale of casinghead gas produced from oil wells ("oil-well casinghead gas"), and others relate to the sale of casinghead gas from gas wells completed in oil pools ("gas-well casinghead gas"), as defined by the rules and regulations of the Oil Conservation Division of the Department of Energy and Minerals of the State of New Mexico.

6. As the presiding judge in the trial of this case to a jury, the Court has heard all relevant and material evidence presented on the issues raised, including the issues involved in

the requested injunctive relief.

7. The Court has examined the Injunction Stipulation between the parties and finds that the terms of such Stipulation have eliminated certain issues from this injunction proceeding.

8. The Injunction Stipulation provides that Defendant maintains the right to contest whether a breach (of contract) has occurred. (Injunction Stipulation, paragraph 3(B)(6) at p. 6). The Court, on the basis of the jury verdict, as well as its own examination of the evidence at trial, finds that Defendant has in fact breached the ratable take clauses of the contracts at issue and, on the basis of Defendant's statements and purchasing policies, has threatened to continue such conduct in the future.

9. The Injunction Stipulation provides that Defendant maintains the right to assert that the granting of such injunction would cause it unreasonable hardship. The Court, having previously considered Defendant's hardship claims and having considered the evidence at trial, finds that Defendant will not suffer unreasonable hardship as a result of this permanent injunction.

10. The Injunction Stipulation provides that Defendant maintains the right to assert that the granting of an injunction would violate public policy. The Court, having previously considered Defendant's public policy claims and having considered the evidence presented at trial, finds that public policy is not violated, but is rather fostered and enhanced, by the issuance of

this permanent injunction.

11. Defendant has stipulated and the Court finds, based on the evidence presented, that Plaintiff has no adequate remedy at law with respect to the Defendant's potential breach of contract in the future.

12. Defendant has stipulated and the Court finds, based further on the evidence presented, that Plaintiff will be irreparably injured unless a permanent injunction is issued herein.

13. With respect to the Type 1 Ratable Take Clause (illustrated in Exhibit A to Plaintiff's Exhibit B, attached hereto), Defendant is obligated to take Plaintiff's gas ratably with the maximum production from any allocation unit (including oil-well casinghead, gas-well casinghead, and dry-gas allocation units) connected to Defendant's system in Lea County, and to pay for such gas at the prices specified in the contracts:

A. Ratability, for purposes of this clause, means that Defendant is obligated to take Plaintiff's prorated gas proportionately as measured by deliverability, up to allowable limits, as compared to the maximum production from any allocation unit connected to its system in Lea County. "Allowable limits" within the meaning of this ratable take provision includes the provisions of the New Mexico Oil Conservation Division's General Rules and Regulations for the Prorated Gas Pools of New Mexico for monthly allowables and for shut-in of wells due to overproduction.

B. Under this clause, Defendant is obligated to take Plaintiff's non-prorated gas (i.e., gas from marginal wells or from wells in non-prorated pools) at full deliverability.

C. For purposes of this clause allocation unit means both a gas well allocation unit and an oil well allocation unit. Allocation units are the same as proration units.

D. Ratability is to be determined and balanced within two months of the entry of this Order and thereafter on a month-to-month basis.

14. With respect to the Type 2 Ratable Take Clause (illustrated in Exhibit B to Plaintiff's Exhibit B, attached hereto), Defendant is obligated to take Plaintiff's gas ratably with the maximum production from any "gas well" (as defined by the New Mexico Oil Conservation Division) connected to defendant's system in Lea County, and to pay for such gas at the prices specified in the contracts:

A. Ratability, for purposes of this clause, means that Defendant is obligated to take Plaintiff's prorated gas proportionately as measured by deliverability, up to allowable limits, as compared to the maximum production from any gas well (including gas-well casinghead and dry gas) connected to its system in Lea County. "Allowable limits" shall encompass the provisions of the New Mexico Oil Conservation Division's General Rules and Regulations for the Prorated Gas Pools of New Mexico for monthly allowables

and for shut-in of wells due to overproduction.

B. Under this clause, Defendant is obligated to take Plaintiff's non-prorated gas (i.e., gas from marginal wells or from wells in non-prorated pools) at full deliverability.

C. Ratability is to be determined and balanced within two months after the entry of this Order and thereafter on a month-to-month basis.

15. With respect to the Type 3 Ratable Take Clause (illustrated in Exhibit C to Plaintiff's Exhibit B, attached hereto), Defendant is obligated to take Plaintiff's gas ratably with the maximum production of gas from any gas well completed in the same reservoir, whether such other wells are connected to Defendant's system or to the system of another purchaser, and to pay for such gas at the prices specified in the contracts:

A. Ratability, for purposes of this clause, means that Defendant is obligated to take Plaintiff's prorated gas proportionately as measured by deliverability, up to allowable limits, as compared to the maximum production of gas from any gas well completed in the same reservoir. "Allowable limits" shall encompass the provisions of the New Mexico Oil Conservation Division's General Rules and Regulations for the Prorated Gas Pools of New Mexico for monthly allowables and for shut-in of wells due to overproduction.

B. Under this clause, Defendant is obligated to take Plaintiff's non-prorated gas (i.e., gas from marginal

wells or from wells in non-prorated pools) at full deliverability.

C. Ratability under this clause is to be examined in comparison to any well completed in the same reservoir, regardless of whether Defendant or some other entity is the purchaser thereof and regardless of whether such well is connected to Defendant's system or to the system of another purchaser.

D. Ratability is to be determined and balanced within two months after the entry of this Order and thereafter on a month-to-month basis.

16. With respect to the Type 4 Ratable Take Clause (illustrated in Exhibit D to Plaintiff's Exhibit B, attached hereto), Defendant is obligated to take and pay for Plaintiff's gas as follows:

A. In the same proportion that Defendant is purchasing the allowable limits from any other gas well completed in the same field or reservoir, it is obligated to purchase the allowable limits from Plaintiff's prorated gas wells. "Allowable limits" shall encompass the provisions of the New Mexico Oil Conservation Division's General Rules and Regulations for Prorated Gas Pools of New Mexico for monthly allowables and for shut-in of wells due to overproduction.

B. Under this clause, Defendant is obligated to purchase Plaintiff's non-prorated gas (i.e., gas produced from marginal wells or wells in non-prorated pools) at full deliverability.

C. Ratability, under this clause is to be determined and balanced within two months after the entry of this Order and thereafter on a month-to-month basis.

17. The Type 5 Ratable Take Clause (illustrated in Exhibit E to Plaintiff's Exhibit B, attached hereto) is not, in fact, a ratable take clause, but instead obligates Defendant to take all of Plaintiff's gas under the designated contracts. For purposes of this clause, Defendant is obligated to purchase all of the gas under the referenced contracts, up to allowable limits. "Allowable limits" shall encompass the provisions of the New Mexico Oil Conservation Division's General Rules and Regulations for the Prorated Gas Pools of New Mexico for monthly allowables and for shut-in wells due to overproduction.

18. On the basis of the evidence presented at trial, the allowable limits designated by regulatory authority for prorated pools (which allowable limits affect Defendant's ratable take obligations under the Contracts) are in whole or part, a function of the prior purchasing practices of the Defendant. As such, the allowable limits are totally within the discretion and control of Defendant and therefore subject to manipulation by Defendant, particularly within those pools where Defendant is the dominant purchaser, such as the Jalmat Pool. Defendant, by reducing or eliminating its purchases from the Jalmat Pool or from all of Lea County, will effectively diminish or reduce to zero the monthly allowables and thereby affect the allowable limits applicable to Plaintiff's prorated wells.

19. On the basis of evidence presented at trial, Defendant has manipulated the nomination and proration system of the State of New Mexico and, accordingly, has manipulated the monthly allowables which directly affect the allowable limits and the determination of ratable take obligations under the Contracts at issue.

20. The emergence of the so-called "spot market" and Defendant's practice of submitting joint nominations for both El Paso Natural Gas and El Paso Gas Marketing Company, without designation of the purchases to be made by either such company, together with Defendant's manipulation of the nomination and proration system, lead the Court to believe that the monthly allowables resulting from such system have questionable reliability as a basis for determining the limitation on Defendant's ratable take obligations under the Contracts at issue.

21. Ratable take provisions are designed to protect two interests of Plaintiff. First, where the ratable take obligations are limited to a reservoir, a principal purpose of the clause is to protect against the drainage of Plaintiff's gas by other producers in the same reservoir. Second, ratable take clauses are designed to insure that each producer within the same reservoir or within the area covered by such a clause is able to produce and sell his proportionate share of the gas in the reservoir involved.

22. In Southeast New Mexico, Defendant has in the past taken and contemplates taking in the future, full deliverability of natural gas produced from oil wells ("oil-well casinghead

gas") and natural gas produced from gas wells located in oil pools ("gas-well casinghead gas") up to the allowable limits established by Section G, (Oil Proration and Allocation) of the New Mexico Oil Conservation Division's Rules and Regulations. For the bulk of such casinghead gas the OCD, through Rules 505, 506 and the special pool rules for the Jalmat and Eumont Pools, has established an allowable limit of 800 mcf per day per 40-acre allocation unit on production from such casinghead wells.

23. As a general rule, in the prorated gas pools in Southeast New Mexico, including Jalmat and Eumont gas pools, natural gas produced from oil wells is produced from the same common source of supply as dry gas produced by Plaintiff under the contracts at issue in this case.

24. Defendant has engaged in discriminatory and preferential marketing practices in an effort to favor its affiliate producers.

25. Defendant has violated and breached its duty to act in good faith and to observe reasonable commercial standards of fair dealing, thus destroying or injuring Plaintiff's right to receive the full fruits of these contracts.

26. Defendant's discriminatory and preferential purchasing and marketing practices are in violation and breach of the contracts.

27. Defendant's violation and breach of the contracts, its failure to nominate in good faith and to take sufficient quantities of gas from the pools in which the wells are located so as to fulfill the terms of the contracts, and its discriminatory and

preferential practices are in bad faith or in wanton disregard of Plaintiff's contractual rights.

28. Defendant's statements and purchasing policies indicate that a substantial portion of Plaintiff's historical daily producing volumes may not be returned to production for an indefinite period of time.

29. Defendant's obligation to perform under these contracts extends for several more years.

30. If these breaches continue, Plaintiff will be irreparably harmed. Approximately ninety-two percent (92%) of Plaintiff's gas production is subject to his contracts with Defendant. Ninety-five percent (95%) of Plaintiff's income is derived from Lea County. Due to Defendant's shut-in of his wells and reduction in his revenues, Plaintiff has not been able to acquire new reserves, or develop leases owned by him and subject to the contracts. Because of Defendant's ongoing breach of its contracts with him, Plaintiff will continue to suffer a substantial loss of revenue, inhibiting his present and future ability to explore for, produce and sell natural gas.

31. Defendant's net worth, as of December 31, 1985, was one billion sixty-nine million two hundred fifty-eight thousand dollars (\$1,069,258,000).

32. Defendant's net operating earnings for its gas pipeline operations in 1985 were three hundred fifty-nine million six hundred twenty-three thousand dollars (\$359,623,000).

33. Defendant's net worth, as of June 30, 1986, was one

billion one hundred forty million three hundred thousand dollars (\$1,140,300,000).

34. Defendant's net operating earnings for its gas pipeline operations for the first three-quarters of 1986 were two hundred thirty-five million five hundred fifty-six thousand dollars (\$235,556,000).

35. This Permanent Injunction does not impose an undue burden on the Court with respect to monitoring Defendant's compliance herewith, but rather provides the Court with an objective ascertainable standard by which to monitor Defendant's conduct.

CONCLUSIONS OF LAW

1. This Court has jurisdiction over the parties and the subject matter of this action.

2. Venue is proper in this Court.

3. Defendant's defenses of federal duty, force majeure, commercial impracticability or frustration of purpose, public policy, state regulation and regulation of flow do not excuse its failure to perform fully under the casinghead and gas well contracts.

4. Defendant presently is not fully performing under these contracts and has clearly and unequivocally expressed its intention not to perform fully in the foreseeable future.

5. Defendant's failure to perform fully under these contracts substantially impairs the value of these contracts to Plaintiff.

6. Because Defendant continues to breach its contracts

with Plaintiff, Plaintiff has no adequate remedy at law.

A. Defendant's breach of its contracts with Plaintiff is of a continuous nature, between the same parties, and involving the same issues of law and fact, the constant recurrence of which renders a remedy at law inadequate, except by a multiplicity of lawsuits.

B. Plaintiff's business of exploring for, producing and selling natural gas will be irreparably injured if Defendant continues to breach its contracts with Plaintiff. If Plaintiff were required continuously to seek an award of damages, the measurement of which is difficult to ascertain, a damage award would come too late to save his business.

7. The weighing of the equities supports the issuance of an injunction in Plaintiff's favor.

A. Plaintiff will experience more hardship if the injunction is denied than Defendant will suffer if the injunction is permitted.

B. Defendant has acted in bad faith or in wanton disregard of Plaintiff's contractual rights, engaging in discriminatory and preferential marketing and purchasing practices and in the manipulation of nomination and proration scheduling by its failure under the Contracts to take gas in good faith; equity dictates that fairness, justice and right dealing should dominate all commercial transactions and practices.

8. Public policy and consideration of the relative hardship to the parties weigh in favor of granting this permanent

injunction.

9. This Permanent Injunction does not impose an undue burden on the Court with respect to monitoring Defendant's compliance herewith, but rather provides the Court with an objective ascertainable standard by which to monitor Defendant's conduct.

10. Plaintiff is entitled to a permanent injunction, compelling Defendant's performance under the terms of the contracts as follows:

A. Dry Gas wells - Pursuant to all contracts, Defendant must pay for such gas at the contract price specified in the contracts and must take Plaintiff's gas from existing and future wells drilled on properties owned by Plaintiff and subject to such contracts, in the maximum proportion of deliverability that gas is being produced within the terms of the applicable ratable take provisions (Findings Nos. 13-17). The "takes" of gas shall be as follows:

1. Marginal and Non Marginal Wells in Pools Presently Classified as Prorated.

a. Defendant shall take at all times if made available by Plaintiff, each well's proportionate producing ability (deliverability), as defined in 10A above, with the only acceptable reasons for well shut-ins being:

(1.) An order or directive of the New Mexico Oil Conservation Division requiring shut-in of

production for prorated gas wells, because of production in excess of allowable limits (over production), if any, prescribed by the Division's General Rules and Regulations for the Prorated Gas Pools of New Mexico.

- (2.) Emergency or reasonably necessary short-term plant repairs or line maintenance.
 - (3.) In the event a prorated pool, for any reason becomes non-prorated, or proration is suspended for any period of time, then during such time Defendant's required takes shall be based on the provisions of 10A. through 10A 1.a.(1.) and (2.) above.
- b. Defendant shall receive a credit against dry gas takes from non marginal wells in pools presently classified as prorated for the jury award of \$2,153,000 in compensatory damage. The amount of this credit shall be computed based on the ratio of the gross allowable underages accumulated at the time of trial (to the extent subsequently taken by Defendant) to the gross volume of gas utilized in computing the non-ratable take damages sought by Plaintiff at trial, such ratio being multiplied times the jury award for compensatory damages. This credit should be given to Defendant at the time of its payment of the jury verdict.

2. Wells in Pools Presently Classified as Non-Prorated -As to the South Empire State well which is located in Empire-Morrow South, a non-prorated pool, or any other applicable non-prorated well, Defendant shall take the same volume of gas on a monthly basis from that well as the maximum gas taken from any other well in such pool, regardless of whether such other well is connected to Defendant's gathering system or to the system of another purchaser.

3. Plaintiff will be responsible for the determination under 10A above, of the maximum gas being produced within the terms of the applicable ratable take provisions (Findings Nos. 13-17), and such determination shall be subject to review by this Court.

B. Casinghead Wells - Defendant shall take and pay contract price for all gas produced by casinghead wells and by gas wells in oil pools, up to allowable limits for casinghead gas as defined under Section G of the New Mexico Oil Conservation Division's Oil Proration and Allocation Rules and Regulations as well as the Division's applicable special pool rules. These required "takes" and payments shall also include any future wells drilled on properties owned by Plaintiff and subject to such contracts. (A list of the applicable existing wells is attached as an exhibit to the Partial Summary Judgment on Oil and Gas Well Casinghead Contracts, and is incorporated herein by reference.)

C. Defendant must exercise good faith in the manner in which it performs under this Injunction Order, taking into consideration the terms of the contracts, prior performance under such contracts, and the requirements of this Order.

LARRY JOHNSON

LAWRENCE H. JOHNSON
DISTRICT JUDGE

3. Defendant identifies its Gas Purchase Contracts by a numbering system consisting of four digits or three digits and one letter.

4. Natural gas produced or producible from the wells described in Exhibit "A" is subject to the terms and conditions of the Gas Purchase Agreements identified on Exhibit "A" by Defendant's contract number. Such wells have been identified by Plaintiff as being wells as to which Plaintiff alleges that Defendant is liable to Plaintiff for damages due to alleged nonratable taking.

5. Natural gas produced or producible from the wells described in Exhibit "B" is subject to the terms and conditions of the Gas Purchase Agreements identified on Exhibit "B" by Defendant's contract number. Such wells have been identified by Plaintiff as being wells as to which Plaintiff alleges that Defendant is liable to Plaintiff for damages due to alleged failure to pay contract prices.

6. Natural gas produced or producible from the wells described in Exhibit "C" is subject to the terms and conditions of the Gas Purchase Agreements identified on Exhibit "C" by Defendant's contract number. Plaintiff has not alleged any damages for past nonperformance on such wells, but such contracts would be subject to injunction entered in this case, insofar as they cover wells operated by Plaintiff.

FOR PLAINTIFF:

ATWOOD, MALONE, MANN & TURNER, P.A.

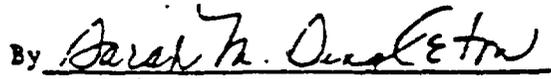
By 

Bob F. Turner
Robert H. Strand
P.O. Drawer 700
Roswell, New Mexico 88202-0700

DATED: 11/22/86

FOR DEFENDANT:

MONTGOMERY & ANDREWS, P.A.

By 

Jeffrey R. Brannen
Sarah M. Singleton
Gary Kilpatrick
W. Perry Pearce
P.O. Box 2307
Santa Fe, New Mexico 87504

DATED: Nov. 22 1986

Exhibit "A"

Wells For Which Damages Have Been
Claimed For Alleged Non-Ratable Taking

<u>Meter No.</u>	<u>Well Name</u>	<u>Contract Code</u>	<u>Pool</u>
58-034	Cooper State #2	6025, 6059	Jalmar
58-059	Phillips Goldston #1	5106 1/	Jalmar
58-183	El Paso Pritchard Fed #1	634B	Jalmar
58-212	Maraio State #1	6077	Jalmar
58-228	Santa Fe Federal #1	6054	Jalmar
58-230	Custer State #1	6108	Jalmar
58-235	J.K. Rector #1	6135	Eumont Yates
58-260	BB & S Bates #1	6076	Jalmar
58-270	Fluor Harrison #1	5044	Jalmar
58-271	Federal Jalmar Com #1	6066, 6133	Jalmar
58-344	North Shore Woolworth #5	6065	Jalmar
58-353	El Paso Wells Federal #1	6054, 6066	Jalmar
58-372	Samedan Hughes Federal #1	6100 1/	Jalmar
58-395	South Empire State #1	875E	Empire Morrow
58-459	W. E. King #3	6037	Jalmar
58-492	Bates #3	6076	Jalmar
58-504	Late-Thomas #3	6075	Jalmar
58-511	Late-Thomas #2	6075	Jalmar
58-512	Husky Woolworth #1	6065	Jalmar
58-522	B. M. Justis #10	6076	Jalmar
58-540	Shell State #5	608E	Jalmar
58-553	Ellen Weir #1	853G	Eumont Yates
58-561	Munn Harrison #1	6087	Jalmar
58-564	Justis Christmas Gas U #1	6076	Jalmar
58-581	Langlie Jal Federal #1	8658 1/	Jalmar
58-593	Otis L. Jones #2	6037	Jalmar
58-630	Munn Harrison B #1	6150	Jalmar
58-638	Toby #3	6073	Jalmar
58-646	Byrom Williams #1	8199	Eumont Yates
58-655	Woolworth #1	6068	Jalmar
58-662	State A 20 #4	6147	Eumont Yates
58-667	Courtland Myers #9	6087	Jalmar
58-687	Langlie A #3	6108	Jalmar
58-696	Woolworth N. S. #6	6065	Jalmar
58-698	Wells B-5 #2	6066	Jalmar

1/ The parties agree, for the purposes of trial, that this is the appropriate contract coverage for this well. This contract was terminated by defendant effective as of April 1, 1966. Some parties in privity to Plaintiff, however, have executed rollover contracts. Plaintiff reserves the right to assert, at a later date, if the circumstances warrant, that another contract covers Plaintiff's interest in the well.

<u>Meter No.</u>	<u>Well Name</u>	<u>Contract Code</u>	<u>Pool</u>
58-706	Legui #5	6068	Jalmat
58-715	Lankford #2	6118	Jalmat
58-716	Winningham #8	6087	Jalmat
58-732	Wells Federal #15	6066	Jalmat
58-736	E. J. Wells #16	6066	Jalmat
58-745	Wells Federal #17	6066	Jalmat
58-754	Wells Federal #18	6066	Jalmat
58-757	Wells Federal #19	6066	Jalmat
58-759	W. H. King #4	6037	Jalmat
58-771	Olsen-Blinebry #2	6087	Jalmat
58-772	Holt-Mexico State Com #1	6025	Jalmat
58-774	E. E. Jack #5	6069	Jalmat
58-779	H. S. Record #9	6131	Jalmat
58-782	Carlson-Harrison Fed. Com #4	6066	Jalmat
58-790	Carlson-Harrison Fed. Com #5 <u>2/</u> 796B, <u>1/</u> 6054	6054	Jalmat
60-186	Olsen-Blinebry #1	6087	Jalmat
60-213	Mattie James #1	6087	Jalmat
60-226	Emery King NW #1	6087	Jalmat
60-227	Emery King SE #1	6088	Jalmat
60-257	Lankford #1 CS	6118	Jalmat
60-270	Oris L. Jones #1	6037	Jalmat
60-299	E. E. Jack #1	6069	Jalmat
60-405	B. A. Christmas #2	6067	Jalmat
60-437	Late Thomas #1	6075	Jalmat
60-544	Hodge #2	6068	Jalmat
60-555	Courtland Meyers #2 CS	6087	Jalmat
60-559	State A 20 #1	6147	Eumont Yates
60-666	Wells Federal #1	6066	Jalmat
60-705	Wells Federal #4	6066	Jalmat
60-781	E. J. Wells #13	6066	Jalmat
60-813	Cooper G SW/4 #1	6087	Jalmat
60-862	Carlson Harrison Federal Com 1	6066	Jalmat
60-874	Annie Myers B #2	6087	Jalmat
60-936	Wells Federal #2	6066	Jalmat
60-945	Elliot B6 #1 CS	6099	Eumont Yates
60-949	Wells Federal #3	6066	Jalmat
60-951	Crosby #1	6099	Eumont Yates

1/ The parties agree, for the purposes of trial, that this is the appropriate contract coverage for this well. This contract was terminated by Defendant effective as of April 1, 1986. Some parties in privity to Plaintiff, however, have executed rollover contracts. Plaintiff reserves the right to assert, at a later date, if the circumstances warrant, that another contract covers Plaintiff's interest in the well.

2/ This well is located on a 200-acre spacing unit. Contract No. 6054 covers 80 acres of this unit. Contract No. 796B covered another 80 acres of this unit and the remaining 40 acres are uncontracted.

<u>Meter No.</u>	<u>Well Name</u>	<u>Contract Code</u>	<u>Pool</u>
60-981	H. T. Mattern #1	6099	Eumont Yates
61-064	Wells Federal #11	6066	Jalmar
61-104	Annie Myers B #3 YI	6067	Jalmar
61-284	Emery King NW #4	6087	Jalmar
61-711	Cooper State #1	6025, 6059	Jalmar
61-880	Etz #1	6150	Jalmar
61-950	R. H. Huston, Jr. #1	6071	Eumont Yates
61-976	Cooper B #3	6087	Jalmar
61-999	Highland State #1 <u>3/</u>	618B, 6077	Jalmar
68-249	Winningham #9	6087	Jalmar

R-76
5-5

3/ This well is located on a 120-acre spacing unit. Contract No. 6077 covers 80 acres of this unit and Contract No. 618B covers the remaining 40 acres of the unit.

Exhibit "B"

Wells For Which Price Claims
Have Been Made

<u>Meter No.</u>	<u>Well Name</u>	<u>Contract Code</u>	<u>Pool</u>
58-060	Justis State #1 and #2	779A 1/	Langlie-Mattix
58-233	Odessa Langlie #1	740C	Langlie-Mattix
58-358	Terra-Carlson Federal #1	6054	Langlie-Mattix
58-400	Terra-Carlson B Federal #1	6054	Langlie-Mattix
58-747	D. B. Boren #3, 4 CPD	6126	Eunice South
58-773	Carlson Federal #4	6067	Langlie-Mattix
58-789	Carlson Federal #5	6067	Langlie-Mattix
58-801	Citgo "LM" State #1	6025	Langlie-Mattix
58-802	Citgo "AS" #2, #3	6025	Langlie-Mattix
61-773	Citgo "SE" State #1	6025	Eunice South
61-808	Citgo LM State #2	6025	Langlie-Mattix
61-827	Citgo SE State #2	6025	Eunice South
61-850	Cities Thomas #3	6026	Langlie-Mattix
61-861	Adele Sowell #1	6026	Langlie-Mattix
61-862	Fowler State #1	6059	Langlie-Mattix
61-895	Adele Sowell #2	6026	Langlie-Mattix
61-905	Fowler State #2	6059	Langlie-Mattix
64-041	Wells #12, #13	4059	Langlie-Mattix
64-053	State U.T.P. #1, 2 Battery	4060	Rhodes Oil
64-113	E. C. Winters #2	4083	Jalnat Oil
64-146	Gregory A #8	4185	Langlie-Mattix
68-059	Henry Harrison #1	6145	Langlie-Mattix
68-064	Etz #2	5094 1/	Jalnat Oil
68-065	Gulf Eddie Corrigan #1, #2	5105 1/	Langlie-Mattix
68-075	Moore State #1	5137	Eumont Oil
68-116	R. H. Huston #2 #3	5173	Eunice Monument
68-132	R. H. Huston, Jr. #4	5173	Eunice Monument
68-142	Etz #3, #4	5094 1/	Jalnat Oil
68-182	Gutman #1	5313	Eumont Oil
68-183	Gutman #2	5313	Eumont Oil
68-247	B. M. Justis #12	4127	Jalnat Oil
68-251	Janda J #5	4100	Jalnat Oil
68-258	Gregory B #2	6087	Rhodes Oil

1/ The parties agree, for the purposes of trial, that this is the appropriate contract coverage for this well. This contract was terminated by Defendant effective as of April 1, 1986. Some parties in privity to Plaintiff, however, have executed rollover contracts. Plaintiff reserves the right to assert, at a later date, if the circumstances warrant, that another contract covers Plaintiff's interest in the well.

Exhibit C

Wells On Which No Damages Have Been Claimed

<u>Meter No.</u>	<u>Well Name</u>	<u>Contract Code</u>	<u>Gas Type</u>
56-142	Wilson State #1	634B	DG
58-207	J.W. Cooper #8	6087	DG
60-188	Wells B-5 #1	6066	DG
60-189	H.S. Record Unit #1	6131	DG
60-737	B.M. Justis A #1	6076	DG
60-760	Winningham #1	6087	DG
60-770	Cooper B #2	6087	DG
60-811	Van Zandt #1	6087	DG
60-969	Carlson Fed'1 #2	6067	CHG
60-984	Carlson Fed'1 #3	6067	CHG
61-114	Langlie A State #2Y	6108	DG
61-989	Boren & Greer Gas Unit #2	6126	DG
63-499	R. O. Gregory #13	4115	CHG
63-538	Eaton #2, #5, #7	4185	CHG
63-708	Farnsworth 4 #1-5, #7-14	4533	CHG
63-763	Myers B #3	4533	CHG
63-778	Gregory C #2 3 QN	4700	CHG
63-878	Carlson Federal #1, 2	4115	CHG
63-921	Eaton SW #8, #9, #10, #11	4185	CHG
63-986	Eaton #12	4185	CHG
64-141	Cooper B #5	4185	CHG
68-001	Cities Thomas #1	5014	CHG
68-006	S.R. Cooper #2, #3, #4	4991	CHG
68-010	S.R. Cooper A #1, A #2	4991	CHG
68-044	Cities-Cone #1	5081	CHG
68-048	Cities Thomas #4	5078	CHG
68-066	J.W. Cooper #7	5100	CHG
68-067	Eaton B Acct 1 #1	5040	CHG
68-068	Eaton NW #14-17	5040	CHG
68-128	Gregory B #1	5085	CHG
68-231	Farnsworth Fed'1 #1	730K	CHG
68-232	Cities Thomas #2, #5	5014	CHG
63-550	Eaton SW #3, #4	4185	CHG
63-499	R.O. Gregory A #5	4115	CHG
60-824	E.C. Winters #1	6032	DG
60-243	W.H. King #1	6037	DG
68-243	Carlson Harrison Fed'1 Com #2	6066	DG
60-736	Bates #1	6076	DG

FIFTH JUDICIAL DISTRICT COURT
COUNTY OF LEA
STATE OF NEW MEXICO

DOYLE HARTMAN,

Plaintiff,

vs.

No. CV 86-369-J

EL PASO NATURAL GAS COMPANY,
a Delaware corporation,

Defendant.

STIPULATION AND AGREEMENT
GOVERNING CONTRACT CLAUSES

The parties, by and through their attorneys of record, desire to enter into a Stipulation and Agreement that it is undisputed that certain Gas Purchase Contracts at issue herein contain certain types of ratable take clauses and certain types of regulation of flow clauses.

IT IS THEREFORE STIPULATED AND AGREED AS FOLLOWS:

1. The contracts listed on Exhibit A contain a Type 1 ratable take clause.
2. The contracts listed on Exhibit B contain a Type 2 ratable take clause.
3. The contracts listed on Exhibit C contain Type 3 ratable take clause.
4. The contract listed on Exhibit D contains a Type 4 ratable take clause.

EXHIBIT B



5. The contracts listed on Exhibit E contain a Type 5 ratable take clause and were the subject of later letter amendments.

6. The contracts listed on Exhibit F have a Type 1 Regulation of Flow clause.

7. The contracts listed on Exhibit G have a Type 2 Regulation of Flow clause.

8. The contracts listed on Exhibit H have a Type 3 Regulation of Flow clause.

9. The contracts listed on Exhibit I have a Type 4 Regulation of Flow clause.

10. The contracts listed on Exhibit J have a Type 5 Regulation of Flow clause.

11. The contracts listed on Exhibit K have a Type 6 Regulation of Flow clause.

FOR PLAINTIFF:

ATWOOD, MALONE, MANN
& TURNER, P.A.

By Bob F. Turner
Bob F. Turner
Post Office Drawer 700
Roswell, New Mexico 88202-0700

FOR DEFENDANT:

MONTGOMERY & ANDREWS, P.A.

By Sarah M. Singleton
Jeffrey R. Brannen
Gary R. Kilpatrick
W. Perry Pearce
Sarah M. Singleton
Post Office Box 2307
Santa Fe, New Mexico
87504-2307

DATED: Dec. 1, 1986

DATED: 11/28/86

EXHIBIT A

TYPE 1 RATABLE TAKE CLAUSE

Section 3. Buyer agrees, insofar as practicable, to take ratably from each allocation unit connected to its system in the Lea County area, based on (1) the well acreage allocation, (2) the ability of individual wells to deliver gas into Buyer's gathering system against the working pressure therein or against a pressure of six hundred pounds (600#) per square inch gauge, whichever is lower, (3) whether or not the well is producing from depths greater than five thousand (5,000) feet from the surface of the earth, and (4) the allowable limits that may be set from time to time by governmental authorities having proper jurisdiction thereof.

The following contracts contain type 1 ratable take clause:

6025	1/	6075	1/
6026	-	6076	
6032		6077	
6037		6087	
6054		6088	
6059	1/	6100	
6065	-	6108	
6067		6118	
6068		6131	
6069		6133	
6071	1/	6135	
6073	-	6145	1/

24

1/ The ratable take clauses in these contracts have slightly different language, but the parties agree that the differences are immaterial for purposes of this litigation.

EXHIBIT B

TYPE 2 RATABLE TAKE CLAUSE

Section 4. Buyer shall, so far as may be practical, take gas ratably from each gas well connected to its system in the Lea County, New Mexico, area based upon the formula as set out in Subsections (i) through (vii) of Section 1 of this Article III, the ability of such well to produce into Buyer's gathering system as compared to other such wells so connected, and the applicable laws, rules and regulations of governmental authority.

The following contracts contain a Type 2 ratable take clause:

6066
6099
6126
6147

A

EXHIBIT C

TYPE 3 RATABLE TAKE CLAUSE

Section 3. Buyer agrees that its takes of gas from Seller's wells will be at least ratable with the production of gas from wells belonging to others and completed in the same reservoir in which Seller's wells are completed, whether such other wells be connected to Buyer's gathering system or to the system of another purchaser. Determination of whether or not production is ratable shall be in accordance with the applicable rules and regulations established by duly constituted governmental authorities having jurisdiction thereof, or in the absence of such rules and regulations on the basis of gas reserves.

The following contracts contain a Type 3 ratable take clause:

608H
634B
740C
853G
875E
618B
779A
8199
8658
796B

1/
—

10

1/
—

The ratable take clause in this contract has slightly different language, but the parties agree that the differences are immaterial for purposes of this litigation.

EXHIBIT D

TYPE 4 RATABLE TAKE CLAUSE

B. It is expressly understood and agreed that El Paso undertakes no obligation to purchase gas solely from Western in the Permian Basin area, or to purchase at all times Western's full allowable production of gas well gas. El Paso does agree, however, that in each field or pool in the Permian Basin area where it purchases gas from Western under the provisions of this contract it will extend to Western terms relating to quantities of gas to be taken, or paid for whether or not taken, not less favorable, considering acreage and wells, then it extends to any other producer in such field or pool. Further, El Paso agrees to use every reasonable effort to take sufficient gas well gas from Western's acreage in the Permian Basin area covered by this contract to enable said acreage to be protected against drainage occurring as a result of the production of gas well gas from well on other acreage not owned by Western. Should Western sell gas to El Paso in the Permian Basin area under the provisions of this contract from any field or pool from which El Paso does not purchase gas well gas from another producer or producers, the daily quantities of gas to be taken by El Paso, or paid for whether or not taken, from Western's acreage in such field or pool shall be determined by mutual agreement between El Paso and Western or, failing in agreement, by arbitration in the manner as provided in Article XVI of this contract.

The following contract contains a Type 4 ratable take clause:

6150

Field or pool
gas well gas

EXHIBIT E

TYPE 5 RATABLE TAKE CLAUSE

Section 1. Subject to the other provisions hereof, Seller agrees to sell and deliver to Buyer and Buyer agrees to purchase and receive from Seller all of the casinghead gas produced from the lands described in Exhibit "A" hereto.

Section 2. During temporary periods when casinghead gas available hereunder, together with casinghead gas available to Buyer from others for processing in the plant, exceeds the total capacity of Buyer's facilities for taking and processing such casinghead gas, Buyer shall be obligated to take only that portion of the casinghead gas from the properties covered hereby which is ratable with its takes of such other casinghead gas.

AMENDMENT TO CONTRACT

Article I, Definitions, a. Casinghead Gas shall be amended by deleting therefor the words ". . . oil wells. . ." and adding thereto the words ". . . oil or gas wells. . ."

The following contracts contain a Type 5 ratable take clause and the above amendment:

5044
5106

2

41 contracts

EXHIBIT F

TYPE 1 REGULATION OF FLOW CLAUSE

Regulations

Buyer shall have the right to regulate the flow of gas at the mouth of the well or separator to meet the fluctuating condition of Buyer's market.

The following contracts contain this type of Regulation of Flow clause:

6026	6087
6037	6088
6054	6067
6065	6100
6073	6118
6076	6131
6077	

EXHIBIT G

TYPE 2 REGULATION OF FLOW CLAUSE

Regulation

Buyer shall have the right to regulate the flow of gas at the point of delivery insofar as the fluctuating demand of Buyer's market is concerned, but such regulation shall be subject to control by Seller insofar as the ability of any well or wells to produce and, insofar as possible, well or reservoir damage by excessive rates of withdrawal are concerned.

The following contracts contain this type of Regulation of Flow clause:

6025	..	6075
6032		6108
6068		6135
6069		6133
6071		6145

EXHIBIT H

TYPE 3 REGULATION OF FLOW CLAUSE

Regulation

Buyer shall have the right to regulate the flow of gas insofar as the fluctuating demand of Buyer's market is concerned, such regulation to be achieved through Buyer's installation of such appropriate regulating devices in Buyer's line or lines downstream of the point of delivery as will render unnecessary manipulation or operation by Buyer of Seller's well valves or other equipment of Seller. Seller shall be in exclusive charge of its wells and shall be the sole judge of the ability of any well or wells to produce without reservoir damage by excessive rates of withdrawal and nothing contained in this agreement shall obligate Seller to produce gas from any of the wells at a rate which in its opinion would injure the reservoir or cause waste.

The following contract contain this type of Regulation of Flow clause:

6059

EXHIBIT I

TYPE 4 REGULATION OF FLOW CLAUSE

Regulation of Flow

Buyer shall have the right to regulate the flow of gas at each delivery point to meet its fluctuating demands, subject, however, to Seller's control to the extent necessary to prevent such excessive rates of withdrawal as may result in well or reservoir damage.

The following contracts contain this type of Regulation of Flow clause:

6066
6099

6126
6147

EXHIBIT J

TYPE 5 REGULATION OF FLOW CLAUSE

Regulation of Flow

Buyer shall have the right at any and all times to regulate the flow of gas at the delivery points hereunder to meet its fluctuating demands, subject, however, to Seller's control to the extent necessary to prevent such excessive rates of withdrawal as in Seller's opinion may result in well or reservoir damage. Buyer shall, as to any marginal well requiring continuous production because of water and/or liquid hydrocarbon accumulations in the well bore, cooperate with Seller in regulating the flow of gas from such well to the end that required production rates are maintained.

The following contracts contain this type of Regulation of Flow clause:

608H
730K
853G

EXHIBIT K

TYPE 6 REGULATION OF FLOW CLAUSE

Regulation of Flow

Buyer, at its sole risk, shall have the right at any and all times to regulate the flow of gas at the delivery points hereunder to meet its fluctuating demands, subject, however, to Seller's control to the extent necessary to prevent such excessive rates of withdrawal as in Seller's opinion may result in well or reservoir damage. Buyer shall, as to any marginal well requiring continuous production because of water and/or liquid hydrocarbon accumulations in the well bore, cooperate with Seller in regulating the flow of gas from such well to the end that required production rates are maintained.

The following contracts contain this type of Regulation of Flow clause:

618B	875E
634B	8199
740C	8658
779A	

sms;392

FIFTH JUDICIAL DISTRICT COURT

COUNTY OF LEA

STATE OF NEW MEXICO

IN THE DISTRICT COURT OF LEA COUNTY

State of New Mexico

FILED IN OPEN COURT

4:05 O'CLOCK P M

THIS 17 DAY OF Oct. 1986

Larry Johnson
DISTRICT JUDGE

DOYLE HARTMAN, an individual,
Plaintiff,

vs.

EL PASO NATURAL GAS COMPANY,
a Delaware corporation,
Defendant.

No. CV 86-369 J

STIPULATION OF THE PARTIES CONCERNING
CERTAIN DISCOVERY MATTERS, THE STATUS
OF CERTAIN CLAIMS AND ESTABLISHING
CERTAIN SCHEDULES IN THIS LITIGATION

The parties, through their undersigned counsel, have met and reached agreement concerning certain discovery matters, the status of certain claims, establishing certain schedules, and regarding other issues and matters relevant to this litigation.

It is expressly understood that plaintiff concurs in this Stipulation based upon his understanding that he will be permitted to proceed to trial of the matters specified herein on November 17, 1986. It is further expressly understood that defendant concurs in a November 17, 1986, trial of the matters specified herein on the assumption that plaintiff will abide by the conditions and schedules contained herein. This Stipulation is expressly conditioned upon such understandings and upon

approval of this Stipulation by the Court. Postponement of the trial for reasons not foreseen and beyond the control of the parties shall not void the other provisions of this Stipulation.

The parties stipulate and agree as follows:

1. Dismissal of Certain Claims Without Prejudice.

Plaintiff shall dismiss without prejudice Counts II (Economic Coercion) and V (Violation of the New Mexico Antitrust Act) of his First Amended Verified Complaint as well as his claims regarding the Contracts Governing Non-Hartman Operated Properties, and claims regarding the computation and payment for the Btu content of gas sold under contract to EPNG. Plaintiff may refile such claims at a later date with the understanding that defendant does not waive any defenses it may have to those claims; provided, however, that defendant will not assert in such subsequent litigation that the above-noted claims are barred because they were dismissed without prejudice and not litigated in this proceeding. Plaintiff may utilize therein all documents discovered in this litigation, including but not limited to documents produced by defendant pursuant to the Court's Order Denying Defendant's Motion for Reconsideration dated October 1, 1986. To the extent plaintiff joins with other plaintiffs on such claims, plaintiff shall not be entitled to utilize any documents from this case without court order. Further, defendant stipulates that it will not seek discovery of plaintiff's non-business assets or finances, including those of his spouse, in this litigation, except defendant retains the right to seek such discovery if relevant to the issuance of injunctive relief.

2. Defendant's Pending Motions.

Defendant shall consent to the entry of a court order adopting this Stipulation as disposing of Defendant's Motion to Vacate Trial Setting and Motion for Sanctions for failure to Comply with Discovery Order. By agreeing to this Stipulation plaintiff does not agree to the accuracy or validity of defendant's motions. It is expressly represented that defendant concurs in the trial of Counts I, III and IV of the First Amended Verified Complaint as scheduled on November 17, 1986, on the condition that plaintiff abides by the schedules specified herein. Defendant further represents that it presently knows of no facts which would result in its refiling of a continuance motion.

3. Plaintiff's Damage Theories and Schedules Covering Production of Documents Relating Thereto.

Recognizing that further information on these claims is contained in plaintiff's answers to interrogatories, plaintiff identifies its damage claims in this litigation as follows:

A. Count III - Damage on Converted Wells. El Paso as a non-operating working interest owner in three (3) Hartman-operated wells took the entire stream of production therefrom into the spot market and paid Hartman no consideration therefor. The three (3) wells have previously been identified as the El Paso Pritchard Fed. #1, the Federal Jalmat Com. #1 and the El Paso Wells Federal #1. Such sales occurred in the month of April, 1986 and possibly beyond. For the month of April, 1986, Hartman sustained damage of \$24,067.00. Documentation for April, 1986, will be provided to defendant on Thursday, October 16,

1986. To the extent such sales continued after April 1986, documentation thereof shall be provided to defendant no later than October 17, 1986.

B. Count I - Breach of Contract. Plaintiff's claim for damages resulting from breach of contract will be as follows:

(1) Damages for Well Preparation Costs. Plaintiff asserts quantifiable damages totalling \$135,000.00 for preparation of well sites in preparation for drilling, which was discontinued by reason of defendant's alleged failure to take gas pursuant to the contracts. All documents relating to this claim, exclusive of trial exhibits, shall be delivered to defendant no later than October 23, 1986.

(2) Damages from Lost Proved Developed Reserves. Hartman operates approximately 95 dry gas wells on acreage dedicated to El Paso under the contracts at issue. With respect to these wells, Hartman will claim quantifiable past damages equivalent to the difference between what El Paso has taken and what El Paso should have taken, through the date of trial, if it honored the "ratable take" provisions of the contracts, times the contract price. All documents relating to this claim, exclusive of trial exhibits, shall be delivered to defendant no later than October 27, 1986.

(3) Damages from Reservoir Impairment. Hartman will assert quantifiable damages resulting from reservoir impairment to certain selected wells (in no event more than thirty (30) such wells). Hartman has already identified such wells, but shall provide a final list of such wells no later than October 20,

1985. Plaintiff expressly stipulates that it shall not seek damages nor attempt to quantify damages resulting from reservoir impairment to either the reservoirs in general or as to wells which have not been identified as above noted. All documents relating to this claim, exclusive of trial exhibits, shall be provided to defendant no later than October 24, 1986.

(4) Damages Regarding Casinghead Contracts (Lost Proved Developed Reserves). Plaintiff's claims for damages for oil well and gas well casinghead gas are stated on pages 2, 3, 4 and 5 of his Supplemental Response to Defendant's Third Set of Interrogatories (1) (a), (b), (c) and (2). Plaintiff claims past damages for the contract price of deliverable gas that defendant should have taken, whether under minimum take provisions of oil well casinghead contracts or ratable take provisions of gas well casinghead contracts. Documents relating to this claim, exclusive of trial exhibits, shall be provided no later than October 27, 1986.

(5) Punitive Damages. Plaintiff shall consider Interrogatory No. 5 of Defendant's Fourth Set of Interrogatories as a request for further information as to his claims regarding punitive damages and shall fully respond to such interrogatory no later than October 21, 1986. Otherwise, plaintiff shall not be required to respond to Defendant's Fourth Set of Interrogatories. By agreeing to this Stipulation, plaintiff does not admit its previous answers were inadequate.

(6). Injunctive Relief. In lieu of seeking future

damages, plaintiff will request entry of an injunctive order requiring defendant to honor the contracts for the remaining term thereof. Defendant maintains the right to contest whether a breach has occurred justifying the entry of such order and further maintains the right to assert on appeal the applicability of all its asserted defenses. Defendant does not concede that the granting of an injunction would not cause it unreasonable hardship, nor does defendant concede that granting an injunction would not violate public policy. Defendant, accordingly, reserves the right to assert these matters as a defense to granting an injunction. Defendant will not, however, assert at trial or on appeal that plaintiff has an adequate remedy at law in the form of monetary damages nor will defendant assert that a permanent injunction should not issue because plaintiff will not be irreparably injured. Defendant shall not be precluded from presenting a request for relief because of future events which are grounds to modify any injunction which may be issued.

With respect to documents to be produced by plaintiff to defendant, defendant shall specify in writing those documents of which it is presently aware which it desires no later than October 20, 1986. Such documents will then be produced by plaintiff no later than as noted above. With respect to depositions of plaintiff's experts, such experts shall be made available for deposition during the week of October 27, 1986.

(c) Defendant will not raise the defense of lack of indispensable parties in this litigation.

TED: October 16, 1986

CAMPBELL & BLACK, P.A.

By *Michael B. Campbell*
Michael B. Campbell
William F. Carr

Attorneys for Plaintiff

MONTGOMERY & ANDREWS, P.A.

By *Sarah M. Singleton*
Jeffrey R. Branpen
Sarah M. Singleton

Attorneys for Defendant

5. To the extent that a party relies on public documents, or on the documents produced by the other party, a party can comply with the schedules herein by identifying to the opposing party the specific document, its date and location, without the necessity of actually producing such documents.

6. Should either party determine that other documents should be requested, nothing herein shall preclude either party from making a request for such documents, and such documents shall be provided in an expeditious manner. Nothing herein shall be construed to restrict the parties from moving the Court as they may deem appropriate in the event the terms of this Stipulation are violated. This Stipulation does not govern the filing of pretrial motions other than those specifically mentioned herein. By agreeing to this Stipulation, defendant is not agreeing that plaintiff's claims are appropriate, nor is defendant waiving any defenses it may have to plaintiff's claims.

7. To resolve issues of "real parties in interest" or "indispensable parties," the parties hereto stipulate and agree as follows:

(a) Plaintiff will proceed with only Doyle Hartman as a named plaintiff;

(b) All parties in privity to Mr. Hartman's contracts (i.e., those individuals or entities taking working interests through Mr. Hartman, or recipients of assigned working interests from Mr. Hartman, whether or not paid directly by Hartman or El Paso) will receive the benefits of judgment in favor of Mr. Hartman; and

4. Additional Documents to be Produced by Defendant.

Counsel for both parties recognize that defendant has not yet produced documents previously requested and that such non-production may have caused plaintiff to file his own motion to compel or for sanctions. In consideration of the terms of this Stipulation, plaintiff's counsel states that he will not file any such motion with respect to defendant's discovery conduct preceding the date hereof with the exception that plaintiff retains the right to challenge defendant's conduct with respect to the Court's Order Denying Defendant's Motion for Reconsideration, entered October 1, 1986. Defendant shall produce the following documents, if they exist, no later than October 17, 1986:

A. El Paso's list of schedule of WACOG by pool as well as its production schedule for the months of June, July, August, September and October.

B. Throughput figures by month for the years 1980-1984, in the form previously produced by defendant.

C. Accounting entries for the Sun settlement of \$2,160,000.00. (These documents shall be provided by October 24, 1986).

The parties further agree that they shall work diligently and in good faith to promptly produce additional requested documents. With respect to the deposition of defendant's experts, defendant shall make such experts available between November 3-12, 1986.

27

HOWARD OLSEN
P.O. BOX 32279
PHOENIX, ARIZONA 85016

951-9774

October 13, 1987

Mr. Harold L. Hensley, Jr.
Attorney At Law
P. O. Box 10
Roswell, NM 88201

RE: DOYLE HARTMAN-CARLSON WELLS

Dear Harold:

Enclosed are copies of documents obtained from Doyle Hartman's office concerning the Carlson Wells.

Joint Interest Account Analysis
Payout Status on Carlson Federal #4
Payout Status on Carlson Federal #5
Worksheet Summary on #4 & #5 Payout
Carlson #3-History/Income Expense

Sun had operated the well for \$40-\$75 a month to our share and Hartman has charged nearly \$20,000 in three years. Also, he has started charging us on the Carlson #2, which, to our knowledge, is not even producing.

It is interesting to note that lease operating expenses on two gas wells have only been \$245,442.

Carlson #4 (21 months)	\$181,036
Carlson #5 (16 months)	64,406
	<u>\$245,442</u>

HARTMAN EXHIBIT 27

Mr. Harold L. Hensley, Jr.

-2-

October 13, 1987

You can see that the #4 has produced \$283,983 since October 1985 and the #5 \$194,774 since March 1986, whereas we received about \$11,000 from the #3 for that same period of time (100% would be \$44,000).

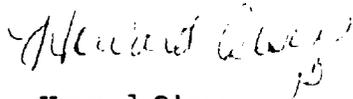
100% Production

#3	10-85	5-87	\$ 44,000 (1986 about \$4,000)
#4	10-85	5-87	\$283,983
#5	3-86	5-87	\$194,774

The operating expenses are unreal and income difference is also strange as to #4, #5 and #3.

If we can send additional information, please advise.

Very Truly Yours,


Howard Olsen

HO/jb

CARLSON #3 HISTORY/INCOME EXPENSE

<u>INCOME</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	
Sun	\$7,273.62	12,699.85			
El Paso (1985 does not include Hartman duplicate payment)			25,277.79	331.16 <u>632.07</u>	Received Not Rcvd.
TOTAL	<u>\$7,273.62</u>	<u>12,699.85</u>	<u>25,277.79</u>	<u>963.23</u>	

EXPENSES (Operating only)

Sun	\$ 508.12	357.00			
Hartman		<u>1,399.40</u>	<u>12,745.93</u>	<u>7,039.32</u>	
TOTAL	<u>\$ 508.12</u>	<u>1,756.40</u>	<u>12,745.93</u>	<u>7,093.32</u>	

HARTMAN RE: CARLSON #4 & #5

#4

Carlson #4	Actual IDC	300%	Lease Equipment	300%	Lease Operating Expense
10-85 6-87	\$285,013.25	855,039.75	79,713.73	239,141.19	181,035.84
IDC 300%		\$ 855,039.75			
Equipment 300%		239,141.19			
Lease Operating		181,035.84			
			(21 Months LOE)		
				\$1,275,216.78	

Net
Gas

Revenue-After Taxes
and Royalty

10-85	\$33,949.10
11-85	36,333.86
12-85	35,193.19
1-86	44,166.88
2-86	35,534.46
3-86	14,982.48
4-86	8,232.41
5-86	14,086.71
6-86	7,545.74
7-86	6,785.91
8-86	4,570.83
9-86	4,990.42
10-86	6,376.80
11-86	4,326.90
12-86	3,708.17
1-87	4,053.88
2-87	3,380.28
3-87	2,756.96
4-87	3,644.36
5-87	9,443.34
11-86 adj.	(79.23)

Adjustment

Balance To Pay Out

Adjustment	\$ (283,983.45)
Balance To Pay Out	\$ 991,233.33

Total Runs
#4 & #5

Total LOE
#4 & #5

Total Runs #4 & #5	\$478,757.38
Total LOE #4 & #5	\$245,441.61

#5

Carlson #5	Actual IDC	300%	Actual Equipment	300%	Lease Operating Expense
12-85 6-87	\$229,637.02	688,911.06	77,611.49	232,834.47	64,405.77
IDC 300%		\$ 688,911.06			
Equipment 300%		232,834.47			
Lease Operating		64,405.77			
			(16 Months LOE)		
				\$ 986,151.30	

Net
Gas

Revenue-After Taxes
and Royalty

3-86	40,994.59
4-86	31,445.20
5-86	27,869.44
6-86	10,249.78
7-86	9,562.27
8-86	8,741.56
9-86	8,593.10
10-86	8,282.32
11-86	3,899.88
12-86	6,157.39
1-87	5,889.63
2-87	6,121.21
3-87	6,515.31
4-87	5,235.14
5-87	12,887.28
11-86	2,329.83

Balance To Pay Out

Balance To Pay Out	\$ 791,377.37
--------------------	---------------

28

29

Garold Bowlby

Nov. 9, 1987

Howard Olsen
Box #32279
Phoenix, Az. 85016

HARTMAN EXHIBIT 29

Dear Howard:

This is tentative and rough as to various items we may want to challenge regarding Hartman's charges on the Carlson #4 & #5 wells.

We are also including a copy of the Carlson #4 Pooling Order.

CARLSON #4

- (1) 9-13-85 Hauling 300 bbls.(bine?) water to Carlson #2 - we think it was shut in at the time. \$264.60
- (2) 9-30-85 Chamco Equip. Co. - no supporting invoice for \$10,500.00 pumping unit. (They probably put one on but could never find an invoice.)
- (3) 9-30-85 Hartman billed \$1840.00 Drilling Overhead under Intangible Drilling Cost.
10-31-85 \$5300.24 Producing Overhead.
A total of \$7140.24

The court order allows \$5,500.00 per month while drilling. \$1640.24 too much but the \$1840.00 would be recouped 3 times instead of one since it was charged under IDC.

The New Mexico Conservation Division allow \$550.00 per month however they only start charging us \$517.10 per month. This amount has been increased every April 1st. We need for our attorneys to say if this increase is normal and proper in New Mexico. The

order does not say to increase but this may be normal in the industry in New Mexico.

- (4) 9-30-85 \$23,455.24 Legal & Regulatory Charge. (They are to mail us copies that make up this entry. As of 11-9-87 will be in mail to us on 11-10-87.)
- (5) 10-31-85 \$5300.24 Producing Overhead.
\$2161.91 Legal & Regulatory.
(Copies of charges will be in mail to us 11-10-87)
- (6) 12-31-85 \$1709.53 Legal & Regulatory - Atwood, Malone, etc. Legal research Hartman v Olsen. This appears to be for research because of no operating agreement with you on #2 & #3. (See #5 well.)
- (7) 2-28-86 \$900.00 Legal & Regulatory charge. Arbitrary billing Of Airplane expense.
- (8) 2-7-86 XL Trans. Co. Two charges of \$1732.50 each to Carlson #3. #3 was crossed out and #4 was pencilled in. The periods covered were 1-4-86 thru 1-17-86 1650 bbls disposal water and 1650 bbls 1-19-86 thru 1-27-86.
- (9) 12-31-85 Jack Fletcher-Consulting Fee-\$9705.47 (9/7 thru 9/28)
(Seems high for a 4,000 ft. well)

CARLSON #5

- (1) 12-31-85 D. Hartman - Drilling & Producing Overhead.
" LOE \$5000.00
IDC 1049.18
\$6049.18

New Mexico Conservation Division allowance \$4800.00 per month while drilling and \$480.00 while producing. \$1,249.18 too much but more important the \$1,049.18 would be recouped three times since billed as IDC They start charging us \$550.00 in LOE instead of the

\$480.00 and increase each April 1st as noted above.

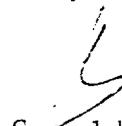
(Item #3 under the Carlson #4)

- (2) 12-16-85 ANM Const. - Pad, Road, and place cellar \$8,199.33 for Carlson Harrison Federal #5 charged to Carlson #5 in error.
- (3) 1-21-86 Joyce Willis - damages to run 2" plastic line from Carlson #5 (Sec. 26) to Carlson #4 (Sec. 22). #4 is in Section #23 not 22. \$400.00 charge.
- (4) 2-27-86 Gene's Well Service - inv. #10224 \$1348.38 shows Gregory #5 billed to Carlson #5 in error.
- (5) 12-31-85 \$1709.85 Legal & Regulatory - Atwood, Malone, etc. (See Carlson #4 - exception #6.)
- (6) 2-28-86 Legal & Regulatory \$1,000.00 airplane expense. Arbitrary billing.
- (7) 12-31-85 Jack Fletcher - Consulting Fee \$4024.18 (12/10-12/19) (See Carlson #4 - exception #9)

Also, as we have discussed earlier, they spent about \$28,000.00 in September and October of 1985 for Transformer, Rods, Pumping Unit, etc. on the Carlson #3 without notifying you.

If you need additional information, please advise.

Very truly yours,


Garold Bowlby

GB/dwb

Copy to: T. Calder Ezzell Jr.
Hinkle, Cox, Eaton, Coffield, & Hensley
Roswell, N.M.

DOYLE HARTMAN, OIL OPERATORS
WELL FILE DETAIL SHEET
FOR THE MONTH ENDING SEPTEMBER 30, 1985

WELL NAME CARLSON FEDERAL #4

WELL NUMBER 00717 004

DATE	VENDOR NAME	DESCRIPTION	GROSS
LEASE OPERATING EXPENSE - ALP			
9/30/85	PUMPING UNITS SERVIC	CONTRACT LABOR	2,098.00
9/30/85	TAHOE DRILLING CCMPA	EQUIPMENT RENTAL	1,073.49
TOTAL LEASE OPERATING EXPENSE - ALP **			3,171.49
LEASE OPERATING EXPENSE - JIB			
(4) 9/30/85	D. HARTMAN OIL OPERA	LEGAL & REGULATORY	X 23,455.14
TOTAL LEASE OPERATING EXPENSE - JIB **			23,455.14
INTANGIBLE DRILLING COST - TLP			
9/30/85	D. HARTMAN OIL OPERA	DRILLING OVERHEAD	X 1,940.00
9/30/85	BRIAN HALL	LOGGING AND TESTING	1,602.71
8/04/85	EASTERN NEW MEXICO L	ROADS AND LOCATION	182.94
9/11/85	HALLIBURTON	CEMENTING SERVICES	3,327.44
8/30/85	K & L EQUIPMENT CCMP	FIT LINER	224.00
9/17/85	MERCURY TRANSPORTATI	TRUCKING AND TRANSP	178.00
9/16/85	PAUL MUSSLEWHITE TR	TRUCKING AND TRANSP	92.00
9/05/85	AM CONSTRUCTION	ROADS AND LOCATION	1,073.54
9/30/85	LARRY NERMYR	LOGGING AND TESTING	1,903.53
9/30/85	SHEILA POTTS	LOGGING AND TESTING	1,041.22
9/25/85	PROFILE	CORING AND MUD LOGG	1,697.66
9/22/85	TAHOE DRILLING CCMPA	FOOTAGE COST	Y 29,632.00
9/22/85	TAHOE DRILLING CCMPA	DRY WORK COST	31,714.33
9/22/85	TAHOE DRILLING CCMPA	BITS AND REAMERS	1,340.22
9/23/85	TEXAS MUD AND CHEMIC	MUD AND CHEMICALS	X 14,087.66
(1) 9/23/85	TEXAS MUD AND CHEMIC	MUD AND CHEMICALS	6,227.44
9/13/85	XL TRANSPORTATION CC	WATER	254.50
9/13/85	XL TRANSPORTATION CC	WATER	472.50
9/20/85	XL TRANSPORTATION CC	WATER	826.88
9/20/85	XL TRANSPORTATION CC	WATER	2,116.00
TOTAL INTANGIBLE DRILLING COST - TLP **			96,089.61
INTANGIBLE DRILLING COST - ALP			
9/25/85	APACHE SERVICES, INC	OTHER COMPLETION EXP	1,823.22
9/24/85	HALLIBURTON	STIMULATION	1,860.11
9/21/85	HALLIBURTON	CEMENTING SERVICES	X 13,380.22
9/21/85	HALLIBURTON	OTHER COMPLETION EXP	1,632.00
9/27/85	HALLIBURTON	OTHER COMPLETION EXP	1,822.50
9/30/85	I S & S INCORPORATED	MISCELLANEOUS MATERI	640.11
9/24/85	BOB MALLET	LOGGING AND TESTING	100.00
9/21/85	SCHLUMBERGER WELL SE	OTHER COMPLETION EXP	2,241.00
9/20/85	WELEX	OTHER COMPLETION EXP	X 8,076.00
8/31/85	JOHN WEST ENGINEERIN	CONSULTING FEES	422.00
9/27/85	XL TRANSPORTATION CC	WATER	636.00
TOTAL INTANGIBLE DRILLING COST - ALP **			32,435.00

DOYLE HARTMAN

P.O. BOX 10428
MIDLAND, TX. 79702
(815) 684-4011

JOINT OWNER INVOICE

PAG

CWNER 47784 DOYLE HARTMAN
LEASE 00717 CARLSON FEDERAL #4

DATE OCTOBER 31, 19
INVOICE 8510009

DATE	VENDOR	DESCRIPTION	CROSS	YOUR
10/01/85	WELLEN SUPPLY CCMP	MISCELLANEOUS MATER	494.03	3
10/17/85	CLARKE OIL WELL SERV	COMPLETION UNIT	13,403.53	9
9/30/85	JOHN WEST ENGINEERIN	CTHER COMPLETION EX	642.39	4
10/04/85	J & J OILFIELD SERVI	OTHER COMPLETION EX	622.13	4
TOTAL INTANGIBLE DRILLING COST - ALP **			152,187.87	108

LEASE AND WELL EQUIPMENT - ALP

10/11/85	PALMER MFG. & TANK	TANKS	4,374.33	3
10/14/85	AXELSON, INC.	PCDS	5,123.42	3
10/14/85	AXELSON, INC.	PCDS	739.89	
9/30/85	CHAMCO EQUIPMENT COM	PUMPING UNITS	10,500.00	7
10/24/85	BIXIE ELECTRIC, INC.	ENGINES AND METERS	3,279.06	2
10/26/85	DONNIE'S WELDING	SEPARATION EQUIPMEN	1,890.00	1
10/17/85	B.P. SALES	SEPARATION EQUIPMEN	4,786.58	3
10/21/85	FLOYD'S NEW & USED	MISCELLANEOUS PIPIN	2,255.13	1

TOTAL LEASE AND WELL EQUIPMENT - ALP ** 32,948.41 23

LEASE TOTAL *** 203,209.62 144

LEASE 00717 CARLSON FEDERAL #4 YOUR INTEREST .71093750 144

DOYLE HARTMAN

P.O. BOX 10428
MIDLAND TX 79702
(915) 684-4011

JOINT OWNER INVOICE

PAGE

OWNER 477E4 DOYLE HARTMAN
LEASE 00717 CARLSON FEDERAL #4

DATE OCTOBER 31, 1985
INVOICE 8510009

DATE	VENDOR	DESCRIPTION	GROSS	YOUR
LEASE OPERATING EXPENSE - ALP				
10/11/85	XL TRANSPORTATION CO	SALT WATER DISPOSAL	895.13	6
10/11/85	XL TRANSPORTATION CO	SALT WATER DISPOSAL	144.64	1
10/28/85	JAL WELDING & MACHIN	CONTRACT LABOR	337.67	
10/31/85	FLOYDS PUMPING & RCU	CONTRACT LABOR	X 1,942.08	1
10/05/85	LOPPS WELDING SERVIC	CONTRACT LABOR	58.80	
10/05/85	LOPPS WELDING SERVIC	CONTRACT LABOR	117.60	
10/21/85	FLOYDS PUMPING & RCU	CONTRACT LABOR	737.20	
10/15/85	FLOYDS PUMPING & RCU	CONTRACT LABOR	X 1,193.33	
10/26/85	CONNIE'S WELDING	CONTRACT LABOR	176.40	
TOTAL LEASE OPERATING EXPENSE - ALP			5,597.88	37

DATE	VENDOR	DESCRIPTION	GROSS	YOUR
LEASE OPERATING EXPENSE - JIE				
10/31/85	C. HARTMAN OIL OPERA	PLUMPER	152.47	
10/31/85	C. HARTMAN OIL OPERA	EMPLOYEE BENEFITS	37.75	
10/31/85	C. HARTMAN OIL OPERA	INSURANCE	42.50	
10/31/85	C. HARTMAN OIL OPERA	OPERATING SUPPLIES	129.42	
10/04/85	XL TRANSPORTATION CC	SALT WATER DISPOSAL	630.00	
(3)(5) 10/31/85	C. HARTMAN OIL OPERA	PRODUCING OVERHEAD	* 5,300.24	3
10/31/85	HOBBS SUN	OTHER OPERATING EXP	8.45	
10/17/85	CAMPBELL AND BLACK,	OTHER OPERATING EXP	262.18	
10/23/85	HOBBS SUN	OTHER OPERATING EXP	8.45	
(3)(5) 10/31/85	C. HARTMAN OIL OPERA	LEGAL & REGULATORY	* 2,161.91	1
TOTAL LEASE OPERATING EXPENSE - JIE			8,733.36	6

DATE	VENDOR	DESCRIPTION	GROSS	YOUR
INTANGIBLE DRILLING COST - TLP				
10/04/85	XL TRANSPORTATION CO	WATER	1,321.50	
10/11/85	XL TRANSPORTATION CC	WATER	X 2,221.44	1
10/21/85	MARTIN WATER LABORAT	CCRING AND MUD LOGG	63.50	
10/04/85	MERRYMAN CONSTRUCTIO	TRUCKING AND TRANSP	127.74	
TOTAL INTANGIBLE DRILLING COST - TLP			3,740.18	2

DATE	VENDOR	DESCRIPTION	GROSS	YOUR
INTANGIBLE DRILLING COST - ALP				
10/03/85	HALLIBURTON	STIMULATION	X 131,667.75	93
9/30/85	E L FARMER & CO.	TRUCKING AND TRANSP	285.38	
10/17/85	ABC RENTAL TOOL CO.	EQUIPMENT RENTAL	X 4,626.30	3
10/31/85	WHITWORTH HARDWARE &	MISCELLANEOUS MATER	4.54	
10/01/85	LEWALLEN SUPPLY CCFF	MISCELLANEOUS MATER	226.52	
10/14/85	LEWALLEN SUPPLY CCMP	MISCELLANEOUS MATER	226.30	

DOYLE HARTMAN

PO BOX 10428
MIDLAND TX 79702
(915) 884-4011

JOINT OWNER INVOICE

OWNER 47784 DOYLE HARTMAN
LEASE 00717 CARLSON FEDERAL #4

DATE DECEMBER 31,
INVOICE 8512

DATE	VENDOR	DESCRIPTION	GROSS	YO
LEASE OPERATING EXPENSE - ALP				
12/06/85	XL TRANSPORTATION CO.	SALT WATER DISPOSAL	321.49	*
TOTAL LEASE OPERATING EXPENSE - ALP **			321.49	*

LEASE OPERATING EXPENSES - JIB				
12/31/85	D. HARTMAN OIL OPERA	PUMPER	152.52	
12/31/85	C. HARTMAN OIL OPERA	EMPLOYEE BENEFITS	37.75	
12/31/85	D. HARTMAN OIL OPERA	INSURANCE	42.50	
12/31/85	D. HARTMAN OIL OPERA	OPERATING SUPPLIES	162.51	
12/12/85	SOUTHWESTERN PUBLIC	FUEL AND POWER	114.43	
12/06/85	XL TRANSPORTATION CO	SALT WATER DISPOSAL	1,208.10	X
12/26/85	FLOYD'S PUMPING & ROU	CONTRACT LABOR	158.76	
12/03/85	FLOYD'S PUMPING & ROU	CONTRACT LABOR	211.68	
(9) 12/31/85	JACK FLETCHER	CONSULTING FEES	9,705.47	X ✓
12/20/85	MARTIN WATER LABORAT	CONSULTING FEES	50.00	
12/31/85	GEORGE AND JOYCE WIL	SURFACE DAMAGES	3,740.00	X
12/31/85	D. HARTMAN OIL OPERA	PRODUCING OVERHEAD	517.10	
12/26/85	AXELSON, INC.	OTHER OPERATING EXP	458.91	
12/10/85	CAMPBELL AND BLACK,	OTHER OPERATING EXP	595.20	
(6) 12/31/85	D. HARTMAN OIL OPERA	LEGAL & REGULATORY	7,550.49	X ✓
TOTAL LEASE OPERATING EXPENSE - JIB **			24,715.42	

*1909.53 ATWOOD, MAWENE ETC - NECAH RESEARCH

INTANGIBLE DRILLING COST - TLP				
12/31/85	MIDLAND SAMPLE CUT	CONSULTING FEES	30.00	
TOTAL INTANGIBLE DRILLING COST - TLP **			30.00	

LEASE TOTAL *** 25,060.97

41,445.44 5% 2172.1 40,743.17

LEASE 00717 CARLSON FEDERAL #4 YOUR INTEREST .71093750

DOYLE HARTMAN

P.O. BOX 10428
MIDLAND, TX 79702
(915) 684-4011

JOINT OWNER INVOICE

OWNER 47784 DOYLE HARTMAN
LEASE 00717 CARLSON FEDERAL #4

DATE FEBRUARY 28,
INVOICE 86020

DATE VENDOR DESCRIPTION GROSS YOU
LEASE OPERATING EXPENSE - JIB

2/28/86	D. HARTMAN OIL OPERA	PUMPER	127.02	
2/28/86	D. HARTMAN OIL OPERA	EMPLOYEE BENEFITS	37.75	
2/28/86	D. HARTMAN OIL OPERA	INSURANCE	42.50	
2/28/86	D. HARTMAN OIL OPERA	OPERATING SUPPLIES	160.33	
2/07/86	SOUTHWESTERN PUBLIC	FUEL AND POWER	165.74	
2/28/86	XL TRANSPORTATION CO	WELL SERVICE AND RE	144.64	
2/28/86	XL TRANSPORTATION CO	WELL SERVICE AND RE	637.35	
2/25/86	CLARKE OIL WELL SERV	WELL SERVICE AND RE	X 2,252.63	1
(8) 2/07/86	XL TRANSPORTATION CO	SALT WATER DISPOSAL	X 1,132.50	1
2/07/86	XL TRANSPORTATION CO	SALT WATER DISPOSAL	945.00	
(3) 2/07/86	XL TRANSPORTATION CO	SALT WATER DISPOSAL	X 1,132.50	
2/20/86	LEWALLEN SUPPLY COMP	CONNECTIONS & MATER	209.18	
2/20/86	LEWALLEN SUPPLY COMP	CONNECTIONS & MATER	302.90	
2/28/86	D. HARTMAN OIL OPERA	PRODUCING OVERHEAD	517.10	
2/04/86	AXELSON, INC.	OTHER OPERATING EXP	X 1,005.46	
(1) 2/28/86	D. HARTMAN OIL OPERA	LEGAL & REGULATORY	X 900.00	in place of lease

TOTAL LEASE OPERATING EXPENSE - JIB ** 10,912.60

in place of expense

LEASE TOTAL *** 10,912.60

44,863.32 3720.75 41,142.37

LEASE 00717 CARLSON FEDERAL #4 YOUR INTEREST .71093750

DOYLE HARTMAN

P.O. BOX 10428
MIDLAND, TX 79702
(915) 884-4011

JCINT OWNER INVOICE

PAGE

OWNER 47784 DOYLE HARTMAN

DATE DECEMBER 31, 1985

LEASE 00718 CARLSON FEDERAL #5

INVOICE 851200946

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SH
LEASE OPERATING EXPENSE - ALP				
12/20/85	JAL WELDING & MACHIN	CONTRACT LABOR	333.66	237
12/20/85	JAL WELDING & MACHIN	CONTRACT LABOR	115.20	82
12/27/85	FLOYDS PUMPING & ROL	CONTRACT LABOR	211.68	150
12/26/85	X PUMPING UNITS SERVIC	CONTRACT LABOR	1,849.24	1,314
TOTAL LEASE OPERATING EXPENSE - ALP			2,510.78	1,783

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SH
LEASE OPERATING EXPENSE - JIB				
(17) 2/31/85	JACK FLETCHER	CONSULTING FEES	X 4,024.18	2,860
12/31/85	GEORGE AND JOYCE WIL	SURFACE DAMAGES	5,680.00	4,030
(1) 2/31/85	D. HARTMAN OIL OPERA	PRODUCING OVERHEAD	X 5,000.00	3,554
12/31/85	BRIAN BALL	OTHER OPERATING EXP	926.67	650
12/31/85	D. HARTMAN OIL OPERA	OTHER OPERATING EXP	120.00	85
12/31/85	SHEILA POTTS	OTHER OPERATING EXP	731.31	521
12/31/85	LARRY NERMYR	OTHER OPERATING EXP	1,926.67	1,360
(5) 2/31/85	D. HARTMAN OIL OPERA	LEGAL & REGULATORY	X 5,901.85	4,195
TOTAL LEASE OPERATING EXPENSE - JIB			24,312.70	17,280

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SH
INTANGIBLE DRILLING COST - TLP				
(2) 2/10/85	KM CONSTRUCTION	ROADS AND LOCATION	X 8,193.33	5,820
11/14/85	EASTERN NEW MEXICO U	ROADS AND LOCATION	110.00	78
11/30/85	JOHN WEST ENGINEERIN	ROADS AND LOCATION	92.43	65
12/30/85	CACTUS DRILLING COMP	FOOTAGE COST	X 42,630.96	30,300
12/30/85	CACTUS DRILLING COMP	DRY WORK COST	X 4,452.07	3,160
12/20/85	XL TRANSPORTATION CO	WATER	3,109.05	2,210
12/27/85	XL TRANSPORTATION CO	WATER	865.19	615
12/20/85	XL TRANSPORTATION CO	WATER	1,299.38	920
12/23/85	TEXAS MUD AND CHEMIC	MUD AND CHEMICALS	2,003.88	1,420
12/19/85	TEXAS MUD AND CHEMIC	MUD AND CHEMICALS	6,432.30	4,570
12/12/85	HALLIBURTON	CEMENTING SERVICES	X 4,263.11	3,030
12/19/85	PROFILE	CORING AND MUD LOGG	2,451.15	1,740
12/10/85	MERCURY TRANSPORTATI	TRUCKING AND TRANSP	175.23	120
(1) 2/31/85	D. HARTMAN OIL OPERA	DRILLING OVERHEAD	X 1,049.18	740
TOTAL INTANGIBLE DRILLING COST - TLP			73,133.55	51,990

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SH
INTANGIBLE DRILLING COST - ALP				
12/17/85	HALLIBURTON	CEMENTING SERVICES	11,042.52	7,850
12/19/85	HALLIBURTON	STIMULATION	5,695.91	4,040
12/31/85	HALLIBURTON	STIMULATION	X 138,000.66	92,420

DOYLE HARTMAN

P.O. BOX 10428
MIDLAND, TX 79702
(915) 884-4011

JOINT OWNER INVOICE

PAGE

OWNER 47784 DOYLE HARTMAN

DATE FEBRUARY 28, 1986

LEASE 00718 CARLSON FEDERAL #5

INVOICE 860200947

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SHR
LEASE OPERATING EXPENSE - JIB				
2/28/86	D. HARTMAN OIL OPERA	PUMPER	127.02	90.
2/28/86	D. HARTMAN OIL OPERA	EMPLOYEE BENEFITS	37.75	26.
2/28/86	D. HARTMAN OIL OPERA	INSURANCE	42.50	30.
2/28/86	D. HARTMAN OIL OPERA	OPERATING SUPPLIES	160.33	113.
2/10/86	SOUTHWESTERN PUBLIC	FUEL AND POWER	41.14	29.
(4) 2/27/86	GENE'S WELL SERVICE	WELL SERVICE AND RE	1,348.38	958.
2/24/86	GOLD STAR SERVICE CO	WELL SERVICE AND RE	201.17	142.
2/07/86	XL TRANSPORTATION CO	SALT WATER DISPOSAL	619.72	454.
2/13/86	JAL WELDING & MACHIN	CONTRACT LABOR	291.35	207.
1/29/86	I S & S INCORPORATED	CONNECTIONS & MATER	156.71	111.
2/01/86	B.P. SALES	CONNECTIONS & MATER	294.25	209.
2/28/86	D. HARTMAN OIL OPERA	PRODUCING OVERHEAD	550.00	391.
(6) 2/28/86	D. HARTMAN OIL OPERA	LEGAL & REGULATORY	1,000.00	710.
TOTAL LEASE OPERATING EXPENSE - JIB **			4,800.27	3,474
INTANGIBLE DRILLING COST - ALP				
2/03/86	AXELSON, INC.	OTHER COMPLETION EX	1,870.22	1,320
TOTAL INTANGIBLE DRILLING COST - ALP **			1,870.22	1,320
LEASE TOTAL ***			6,760.49	4,806

None

LEASE 00718 CARLSON FEDERAL #5 YOUR INTEREST .71093750 4,806

DOYLE HARTMAN

P.O. BOX 10428
MIDLAND, TX 79702
(915) 684-4011

JOINT OWNER INVOICE

PAGE

OWNER 47784 DOYLE HARTMAN

DATE JANUARY 31, 1986

LEASE 00718 CARLSON FEDERAL #5

INVOICE 860100952

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SH.
LEASE OPERATING EXPENSE - ALP				
1/13/86	ABC RENTAL TOOL CO.	EQUIPMENT RENTAL	795.56	56.00
1/10/86	FLOYDS PUMPING & ROU	CONTRACT LABOR	487.41	346.00
1/09/86	FLOYDS PUMPING & ROU	CONTRACT LABOR	336.00	233.00
TOTAL LEASE OPERATING EXPENSE - ALP **			1,618.97	1,150.00

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SH.
LEASE OPERATING EXPENSE - JIB				
1/31/86	D. HARTMAN OIL OPERA	PUMPER	107.23	76.00
1/31/86	D. HARTMAN OIL OPERA	EMPLOYEE BENEFITS	37.75	26.00
1/31/86	D. HARTMAN OIL OPERA	INSURANCE	47.50	30.00
1/31/86	D. HARTMAN OIL OPERA	OPERATING SUPPLIES	157.91	112.00
1/13/86	SOUTHWESTERN PUBLIC	FUEL AND POWER	14.58	10.00
4/86	J & J DILFIELD SERVI	WELL SERVICE AND RE	354.37	251.00
1/22/86	CLARKE OIL WELL SERV	WELL SERVICE AND RE	2,907.74	2,067.00
1/30/86	FLOYDS PUMPING & ROU	CONTRACT LABOR	394.38	280.00
1/30/86	FLOYDS PUMPING & ROU	CONTRACT LABOR	1,053.40	752.00
1/21/86	GEORGE AND JOYCE WIL	SURFACE DAMAGES	400.00	294.00
1/31/86	D. HARTMAN OIL OPERA	PRODUCING OVERHEAD	550.00	391.00
1/24/86	AXELSON, INC.	OTHER OPERATING EXP	42.80	30.00
1/06/86	MIDWEST INSURANCE AG	OTHER OPERATING EXP	2,833.33	2,014.00
1/28/86	HOUBBS SUN	OTHER OPERATING EXP	8.44	6.00
1/24/86	MERRYMAN CONSTRUCTIO	ROADS AND LOCATIONS	293.63	204.00
TOTAL LEASE OPERATING EXPENSE - JIB **			9,209.06	6,540.00

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SH.
INTANGIBLE DRILLING COST - TLP				
1/03/86	XL TRANSPORTATION CO	WATER	452.26	321.00
1/03/86	XL TRANSPORTATION CO	WATER	91.85	65.00
TOTAL INTANGIBLE DRILLING COST - TLP **			544.11	386.00

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SH.
INTANGIBLE DRILLING COST - ALP				
1/10/86	XL TRANSPORTATION CO	WATER	1,512.00	1,074.00
1/10/86	XL TRANSPORTATION CO	WATER	297.85	20.00
1/02/86	HALLIBURTON	STIMULATION	114,624.01	81,490.00
1/11/85	HALLIBURTON	STIMULATION	130,000.00	92,420.00
1/07/86	MERRYMAN CONSTRUCTIO	TRUCKING AND TRANSP	102.19	7.00
12/31/85	JOHN WEST ENGINEERIN	CONSULTING FEES	476.84	33.00
12/31/85	JOHN WEST ENGINEERIN	CONSULTING FEES	752.06	53.00
1/02/86	FLOYD'S NEW & USED	MISCELLANEOUS MATER	74.82	5.00
1/02/86	GENE'S WELL SERVICE	COMPLETION UNIT	413.02	29.00

JLE HARTMAN
 P.O. BOX 10428
 MIDLAND, TX 79702
 (915) 684-4011

JOINT OWNER INVOICE

VER 77148 P. HOWARD OLSEN
 LEASE 00716 CARLSON #3

DATE SEPTEMBER 30, 1985
 INVOICE 850901311

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SHARE
LEASE OPERATING EXPENSE - JIB				
9/30/85	C. HARTMAN OIL OPERA	PUMPER	105.78	26.00
9/30/85	C. HARTMAN OIL OPERA	EMPLOYEE BENEFITS	37.75	9.00
9/30/85	C. HARTMAN OIL OPERA	INSURANCE	47.50	10.00
9/30/85	C. HARTMAN OIL OPERA	OPERATING SUPPLIES	153.90	38.00
9/17/85	DIXIE ELECTRIC, INC.	EQUIPMENT REPAIR	X 2,940.07	735.00
9/04/85	FCBBS ANCHOR & PCAC	ANCHORS	458.53	114.00
9/30/85	C. HARTMAN OIL OPERA	PRODUCING OVERHEAD	517.10	129.00
9/19/85	FCBBS SUN	OTHER OPERATING EXP	1.45	2.00
TOTAL LEASE OPERATING EXPENSE - JIB **			4,264.08	1,066.00

LEASE TOTAL * 4,264.08 1,066.00**

LEASE 00716 CARLSON #3 YOUR INTEREST .25000000 1,066.00

30

Garold Bowlby

Nov. 16, 1987

Howard Olsen
Box #32279
Phoenix, Az. 85016

Re: Carlson #4 & #5
Letter Dated Nov. 9, 1987

Dear Howard:

As noted in my letter dated Nov. 9, 1987, three invoices were still to be mailed to me which I have now received and the audit results are as follows:

9-30-85 Doyle Hartman - Legal & Regulatory - \$23,455.24

- (1) The major item is the arbitrary billing of aircraft charges in the amount of \$11,500.00 with no support documents.
- (2) A charge of \$300.00 from Dale Lockett, Contract Analyst - support documents could not be located.
- (3) Prepare drilling title opinion and examine abstracts in preparations for Case #OG-85-2214 Carlson Fed. #4.

7-31-85 Atwood, Malone, Mann, & Turner	\$1470.31
8-30-85 " " " "	2426.77
8-20-85 Campbell & Black	901.92
- (4) Various invoices show Carlson Fed. #2 and billed to #4.

7-6-85 Midland Map Co., Midland, Texas.....	\$77.80
7-26-85 Oil Reports & Gas Serv.....	25.12
8-1-85 " " " "	52.65
8-5-85 " " " "	43.26
8-8-85 " " " "	32.21
7-30-85 West Texas Elect. Log Service.....	70.23

(only one invoice is for #4)
- (5) 7-31-85 Howard's Drafting Service, Midland \$725.25
Invoice shows Sec. 23, T-25-N, R-37-E, the #4 legal description is Sec. 23, T-25-s, R-37-E.

10-31-85 Doyle Hartman - Legal & Regulatory - \$2161.91

- (1) A payment of \$300.00 to Joyce Willis for surface damages is the only invoice for #4. \$1861.91 belongs to Carlson Fed. #2 or to Carlson Harrison Federal #4 which is not our well.

We still need to have our attorneys say if Hartman is entitled to \$5500.00 flat drilling overhead or is this per diem? They were only drilling for 18 days.

(2)

Per diem is customary in Oklahoma, $\frac{\$5500.00}{30} = \$183.33 \times 18\text{days?}$

If you need additional information, please advise.

Very truly yours,

Garold Bowlby

GB/dwb

Copy to: T. Calder Ezzell Jr.
Hinkle, Cox, Eaton, Coffield & Hensley
Roswell, N.M.

31

Form 3000-3a
(June 1988) -

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0034
Expires: August 31, 1989

**TRANSFER OF OPERATING RIGHTS (SUBLEASE) IN A
LEASE FOR OIL AND GAS OR GEOTHERMAL RESOURCES**

Mineral Leasing Act of 1920 (30 U.S.C. 181 et seq.)
Act for Acquired Lands of 1947 (30 U.S.C. 351-359)
Geothermal Steam Act of 1970 (30 U.S.C. 1001-1025)
Department of the Interior Appropriations Act, Fiscal Year 1981 (42 U.S.C. 6508)

Lease Serial No.

NM-0766

Type or print plainly in ink and sign in ink.

PART A: TRANSFER

1. Transferee (Sublessee)* Meridian Oil Production Inc.
Street 801 Cherry St.
City, State, ZIP Code Fort Worth, Texas 76102

*If more than one transferee, check here and list the name(s) and address(es) of all additional transferees on the reverse of this form or on a separate attached sheet of paper.

This transfer is for: (Check one) Oil and Gas Lease, or Geothermal Lease

Interest conveyed: (Check one or both, as appropriate) Operating Rights (sublease) Overriding Royalty, payment out of production or other similar interests or payments

2. This transfer (sublease) conveys the following interest: See Below

Land Description <small>Additional space on reverse, if needed. Do not submit documents or agreements other than this form; such documents or agreements shall only be referenced herein.</small>	Percent of Interest			Percent of Overriding Royalty or Similar Interests	
	Owned	Conveyed	Retained	Reserved	Previously reserved or conveyed
	b	c	d	e	f
1. T-25-S, R-37-E, NMPM Section 25: S/2 SW/4 and N/2 SE/4 Containing 160.00 acres, more or less LIMITED TO those intervals from the surface to 4,000' subsurface	71.0938%	71.0938%	-0-	None	Unknown
2. T-25-S, R-37-E, NMPM Section 23: SE/4 SE/4 Section 26: SE/4 NE/4 Containing 80.00 acres, more or less LIMITED TO those intervals from the surface to 4,000' subsurface	53.3203%	53.3203%	-0-	None	Unknown

FOR BLM USE ONLY—DO NOT WRITE BELOW THIS LINE

THE UNITED STATES OF AMERICA

This transfer is approved solely for administrative purposes. Approval does not warrant that either title to this lease.

HARTMAN EXHIBIT 31

Transfer approved effective APR 1 1989

By Margo Sena
(Authorized Officer)

FOR, CHIEF, LEASE MAINTENANCE UNIT

(Title) MAP 8 0 1000 (Date)

PART B: CERTIFICATION AND REQUEST FOR APPROVAL

- The transferor certifies as owner of an interest in the above designated lease that he/she hereby transfers to the above transferee(s) the rights specified above.
- Transferee certifies as follows: (a) Transferee is a citizen of the United States; an association of such citizens; a municipality; or a corporation organized under the laws of the United States or of any State or territory thereof. For the transfer of NPR-A leases, transferee is a citizen, national, or resident alien of the United States or associations of such citizens, nationals, resident aliens or private, public or municipal corporations. (b) Transferee is not considered a minor under the laws of the State in which the lands covered by this transfer are located; (c) Transferee's chargeable interests, direct and indirect, in either public domain or acquired lands, do not exceed 200,000 acres in oil and gas options or 246,080 in oil and gas leases in the same State, or 300,000 acres in leases and 200,000 acres in options in each leasing District in Alaska, if this is an oil and gas lease issued in accordance with the Mineral Leasing Act of 1920 or 51,200 acres in any one state if this is a geothermal lease; and (d) All parties holding an interest in the transfer are otherwise in compliance with the regulations (43 CFR Group 3100 or 3200) and the authorizing Acts. (e) Transferee is in compliance with reclamation requirements for all Federal oil and gas lease holdings as required by sec. 17(g) of the Mineral Leasing Act; and (f) Transferee is not in violation of sec. 41 of the Mineral Leasing Act.
- Transferee's signature to this assignment constitutes acceptance of all applicable terms, conditions, stipulations and restrictions pertaining to the lease described herein. Applicable terms and conditions include, but are not limited to, an obligation to conduct all operations on the leasehold in accordance with the terms and conditions of the lease, to condition all wells for proper abandonment, to restore the leased lands upon completion of any operations as described in the lease, and to furnish and maintain such bond as may be required by the lessor pursuant to regulations 43 CFR 3104, 3134, or 3206.

For geothermal transfers, an overriding royalty may not be less than one-fourth (1/4) of one percent of the value of output, nor greater than 50 percent of the rate of royalty due to the United States when this transfer is added to all previously created overriding royalties (43 CFR 3241).

certify that the statements made herein by me are true, complete, and correct to the best of my knowledge and belief and are made in good faith.

Executed this 15th day of February, 19 89

Executed this 11st day of March, 19 89

Name of Transferor Doyle Hartman and Margaret M. Hartman MERIDIAN OIL PRODUCTION INC.

Please type or print

Transferor *[Signature]*
(Signature)

Transferee *[Signature]*
(Signature)

BYX *Margaret M. Hartman*
(Signature)

or Attorney-in-fact *Dennis Sledge*
(Signature)

DENNIS SLEDGE (Signature)

500 N. Main
(Transferor's Address)

Midland, Texas 79701
(City) (State) (Zip Code)

32

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BEFORE THE OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY,
MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF HOWARD OLSEN TO REOPEN CASE
NOS. 8668 AND 8769, LEA COUNTY,
NEW MEXICO

CASE NO. 8769 & 8668

ORAL DEPOSITION OF HOWARD OLSEN
Taken August 25, 1989

A P P E A R A N C E S

FOR HOWARD OLSEN: HON. HAROLD L. HENSLEY, JR.
 HON. T. CALDER EZZELL, JR.
 Hinkle, Cox, Eaton,
 Coffield & Hensley
 400 N. Pennsylvania
 United Bank Plaza, Suite 700
 Roswell, New Mexico 88201

FOR DOYLE HARTMAN: HON. J. E. GALLEGOS
 Attorney at Law
 141 E. Palace Avenue
 Santa Fe, New Mexico 87501

ALSO APPEARING: MR. OLE OLSEN
 MR. DOYLE HARTMAN
 MR. GAROLD BOWLBY

PERMIAN COURT REPORTERS, INC.
MIDLAND-ODESSA (915) 683-3032

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ORAL ANSWERS AND DEPOSITION OF HOWARD OLSEN,
taken August 25, 1989, at 10:30 a.m., at the offices
of Hinkle, Cox, Eaton, Coffield & Hensley, ClayDesta
National Bank, Suite 2800, 6 Desta Drive, Midland,
Texas, before Todd Anderson, Certified Shorthand
Reporter for the State of Texas, in accordance with
the Rules of Civil Procedure.

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17
18
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20
21
22
23
24
25

I N D E X

Page

Examination by Mr. Gallegos-----	4
Examination by Mr. Hensley-----	76
Further Examination by Mr. Gallegos-----	81
Further Examination by Mr. Hensley-----	87
Further Examination by Mr. Gallegos-----	88

E X H I B I T S

No.	Marked	No.	Marked
1-----	14	9-----	47
2-----	28	10-----	53
3-----	31	11-----	59
4-----	37	12-----	71
5-----	37	13-----	71
6-----	41	14-----	78
7-----	42	15-----	87
8-----	47	16-----	88

1 HOWARD OLSEN

2 the witness, was duly sworn on oath by the
3 Court Reporter to tell the truth, the whole
4 truth, and nothing but the truth, whereupon
5 the witness testified as follows in answer to
6 the questions propounded by Counsel:

7 EXAMINATION

8 BY MR. GALLEGOS:

9 Q. State your name, please.

10 A. My name is Howard Olsen, spelled
11 O-l-s-e-n.

12 Q. Where do you live, Mr. Olsen?

13 A. I live in Phoenix, Arizona.

14 Q. Do you have an office in Phoenix?

15 A. I do.

16 Q. At what address?

17 A. The address is 4636 East Foothill Drive
18 in Paradise Valley.

19 Q. How long have you had that office?

20 A. Since 1981.

21 Q. And what is the mailing address of that
22 office?

23 A. It's Post Office Box 32279. And the zip
24 code on the P. O. box is 85064.

25 Q. Is this your card?

1 A. You may have it if you like.

2 Q. Thank you. What is your occupation?

3 A. I'm in investments, ranching, and cattle
4 business and oil business.

5 Q. Okay. Those are three different
6 businesses?

7 A. Yes. The investments, I deal in
8 commodities. And I operate two ranch properties.

9 Q. Where are the ranch properties?

10 A. The ranch properties are in Dickens
11 County, Texas.

12 Q. And what does the oil business consist
13 of?

14 A. Well, the oil business consists of
15 maintaining mineral interest, some leasing, and
16 general independent oil practices.

17 Q. Are you an operator?

18 A. No, sir.

19 Q. Have you ever been an operator of wells?

20 A. Yes.

21 Q. And tell me about the time period that
22 you were an operator and in what local.

23 A. Well, I was an operator in Midland,
24 Texas, from 1957 to about 1964 as president of
25 Jal Oil Company. Prior to that, I was a drilling

1 contractor that drilled and completed a number of
2 wells in Lea County, New Mexico.

3 Q. Was your father in the oil and gas
4 business in Lea County, New Mexico?

5 A. Yes, that's correct.

6 Q. And he was known as simply R. Olsen?

7 A. R. Olsen, that's correct.

8 Q. Were you in business with him?

9 A. Yes.

10 Q. And was Jal Oil Company a business that
11 he was also --

12 A. No. He had no interest in Jal Oil
13 Company. That was a thing that I put together and
14 bought properties from him. That's where title to
15 the Carlson came about.

16 Q. Okay. Approximately how many wells in
17 New Mexico would you say you and your father
18 developed or operated?

19 A. I would say at least 300.

20 Q. And the lineage of interest in the
21 Carlson lease came to you through your father?

22 A. That's correct.

23 Q. Do you know anything about his
24 acquisition of that lease?

25 A. No, I really don't.

1 Q. When did you obtain your interest?

2 A. I think at the time -- I'm not certain
3 of this, but I believe at the time of his death in
4 1967.

5 Q. What was the nature of the interest that
6 you acquired?

7 A. 25 percent working interest.

8 Q. About when was it that you ceased to be
9 active as an operator?

10 A. Approximately a short period of time
11 after his death, because I was involved in managing
12 estate affairs, and it was not practical to try to
13 give attention to both.

14 Q. Okay. So from that time forward,
15 roughly 1967 or thereabouts, your involvement in the
16 oil and gas business has been what? How would you
17 describe it?

18 A. It diminished to a considerable degree.
19 I maintained a couple of corporations that were in a
20 position to be operator, but I tried to avoid the
21 operation because I didn't have the engineering
22 staff available as conveniently as I did when I
23 lived in Midland. At this period of time, I'm
24 living in Dallas that we are talking about.

25 Q. Okay. Let me try and clarify that then.

1 A. All right.

2 Q. You discontinued living in Midland when?

3 A. 1965. September, '65.

4 Q. And moved to where?

5 A. Moved to Dallas, Texas.

6 Q. But you were still active in the oil and
7 gas business as an operator/driller?

8 A. Yes.

9 Q. And when did you remove your residence
10 from Dallas to some other place?

11 A. In 1981, I moved my office. I still
12 have a residence in Dallas, Texas. In fact, I
13 consider myself domiciled in Texas.

14 Q. So your home is actually in Dallas?

15 A. Yes, sir.

16 Q. And what you have on Foothill Drive in
17 Phoenix then is an office?

18 A. I have an office. That is considered an
19 office and a winter home.

20 Q. I see. About what time of the year do
21 you spend there?

22 A. About half of the year, beginning late
23 September, and then coming back to Texas in the
24 latter part of May.

25 Q. Who is Carol A. Murphy?

1 A. She was a secretary for me for a number
2 of years, either two or three years, something like
3 that.

4 Q. During 1985 and 1986, she was in that
5 position?

6 A. I think so, yes.

7 Q. Was there anybody else employed in your
8 Phoenix office?

9 A. Yes. I had a lady that did the
10 bookkeeping and accounting, and her name was Carol
11 Mariner. Wait a minute. Donna Mariner.

12 Q. Any other employees in your office
13 during 1985 and '86?

14 A. No.

15 Q. What is the whereabouts of Carol Murphy
16 now?

17 A. I haven't any idea. She left a couple
18 of years ago with a conflict with her husband and
19 her credit, and she left under -- and nobody can
20 find her. There are a lot of people that would like
21 to know where she is for car payments and things
22 like that.

23 Q. Did she leave your employ on good
24 standing?

25 A. No. I had to discharge her. She was

1 not satisfactory. She wasn't working out. She was
2 undependable.

3 Q. In what respect?

4 A. Well, she would not show up for work for
5 a day or two at a time.

6 Q. Do you have an office and employees in
7 Dallas?

8 A. No.

9 Q. So year-round, even though you are not
10 there, the Phoenix office constitutes the place that
11 you do business?

12 A. Yes.

13 Q. And have you continued to conduct the
14 business out of that office by the employment of a
15 secretary and a bookkeeper?

16 A. Yes.

17 Q. In other words, somebody has replaced
18 Carol Murphy in the same position?

19 A. Yes.

20 Q. Okay. Going back to this Carlson lease,
21 when you obtained it in 1967, was it productive?

22 A. Yes.

23 Q. From what wells?

24 A. Wells 3 and 4 -- 2 and 3. I don't
25 remember.

1 Q. Who was operating it?

2 A. Sun.

3 Q. And was everything satisfactory as far
4 as you were concerned, the production, revenue?

5 A. The production was very consistent.

6 Q. Both wells?

7 A. Yes.

8 Q. Did it remain that way up through the
9 time that Mr. Hartman became operator?

10 A. The revenue dropped off after Mr.
11 Hartman took operation.

12 Q. Okay. And so your testimony is up to
13 the time Mr. Hartman took operation, production was
14 consistent from both wells, the 2 and the 3?

15 A. To my knowledge. I didn't keep that
16 close of a tab on what the runs were. They seemed
17 to be holding their own as far as revenue.

18 Q. Well, how many wells would you say you
19 had an interest in, in this period of time we are
20 talking about, the '70s and the early '80s?

21 A. It would just be an estimate, but I
22 would say around 100 wells.

23 Q. In your experience, have you ever
24 participated in the Oil Conservation Commission or
25 Oil Conservation Division hearings in New Mexico?

1 A. No, not to any great degree.

2 Q. Have you ever been in any of those
3 proceedings as a party, whether you personally
4 appeared at the hearing?

5 A. Oh, I have had representation. I have
6 been at the hearings, but I have not testified at
7 those hearings.

8 Q. And who has represented you in those
9 proceedings from time to time in the past?

10 A. Dub Girand. Of course, he is dead now.
11 Robinson, Ship, Robertson & Barnes out of Oklahoma
12 City. I think that they are the firm that is
13 dissolved. And I believe they are dead now also.

14 Q. Anybody else?

15 A. Not that I can recall off the top of my
16 head.

17 Q. When did it come to your attention that
18 Sun's status as operator had been transferred to
19 Doyle Hartman?

20 A. I don't remember that precisely.

21 Q. Did you do anything as a result of that
22 under Doyle Hartman's operation, make any kind of
23 inquiries or communicate with either Sun or Doyle
24 Hartman?

25 A. At a date when I noticed the production

1 had -- or the revenue had ceased, it was called to
2 my attention by my accounting department. And I
3 tried to contact the Hartman office. In fact, I
4 made a phone call to Doyle Hartman on several
5 occasions. In fact, two or three phone calls. And
6 I didn't get a response. He didn't return my call.
7 Now, the precise dates on that I can't give you.

8 Q. On this 25 percent working interest in
9 these Carlson leases, do you still have that
10 interest?

11 A. Yes, sir.

12 Q. Have you had any discussions with
13 anybody about transfer of that interest, sale of it?

14 A. No. No one has approached me on trying
15 to buy the interest.

16 Q. You have had no negotiations with
17 Meridian Oil Company or Meridian Oil, Inc.?

18 A. No, sir.

19 Q. Any negotiations with El Paso Natural
20 Gas Company?

21 A. No.

22 Q. So the 25 percent working interest that
23 you have had since 1967 you continue to have, and it
24 has not been diminished, or assigned, or made any
25 kind of transaction concerning it?

1 A. No, sir.

2 (Deposition Exhibit No. 1 was
3 marked for identification)

4 Q. Were you aware that in April of this
5 year that postponement of the proceedings before the
6 New Mexico Oil Conservation Division was asked by
7 your attorney, Mr. Ezzell, and the reason was stated
8 that there were negotiations going on with Meridian?

9 A. I'm not -- there had been some mention
10 of it, but I didn't pay that much attention to it.

11 Q. Mention of what? Negotiations with
12 Meridian?

13 A. Yeah. But the negotiations with
14 Meridian and El Paso were in the works at the time,
15 and I thought it would be quite a period of time
16 before things settled down and that was cleared out.

17 Q. Okay. Well, tell me about the
18 negotiations with Meridian and El Paso. What was
19 the subject?

20 A. Well, my basic understanding was that
21 Meridian or El Paso, whichever, however they relate
22 to each other, had bought Hartman's properties.

23 Q. I'm talking about negotiations as far as
24 your interest are concerned.

25 MR. HENSLEY: Can we get off the

1 record?

2 MR. GALLEGOS: Yeah.

3 (DISCUSSION OFF THE RECORD)

4 A. I didn't mean to be evasive. My idea,
5 the way I interpreted the negotiations, if somebody
6 sends me a draft for a dollar amount that is in the
7 form of a lease, offer to purchase, then that is the
8 only thing I really take seriously. Then I will get
9 back to them personally by phone and try to
10 negotiate and bring it up to something that we can
11 either agree on or reject. And that has not
12 happened on this lease. So I want to make sure my
13 answer is correct with you.

14 Q. Well, I think there is some mis-
15 understanding, and we will need to pursue it a
16 little bit.

17 A. Okay.

18 Q. You say you only consider it
19 negotiations if somebody sends you a check?

20 A. Or a draft with an offer, because I hear
21 so many things that are just unfounded, and really
22 they are trying to evaluate or test the area to some
23 degree. And I don't consider it a valid offer
24 unless I get a letter with a check.

25 Q. Well, let's use the term "negotiations"

1 a little more broadly then to include talking about
2 acquiring your interest or settling with you as to
3 any rights you might have to sale of gas under gas
4 purchase agreements, those kinds of things, even if
5 there was not actually a draft or a check sent to
6 you.

7 A. No, sir. I have no conversation as to a
8 dollar amount of the gas that represents my 25
9 percent interest with anybody.

10 Q. Have you had any conversation that
11 doesn't represent a dollar amount that expressed an
12 interest?

13 A. No, sir.

14 Q. Did you attend the working interest
15 owners' meeting at the invitation of Meridian?

16 A. Yes, sir.

17 Q. About when did that take place?

18 A. I don't remember. It was several months
19 ago. My interpretation of that meeting was that
20 they were trying to introduce themselves as the new
21 administration of the properties and were trying to
22 keep everybody reasonably assured or content that
23 they were going to look after their interest. And
24 it was almost like an introduction, a coffee social
25 or something of that affair.

1 Q. Well, did the Meridian representatives
2 express an interest in acquiring the properties?

3 A. No, sir, they did not.

4 Q. Let's go back to your testimony, Mr.
5 Olsen, about your calling Mr. Hartman concerning the
6 revenue drop-off, dissatisfaction with the
7 operation. You say you spoke to Mr. Hartman himself
8 on some occasions?

9 A. No, sir. I tried. Now, at some point
10 during the July 10 -- I'm sorry, I'm not as up on
11 the files, as good with the figures as he was by
12 quite a ways, because I haven't paid that much
13 attention to it.

14 But, anyway, during the course of our
15 position on the Carlson lease, I tried on two and
16 possibly three occasions to call him personally, and
17 he never did return my call.

18 Q. Well, did you talk to somebody in the
19 Hartman office?

20 A. Yes. I think I talked to someone in the
21 accounting department.

22 Q. Mr. Burr?

23 A. I think that was it, yes.

24 Q. And what was the general message or
25 communication you were making?

1 A. The only real reason I would have to
2 call him was to ask why the revenue had dropped off.
3 And his position was at that time, "We have recently
4 acquired the property, and we have put the revenue
5 in suspense. And as soon as we have our files
6 straightened out, we will get back to you."

7 Q. Okay. Let me show you Deposition
8 Exhibit Number 1 to the Olsen deposition. Take your
9 time to read that to yourself.

10 MR. HENSLEY: Off the record.

11 (DISCUSSION OFF THE RECORD)

12 Q. Have you had an opportunity to read the
13 exhibit?

14 A. No, not really.

15 Q. Well, do you recognize it as a letter
16 from and signed by Doyle Hartman?

17 A. Yes.

18 Q. Dated January 24, 1985?

19 A. Uh-huh.

20 Q. And it did provide you with an
21 explanation of what was happening as far as
22 production and revenue and that sort of thing, true?

23 A. Yes.

24 Q. Did you receive that letter?

25 A. Yes.

1 Q. Did that letter also express some
2 interest in additional drilling or buying your
3 property?

4 A. It indicates buying a specific 40 acres
5 for a price of \$22,500.00.

6 Q. Well, a specific 40 acres? There is a
7 reference to the Southeast of the Southeast of
8 Section 23 and the Southeast of the Northeast of
9 Section 26. That's two 40-acre tracts.

10 A. That was a mistake. I wouldn't consider
11 selling two 40-acre tracts for that price.

12 Q. So you were considering selling one 40-
13 acre tract for \$22,500.00?

14 A. No, no. I was considering selling one
15 40-acre tract for \$50,000.00.

16 Q. Well, we will talk about that. Was
17 there some good reason in your mind to enhance the
18 recovery of the reserves from these properties by
19 drilling one or more infill wells?

20 A. Well, I had the opinion that there was
21 so many cubic feet of gas in reserve and that the
22 price that we were discussing was not adequate to
23 recover the number of feet that were in place.

24 Q. You are talking about what you would
25 sell your interest for?

1 A. Yes.

2 Q. But I'm asking you about the
3 indications, if you had any thoughts on it, of
4 drilling infill wells.

5 A. Myself?

6 Q. Yes.

7 A. Not seriously.

8 Q. Why not?

9 A. Because it's too hard for me to crank up
10 operations to go back into the operating business.

11 Q. Well, how about infill wells being
12 drilled by the operator?

13 A. Well, the present operator, I haven't
14 gotten into it to the extent to evaluate it that
15 closely.

16 Q. No. I'm talking about -- here we are in
17 1985, and what I'm asking you about is your thinking
18 about having the operator, Doyle Hartman, enhance
19 the recovery of reserves from these Carlson leases
20 by drilling infill wells.

21 A. Well, the AFE that was submitted on an
22 infill well, I thought the cost was rather high, and
23 I didn't feel that it was a reasonable price.

24 Q. Well, we will get to that, too. My
25 question is whether you wanted to see or thought,

1 for reasons that anybody in the oil and gas business
2 would be motivated, that there ought to be infill
3 wells drilled.

4 A. Well, to me, gas is a store of value
5 that is in place and you don't always get the
6 benefit of it as quickly as you would like. And the
7 fact that it is a store of value, if it were maybe
8 developed by somebody else at a later date at a
9 different price, it might even be more efficient
10 than trying to jump in and do it right at this
11 moment. And that is why I was not entertaining the
12 first idea that came along for an infill well.

13 Q. Okay. So you are saying that your
14 position was just let the existing Number 2 and
15 Number 3 wells go along and do not drill infill
16 wells?

17 A. Well, I would like to go along with an
18 infill well if it would not eliminate my income from
19 2 and 3, which had been pretty good for the past
20 years. And then an infill well is going to pull a
21 lot of reserves out. It's going to pull the
22 capacity out of the other wells, and I needed to be
23 compensated for that loss.

24 Q. If an infill well was drilled on either
25 of those 40's, you were going to have a 25 percent

1 interest in that production, were you not?

2 A. But it's a considerable gamble as to
3 what that well would do compared with what the
4 stable production of what the other wells had been
5 in the past.

6 Q. And what do you base that on? Tell me
7 about --

8 A. Well, that's just my personal opinion.
9 I don't have an engineering reserve background to
10 substantiate that. So it's just my personal
11 opinion.

12 Q. So essentially you were not interested
13 in participation in the drilling of infill wells on
14 this Carlson lease?

15 MR. HENSLEY: I don't think he said
16 that, but go ahead and answer the question.

17 A. Well, I intended to convey that if it
18 was a reasonable -- I figured the \$390,000.00 on the
19 AFE which I received was rather substantial for one
20 of those wells. And I would have been interested in
21 maintaining my participation or paying my working
22 interest part had the AFE been of a lesser figure.

23 Q. So you did receive an AFE?

24 A. Yes, sir.

25 Q. And it showed a total through completion

1 of \$390,000.00?

2 A. Yes, sir.

3 Q. And that included a 15 percent
4 contingency factor, correct?

5 A. As far as I remember, I think that's
6 correct.

7 Q. And what amount of money would have been
8 appropriate for you, that you would have wanted to
9 participate in the well? What well cost?

10 A. Really, I don't know. I would have to
11 have compared that with what other wells in the area
12 were being drilled at the time. I didn't know if
13 that was a reasonable figure or a high figure. But
14 off the top of -- it seemed a little high to me.

15 Q. Well, in order to conclude the
16 \$390,000.00 was too high, you had to have some idea
17 of what was a reasonable figure, did you not?

18 A. I felt generally that it was about a
19 third high. If it was a third to 40 percent less,
20 it would have been more reasonable.

21 Q. So you thought a well, infill well,
22 should have been drilled --

23 A. For less than \$300,000.00.

24 Q. -- for less than \$300,000.00?

25 A. Yes.

1 Q. And what did you base that on?

2 A. I was basing that on present drilling
3 costs in that area.

4 Q. And what experience were you having with
5 present drilling costs at that time?

6 A. Deals that were submitted, submitted
7 AFE's, not precisely in that corner of Lea County,
8 but there were some in a close enough area that it
9 was similar. I have participated in working
10 interests with other operators.

11 Q. In 1985 and around that period of time,
12 1986?

13 A. Yes. Even today, yes.

14 Q. Tell me what operators you participated
15 with in Lea County in '85 and '86.

16 A. I would just have to go back and check
17 my records. I couldn't pull them off the top of my
18 head.

19 Q. Well, I don't expect you to be total or
20 comprehensive. But just what comes to your mind?

21 A. I just can't come up with one right now.
22 I can't think of one.

23 Q. Okay. But based on that, you are able
24 to say that an AFE reflecting a well completion cost
25 of \$300,000.00 would have been one that you would

1 have participated in?

2 A. I would have looked at it more
3 seriously.

4 Q. Well, if it were \$275,000.00, that's
5 when you would have participated?

6 A. I would have looked at it very
7 seriously.

8 Q. And \$250,000.00 --

9 A. I would be delighted to go and meet at
10 the office, yes.

11 Q. Did you respond to Mr. Hartman's letter
12 to you? He says in his letter he would like to buy
13 your interest and please let us hear from you as
14 soon as is conveniently possible. This is the
15 January 24, 1985 letter.

16 A. If I did -- I'm sure that I did, but I
17 don't have a copy of it with me.

18 Q. You are sure that you did?

19 A. Well, I believe that I did, because I
20 usually answer my correspondence.

21 Q. And that is usually done in an answer in
22 writing signed by you?

23 A. Yes. Or if I should be out of town, I
24 have it signed by either my secretary or whoever
25 handles the matter, and then initial it down there

1 to show a source of my signature.

2 Q. It would be accurate to say that you
3 have a file in your office on the Carlson Federal
4 lease, don't you?

5 A. Yes, sir.

6 Q. Have you made that available to your
7 counsel?

8 A. Yes.

9 Q. You are sure of that?

10 A. I think so.

11 Q. Well, have you looked through that file
12 to find this letter which constituted your response
13 to Mr. Hartman's January 24, 1985 letter to you?

14 A. No, sir. I have not searched it out to
15 find the answer to that letter. I have not done
16 that. Now, that does not mean that I cannot make a
17 strong effort to try to produce it.

18 But I recently found the original files
19 that go back to file 1, file 2, file 3. A period of
20 time during our move from Dallas to Phoenix and
21 dealing with a series of non-oil personnel have had
22 a great deal of difficulty in keeping the oil and
23 gas department alive without a little extra effort.

24 So I think that I can produce it if you
25 would like to see it.

1 MR. HENSLEY: Let me interrupt just a
2 minute, because I'm sure you don't want to, and I
3 don't want to play any games in this thing, because
4 I don't do that. If you want a copy of the
5 response, I will give it to you right now, and we
6 can get on with it.

7 MR. GALLEGOS: Yeah. That's where
8 I'm going. I was going to ask you.

9 MR. HENSLEY: Sure. We are delighted
10 to do that.

11 MR. GALLEGOS: In fact, if Mr.
12 Olsen's file is available just as we provide ours,
13 if you would like to see his.

14 MR. HENSLEY: Sure. We'll have to
15 Xerox it, but I'll give it to you. But I will tell
16 you whatever we've got.

17 MR. EZZELL: We got most of it from
18 Mr. Hartman's file, because we didn't get very much
19 from Mr. Olsen. But we built most of what we had
20 from the files when they were presented to us.

21 MR. GALLEGOS: Well, let's try to
22 keep that straight so we know what we got from Mr.
23 Olsen.

24 (DISCUSSION OFF THE RECORD)

25 Q. By way of clarification, Mr. Olsen, you

1 mentioned something about files 1, 2, 3.

2 A. Those are the original files when the
3 lease was put together. And they are quite old.
4 And I found them. And they possibly should have
5 been done away with years ago. But I found them
6 stored in dead storage at the ranch by accident.
7 They go back to the '40s and '50s. They are quite
8 old.

9 Q. But as to current files, it would show
10 the period we are interested in, in the '80s?

11 A. For a period of time, whether it was
12 through our -- well, it was misguidance. We
13 couldn't find this file. And then we started
14 putting things together and finally came up with
15 one. But as to this correspondence, we have that
16 available.

17 Q. Okay. Let me just have a moment here.

18 A. Sure.

19 (PAUSE)

20 (Deposition Exhibit No. 2 was
21 marked for identification)

22 Q. Would you identify that for the record?
23 It's been marked as Exhibit 2 to your deposition,
24 Mr. Olsen.

25 A. Yes, sir.

1 Q. And what is it?

2 A. It's a letter from my office to Doyle
3 Hartman in regard to the Carlson Federal Number 3.
4 And it's signed by my employee, Donna Mariner, under
5 my instructions.

6 Q. And as far as the offer to purchase your
7 interest in the lease, the first one-sentence
8 paragraph covers that, where you say the offer is
9 insufficient?

10 A. Yes, sir, that's correct.

11 Q. Okay. How much was the Number 3
12 producing at that time per day?

13 A. Sir, I couldn't begin to tell you. I
14 don't remember.

15 Q. But it was a satisfactory amount as far
16 as you were concerned?

17 A. At this particular time, I'm not -- I
18 just don't know what it was. At one point it was
19 satisfactory, and at a point later on I felt that it
20 was not commercial.

21 Q. Do you remember when that was?

22 A. No, sir, I don't know. I would have to
23 have some figures in front of me.

24 Q. And with that being the case, what would
25 be the indication as to what should be done with the

1 well?

2 A. Well, possibly a workover, participate,
3 a reasonable additional well -- I really was
4 concerned about how much water the well was making,
5 if the water encroachment was going to be sufficient
6 to -- I just wasn't informed about what the
7 condition of the lease was.

8 Q. And did you seek to obtain information
9 from Hartman?

10 A. Yes, sir, about the revenue. I was
11 concerned about that.

12 Q. About the revenue?

13 A. Right. That's the primary interest, why
14 I'm in the oil business.

15 Q. But as to ways in which the revenue
16 might be enhanced by, say, a workover, did you
17 inquire about that and suggest that be done, for
18 example?

19 A. No, I really didn't.

20 Q. You understood that any expenditures on
21 that Carlson lease were going to be paid 75 percent
22 by Hartman, didn't you?

23 A. Yes.

24 Q. You didn't think that Hartman was going
25 to be spending a dollar on that lease for workover

1 infill well of which he paid 75 cents that wasn't
2 necessary to spend, did you?

3 A. Well, in all due respect, Mr. Hartman
4 was an unknown value to me at the time, and I didn't
5 know his efficiency in -- and not to cast any
6 aspersions on him at this date. But I had no
7 knowledge of his efficiency and whether this would
8 be money well spent with an unknown. And I mean no
9 disrespect in what I said. It's just the way I
10 looked at it as I look back in hindsight.

11 (Deposition Exhibit No. 3 was
12 marked for identification)

13 Q. Let me hand you what has been marked as
14 Exhibit 3 to your deposition, and ask you to look
15 that over and see if you recognize it.

16 A. Yes, sir.

17 Q. Do you remember receiving that letter?

18 A. Yes, I think so.

19 Q. And that letter basically says to you
20 that the operator, that is, Doyle Hartman, thinks an
21 infill well should be drilled. And here is the
22 attached authorization for expenditure and detail
23 estimate, correct?

24 A. I don't precisely remember it, but I'm
25 certain that it was attached and I got it.

1 Q. Okay.

2 A. But this is a breakdown of the cost of
3 the \$390,000.00. Yes, I do remember seeing it.

4 Q. Okay. And from your prior testimony,
5 without having to rehash that, your reaction was you
6 didn't want to participate based on these kinds of
7 costs?

8 A. That wasn't something I was bound to do
9 it.

10 Q. Well, you didn't want to?

11 A. I didn't want to, that's correct.

12 Q. So instead, were you interested in the
13 other alternatives that were provided by this
14 letter?

15 A. A farmout or a sale.

16 Q. Okay. The alternatives here are
17 basically -- first of all, you can participate.
18 Here is the AFE, and you can pay up and participate?

19 A. Right.

20 Q. You didn't want to do that?

21 A. Right.

22 Q. The next alternative was a cash sale of
23 your interest?

24 A. Yes.

25 Q. Did you want to do that?

1 A. Yes.

2 Q. I'm not saying the \$2,500.00 was
3 satisfactory.

4 A. I wanted to do that. But I considered
5 that an offer of negotiation like I described
6 earlier. Even though a draft wasn't submitted, I
7 considered that an offer. And I countered with the
8 \$50,000.00.

9 Q. Okay. And I will follow up on that.
10 But the other alternatives were a farmout. You
11 weren't interested in that, at that point?

12 A. Not really, no.

13 Q. And then the fourth alternative would be
14 that you would be compulsorily force pooled, as they
15 say, by the action of the OCD?

16 A. Uh-huh.

17 Q. You understood what that meant?

18 A. Sure.

19 Q. And you had been through those kind of
20 proceedings?

21 A. Yes.

22 Q. Both probably as the forcer and the
23 forcee?

24 A. Yes, sir.

25 Q. Okay. Now, tell me about your

1 countering for \$50,000.00. How was that
2 communicated?

3 A. Well, to the best of my knowledge, I had
4 a geologist in Oklahoma City that was doing deal
5 evaluation, and he was rather interested in handling
6 the negotiations on this. And he was in touch with
7 a Mrs. Sutton or Miss Sutton, or whatever it is, in
8 Doyle's office.

9 And we finally -- he almost became the
10 capacity of trying to broker it. "Well, I can get
11 you \$50,000.00." I said, "I don't want to be -- I
12 don't want to keep hearing these deals." I said,
13 "If you get me a check, cashier's check, for
14 \$50,000.00, I'll sell that 40 acres for the infill
15 well."

16 He said, "Okay. I think we can do
17 that." So I said, "Well, let's put a time frame
18 around it so it doesn't go on indefinitely." The
19 time frame came and went, and I said, "I don't want
20 to hear about it anymore."

21 Q. Who was the geologist?

22 A. Foraker.

23 Q. James P. Foraker?

24 A. That's correct.

25 Q. F-o-r-a-k-e-r?

- 1 A. Yes.
- 2 Q. These communications up through
3 Exhibit 3 have been between Hartman or Hartman's
4 office and you, Mr. Olsen, correct?
- 5 A. That's correct.
- 6 Q. Why was Mr. Foraker needed?
- 7 A. Because he's representing me on the
8 evaluation of it, and I'm forwarding these letters
9 to him and letting him handle the deal so that I'm
10 not involved in it really personally, pretty much
11 like he has Mrs. Sutton do it for him.
- 12 Q. I see. So you were utilizing his
13 geological skills?
- 14 A. Knowledge, yes.
- 15 Q. To evaluate the lease?
- 16 A. Yes.
- 17 Q. To see whether \$50,000.00 or \$22,000.00
18 or whatever was a proper value?
- 19 A. Yes, sir.
- 20 Q. And then since he had done the
21 evaluation, you let him go ahead and step in as your
22 representative on the negotiations?
- 23 A. Yes.
- 24 Q. How was he going to be paid?
- 25 A. Well, he had been evaluating all the

1 various things that come in, the drilling
2 opportunities. He's paid when he submits a bill, in
3 cash.

4 Q. Just for his time?

5 A. Yes.

6 Q. Not a percent of the amount that he
7 would get?

8 A. No, no.

9 Q. Now, did he keep you informed of the
10 various communications he had with Ruth Sutton of
11 the Doyle Hartman office?

12 A. Yes, he did.

13 Q. And did he tell you that around July
14 30th he had come to an agreement that \$50,000.00
15 would be an acceptable amount for the lease?

16 A. Yes, he did. Right.

17 Q. And then there were some conditions, I
18 think. He wanted a cashier's check?

19 A. Yes. That's correct.

20 Q. And a cashier's check had to be
21 delivered during banking hours and by October 1?

22 A. Yes, sir. I believe that's correct.

23 Q. And that was the time frame?

24 A. Yes, sir.

25 Q. October 1?

1 A. Yes, sir.

2 Q. And then did he tell you that, in fact,
3 he was sent a proposed assignment and bill of sale,
4 the paperwork for making the transaction?

5 A. I think that he did say that, yes.

6 (Deposition Exhibit No. 4 was
7 marked for identification)

8 Q. Just to keep things sort of in order,
9 I'm going to show you Exhibit 4 and ask you if you
10 received that.

11 A. Yes.

12 Q. Okay. So following the July 10, 1985
13 letter from Mr. Hartman, Exhibit Number 4, the
14 letter from Mr. Carr, July 22, 1985, informed you
15 that Hartman was going ahead with the compulsory
16 pooling case on the Number 4?

17 A. Yes, sir.

18 (Deposition Exhibit No. 5 was
19 marked for identification)

20 Q. Let me show you Exhibit Number 5 to your
21 deposition, Mr. Olsen. That's a letter of July 30,
22 1985, from Ruth Sutton to you?

23 A. Uh-huh.

24 Q. Did you receive that letter?

25 A. Yes, I'm sure I did. I don't remember

1 it precisely, but I think that I received it.

2 Q. Ms. Sutton, in that letter, is
3 discussing farmout terms as opposed to a cash buyout
4 of your property interest. Was that appealing to
5 you?

6 A. No, it was not.

7 Q. You wanted to go the cash-out route?

8 A. Yes, sir.

9 Q. Now, you knew that there was a case
10 filed before the Commission. And by Mr. Carr's
11 letter, which is Exhibit 4, you also knew the date
12 that the hearing was to be held, correct, July 31,
13 1985?

14 A. Uh-huh.

15 Q. Isn't that true?

16 A. Yes, sir.

17 Q. Why didn't you attend that hearing?

18 A. Well, first of all, this letter was
19 received and was signed for by my office. But July
20 is a very hot month, and I probably wasn't in my
21 office, and they read it to me on the phone maybe a
22 couple weeks later.

23 So I'm assuming that based on this being
24 July that I just wasn't notified of it by my own
25 people. Be whose fault that it may, it's my

1 responsibility, but I didn't get it.

2 Q. Had your office advised you concurrently
3 with receipt of the letter --

4 A. I still probably wouldn't have gone.

5 Q. Would you have sent a lawyer?

6 A. Yes, I probably would have done that,
7 yes.

8 Q. Why would you have done that?

9 A. Well, I want to represent my interest.
10 I think it should be handled properly.

11 Q. And with your experience in the business
12 and in OCD proceedings, you knew it was most
13 probable that if you were not there to oppose the
14 application, the application was going to be
15 granted?

16 A. It's vital to be there.

17 Q. Otherwise, the application would be --

18 A. I understand that. Yes, sir.

19 Q. And this letter, Exhibit 5, by Ms.
20 Sutton again says that the pooling hearing has
21 already been scheduled. So do you know whether your
22 office told you about that?

23 A. I can just assume that it's part of the
24 same -- handled in the same manner.

25 Q. Okay. In July, around this period that

1 we are talking about, late July, was Carol Murphy in
2 your office keeping you informed of the
3 conversations that she was having with Ruth Sutton
4 about a farmout agreement?

5 A. Donna Mariner was supposed to be doing
6 that. Carol was primarily a secretary, and she ran
7 the word processor. But she was not -- Donna
8 Mariner was supposed to be doing that.

9 Q. Well, let me ask you this. If Carol
10 Murphy informed Ruth Sutton that the farmout
11 agreement was acceptable to you, that was false. Is
12 that --

13 A. Well, not necessarily, because Donna
14 Mariner was supposed to be handling the lease files.
15 Carol Murphy, if she was involved in what we are
16 talking about, simply acted on the instructions of
17 Donna Mariner and said, "Well, call Ruth Sutton and
18 tell her so and so."

19 Q. I see. But Donna Mariner then would
20 have been in the position to make those kinds of --

21 A. The official capacity to represent me in
22 my lease files, yes, and negotiations.

23 Q. And to make decisions of that sort?

24 A. Yes, yes.

25 Q. So Donna Mariner would have been in the

1 position to represent you and make the decisions.
2 Carol Murphy would simply have been the messenger?

3 A. Now you've got it. That's it.

4 Q. Okay. And I suppose at some point Donna
5 Mariner would keep you advised of what she was
6 doing?

7 A. Yes.

8 Q. All right.

9 (Deposition Exhibit No. 6 was
10 marked for identification)

11 Q. This is Exhibit 6 to your deposition,
12 Mr. Olsen.

13 A. Okay.

14 Q. Take a look at that.

15 (DISCUSSION OFF THE RECORD)

16 Q. Have you been able to get through that,
17 Mr. Olsen?

18 A. Yes, I have. And I cannot say for sure
19 that I ever received this or the assignment. And I
20 will also add -- whether I should or not, I will add
21 an explanation that I rather suspect that Foraker
22 was acting now, instead of evaluation, is turning
23 himself into a partial broker and wants to submit
24 it. And I don't think I have a copy of that one. I
25 don't remember seeing it.

1 Q. Well, you should have, wouldn't you
2 agree?

3 A. Sure, I should have. Yeah. But I'm not
4 sure that I did.

5 MR. HENSLEY: Can we get off the
6 record and clear it up?

7 (DISCUSSION OFF THE RECORD)

8 (Deposition Exhibit No. 7 was
9 marked for identification)

10 Q. Exhibit 6 we have identified as a letter
11 from Ruth Sutton to James P. Foraker, September
12 20th. That was kind of small print that took awhile
13 to read that one over?

14 A. Yes, sir.

15 Q. Now, it is quite clear from that letter
16 that the subject in terms of what Hartman's office
17 was dealing with was two 40-acre tracts, correct?

18 A. That is what this letter says. The
19 position I had with Foraker was I did not have in
20 mind two 40-acre tracts.

21 Q. Okay. So evidently Mr. Foraker got off
22 on the wrong track, spelled t-r-a-c-k?

23 A. Yeah. We are saying things different.

24 Q. And Exhibit Number 7, would you identify
25 that, Mr. Olsen?

1 (PAUSE)

2 A. Yes. I think I received that letter. I
3 believe I have. Yeah.

4 Q. Do you recall that for good reason he
5 had expected to see you soon after September 20th so
6 that he could have gone over this matter with you?

7 A. I possibly implied I was going to be in
8 Oklahoma City and that I would drop by and we would
9 have lunch or have a meeting. That was the only --
10 I did not schedule him to come to Phoenix. I often
11 go to Oklahoma City. So I think that possibly
12 during the course of our conversation on this -- he
13 is looking at four, five deals for me at the same
14 time. This is just one of several. And I said,
15 "Well, I will be up there, and I will talk to you
16 later." So he puts that in his letter that we are
17 going to get together. Now, that is an assumption.
18 I don't want to swear to that.

19 Q. This time of the year, that is, October
20 of 1985, you would have gone from living in Dallas
21 to Phoenix?

22 A. Uh-huh.

23 Q. I'm interested in the sentence here that
24 says -- and I quote -- "Pursuant to your
25 instructions I have ceased work on the Carlson

1 project." Do you remember the conversation on that
2 subject?

3 A. It related to the time frame that we put
4 around it, that if I didn't have payment for it by
5 October the 1st, then cease work on it because the
6 deal was off.

7 Q. And here he received the letter on the
8 20th and --

9 A. Well, I didn't get this letter.

10 Q. No. In fact, by his October 4th letter,
11 he is only sending you the assignment and not the
12 letter. I mean, that's the way I interpreted it.

13 A. Yes, I think that's correct.

14 Q. But evidently there had been some
15 conversation between you and Mr. Foraker before his
16 October 4th letter, and that is what I'm asking.

17 A. I'm certain there had. I'm certain I
18 told him, "If you don't have a cashier's check
19 here" -- and I didn't want -- I'm getting a little
20 edgy about things going to him, because I sense that
21 there is too much going to him, and I'm not
22 getting -- being kept informed. I said, "I want the
23 assignment and cashier's check here." So I'm sure
24 that I fired him about this time.

25 Q. Okay. I take it you weren't pleased

1 with the way he was handling this transaction?

2 A. Not at all. And others to boot.

3 Q. So now what we have in early October is
4 you knew there would be an unopposed forced pooling
5 application before the OCD on July 31, 1985, in
6 Santa Fe, correct?

7 A. Yes.

8 Q. So you knew that it was about 99.5
9 percent sure that forced pooling would come about?

10 A. Yeah.

11 Q. And in early October, you also knew that
12 these negotiations to sell your interest in the
13 lease had come to an end?

14 A. Uh-huh.

15 Q. Okay. So your interest was force pooled
16 and --

17 A. Yeah, that's it. Force pooled.

18 Q. And what did you do to find out what was
19 going on as far as drilling that well into that
20 forced pooling proceeding?

21 A. I'm sure a period of time went by and
22 I'm not -- I really don't remember what I did at
23 this moment. I would have to refresh my memory to
24 correctly answer that question. And I just don't
25 have anything in front of me to stimulate it.

1 Q. Well, you knew that a well was being or
2 would be drilled at a cost that you thought was too
3 high?

4 A. Yes, sir, that's correct.

5 Q. Okay. Can you tell us any steps you
6 took in regard to asserting that position or
7 grievance in this period of time, let's say before
8 the end of 1985?

9 A. Well, I just fired my only oil and
10 gas man, so I'm just not loaded with technical
11 people to see what I'm doing. But I had -- I just
12 don't know. I'd have to search my files.

13 Q. Well, let's take a look in case your
14 files reflect any action like that.

15 A. Okay.

16 Q. Because they are here. And Mr. Ezzell
17 can tell us if they show us anything. If it's
18 nothing, it's nothing.

19 MR. EZZELL: Any objection or any
20 correspondence relative to the drilling of the well
21 after the well --

22 MR. GALLEGOS: Inquiry to Hartman,
23 hiring an attorney, doing anything.

24 MR. EZZELL: I have seen nothing
25 until Mr. Olsen hired the attorney who subsequently

1 referred him to us, which did not occur in 1985.

2 (Deposition Exhibit Nos. 8 - 9
3 marked for identification)

4 Q. Mr. Olsen, I'm going to hand you an
5 exhibit marked Number 8 to your deposition. It's
6 dated October 1, 1985. It appears to be a letter
7 from Ruth Sutton to you in Phoenix. Would you look
8 that over, please?

9 (PAUSE)

10 A. I definitely remember receiving this
11 one, yes.

12 Q. Okay. And it informs you that, in fact,
13 there was a hearing held on the application?

14 A. Uh-huh.

15 Q. And it also informed you what had gone
16 on in Hartman's offices, the perception of their
17 negotiations with Mr. Foraker that they had made a
18 deal, correct?

19 A. Yes.

20 Q. And would it be fair to say from your
21 testimony that Mr. Foraker had been off doing things
22 that --

23 A. In a different way, yes. I think it was
24 about this time that I had called Mr. Hartman. And
25 he was either out of town or unavailable or

1 something. And whether he got the call or not, I
2 don't know. But I remember in this period of
3 negotiation, I tried to talked to him myself.

4 Q. Okay. How about Ruth Sutton? Did you
5 try and talk to her?

6 A. No, I never tried and talked to Ruth
7 Sutton. Well, I may have now. I may have. I'm not
8 too sure. No, I didn't talk to Ruth Sutton. I was
9 going to talk to Doyle.

10 Q. Let me hand you Exhibit 9.

11 A. Okay.

12 Q. And that appears to be a letter of
13 October 4th, not from Ms. Sutton, but from Mr.
14 Hartman to you about this same subject of thinking
15 that a deal had been made to sell this Carlson
16 Federal lease?

17 A. I precisely remember receiving this
18 letter. And it further drove a wedge between us.
19 It included two 40's for \$50,000.00 rather than a
20 single 40 for an infill well for \$50,000.00.

21 Q. It says that Hartman had proceeded with
22 the drilling of the well. There was no question
23 about that?

24 A. Yes. But the \$50,000.00 he was talking
25 about in his letter included two 40 acres. And I

1 only wanted to sell one 40 acres for \$50,000.00.

2 Q. Why didn't you write Mr. Hartman at
3 least and say that, "I will sell you 40 acres for
4 \$50,000.00"?

5 A. Well, I really didn't think that there
6 would be much need, because I had tried to have
7 Foraker to express that we only had the one 40 for
8 sale, and I didn't want two 40's to go at that
9 price.

10 Q. But we know Mr. Foraker didn't express
11 that. And for that, you became dissatisfied with
12 him, correct?

13 A. Well, I --

14 MR. HENSLEY: Excuse me. I don't
15 understand that question. I think it's misleading.
16 Would you please restate it?

17 MR. GALLEGOS: Well, we --

18 MR. HENSLEY: I think Mr. Foraker
19 made it clear he did understand it was only 40 and
20 not 80. Exhibit Number 7, I think, shows that.

21 MR. GALLEGOS: Well, I don't think
22 it's clear that it does show that. But let's just
23 deal with my line of inquiry.

24 Q. The October 1 letter from the Hartman
25 office and the October 4 letter, 1985, were clear

1 statements that Hartman thought a deal had been made
2 for the lease for \$50,000.00, correct?

3 A. Uh-huh.

4 Q. Whether you agreed with it or not, you
5 understood that that was what was being said to you?

6 A. Yes. But I also felt that we were
7 getting further apart in that he was encompassing
8 more acreage than I had intended to put up for sale,
9 plus I felt that it would be a waste of time to
10 write a letter to answer this particular one. Since
11 he is setting out his side of it so clearly, I don't
12 think that there is anything I could have added in
13 writing or a telephone conversation that would have
14 brought us any closer together to buying that single
15 40 acres. He wanted \$22,000.00. I wanted to sell
16 that 40 acres for \$50,000.00.

17 Q. Well, the letters that we are talking
18 about here, Exhibits 8 and 9, are not simply saying,
19 "We would like to buy such and such land for so
20 much." They are saying, "We believe a deal was
21 made." That was communicating to you the position
22 that might raise some legal implications, wasn't it?

23 A. That was a great misunderstanding
24 because I never got any money. How can you make a
25 deal with no money?

1 Q. That's your answer, that a deal could
2 only be made with money?

3 A. Yes, sir.

4 Q. Not by agreement otherwise?

5 A. No, sir.

6 Q. Let me have then, if I may, the answer
7 to my question, which is why did you not respond to
8 these two letters, October 1 and October 4 of 1985?

9 A. The basic reason I did not respond is I
10 didn't think that we would be close enough together
11 by letter response to accomplish anything.
12 Someplace during this point I tried to call. And my
13 call -- and I'll call a couple of times. But if my
14 call is not returned, I don't call anymore.

15 So I had tried to call, or I'll come by.
16 I come to Midland pretty often. I'd come by his
17 office and see if we could negotiate. But I really
18 considered these letters not really sincere valid
19 offers.

20 Q. So --

21 A. I didn't respond to it.

22 Q. Now, there is something else you just
23 said that I want to follow up here. Are you saying
24 that you came by Mr. Hartman's office in Midland?

25 A. No, sir, I did not. I said I would be

1 available to.

2 Q. But you had to make that known to him
3 someway, did you not?

4 A. Well, I tried to by telephone a couple
5 of times.

6 Q. When did you try and phone him?

7 A. Well, I'm not precise, but I think it
8 was during the latter part of September or sometime
9 around October, because I did get both of these
10 letters, and I wanted to talk to him.

11 Q. What did you want to tell him?

12 A. I wanted to see if we could negotiate
13 and include both of them and bring the price up or
14 cut the acreage down.

15 Q. And what did you want to bring the price
16 up to?

17 A. I wanted \$50,000.00 each.

18 Q. That's what you would have liked to have
19 made a deal?

20 A. Yeah.

21 Q. And that was something that you could
22 have put in a letter of one paragraph and sent to
23 him?

24 A. Yes, but I didn't.

25 Q. You are acquainted with the mechanism

1 that the OCD employs in compulsory pooling cases
2 that is sometimes referred to as a penalty factor or
3 risk factor, are you not?

4 A. Yes, sir.

5 Q. And you know that force pooled
6 participants in a well quite frequently are assessed
7 a factor of that nature that may vary from 100 to
8 300 percent?

9 A. Yes, sir.

10 Q. You are acquainted with that. So
11 knowing what had gone on -- and I don't have to
12 review it all for this question -- we are aware
13 there was a well drilled and that you were certainly
14 being assessed some sort of penalty factor on those
15 costs?

16 A. Yes, sir.

17 (Deposition Exhibit No. 10 was
18 marked for identification)

19 Q. Would you mind identifying for us, Mr.
20 Olsen, Exhibit Number 10?

21 (PAUSE)

22 Q. Would you state what it is, please?

23 A. It's a letter from Campbell & Black of
24 Santa Fe, regarding case number -- addressed to me,
25 certified, Case Number 8769, application of Doyle

1 Hartman for compulsory pooling. Do you want me to
2 read the letter?

3 Q. No. November, 1985, would find you in
4 Phoenix, correct?

5 A. Yes, sir.

6 Q. And you received this?

7 A. Yes, I received it, yes.

8 Q. The notice is not only of the proceeding
9 but that there will be a hearing on this case on
10 November 21, 1985. You were informed of that?

11 A. Yes, sir.

12 Q. Okay. And what did you do to make
13 yourself a participant in that proceeding?

14 A. I did not participate. I did not have a
15 representative.

16 Q. Now, on the July 31 hearing, if I recall
17 your testimony, you think maybe you didn't hear from
18 your office on that until possibly the hearing was
19 already held. But in this instance, you had the
20 notice?

21 A. I think I had an opportunity to attend
22 that one if I had elected to.

23 Q. And even if you hadn't opted to attend
24 yourself, you could have obtained a lawyer to
25 represent your interest?

1 A. Sure.

2 Q. And your interest at that hearing would
3 have been to oppose the pooling of your interest or
4 at least oppose the drilling cost for the prospect
5 well, correct?

6 A. That's correct.

7 Q. Not attending and opposing the hearing,
8 you knew what the very probable results would be on
9 the application of Hartman; that is, the compulsory
10 pooling would be allowed?

11 A. Not necessarily. I had counsel in
12 Oklahoma City. It was Dames, Dougherty and -- what
13 is that lawyer's name that represented me? Sid
14 Groom. Sid Groom had some doubt as to whether the
15 forced pooling is the way it was being -- that it
16 was necessary to proceed with it at that time. Now,
17 I don't have correspondence. But in generality, he
18 indicated some doubt that the forced pooling was
19 that much of a problem. Now, for what reason, I
20 don't know.

21 Q. All right. I'm afraid I don't follow
22 you, what you are trying to say that he said.

23 A. I had Sid Groom representing me on this.
24 And he put it to one side that, "Don't worry about
25 the forced pooling at this time."

1 Q. Sid Groom is an attorney in Oklahoma
2 City?

3 A. Yes.

4 Q. And he does oil and gas work?

5 A. Yes.

6 Q. And by November of 1985, he was
7 representing you on the matters of the Carlson
8 Federal lease?

9 A. Yes.

10 Q. Okay. Why had you consulted with him?

11 A. Basically because I wanted revenue from
12 that lease on the same basis that I had been getting
13 revenue from it in the past. And by now my revenue
14 is dropping off.

15 Q. Okay. But I take it you were also
16 consulting with him as to the regulatory proceedings
17 involving the forced pooling?

18 A. That's correct.

19 Q. Had you consulted with Mr. Groom on or
20 about the time of the July proceedings involving the
21 Number 4 well?

22 A. I really doubt it. I don't think that I
23 had.

24 Q. But you did consult with him on the
25 proceedings involving the Number 5 well?

1 A. At a later date, yes.

2 Q. Did he advise you not to participate,
3 not to be an intervenor in the hearing in Case 8769?

4 A. No, he didn't, that I remember.

5 Q. So the answer to my original question is
6 that you knew what the very likely outcome would be
7 in this second case on the Number 5 well?

8 A. Yes.

9 Q. Geologically speaking, did you have any
10 reason to oppose the drilling of these wells? We
11 know your position on the cost. But I'm talking
12 about from a geology standpoint.

13 A. Well, it's somewhat of a tossup. That's
14 pretty close to El Paso's gas storage over there,
15 which is somewhat of a bonus. The other thing is
16 there is also a substantial water encroachment in
17 that area. And it takes some pretty good
18 engineering to go in and get the gas without getting
19 the water.

20 Q. What consideration had you given to
21 drainage of your reserves by offsetting wells where
22 you were only relying on these old wells, the 2 and
23 3 for production?

24 A. Well, the 2 and 3 seemed to have a very
25 reasonable ratio of return without knowing the

1 intent and the program of the new operator. I was
2 rather satisfied with the runs to date rather than
3 spending a lot of money and not knowing whether he
4 would ever get it back, with \$390,000.00 back.

5 Q. Would it surprise you if the data showed
6 that the Number 2 well had, for some period of time,
7 many months, been non-productive, that it was so
8 weak it couldn't buck the line pressure?

9 A. Well, there are ways to offset that with
10 compressor or rework or squeeze job or packer.
11 There's ways to handle that.

12 Q. Well, answer my question first.

13 A. Was I aware it was going down? Yes.
14 But I didn't necessarily -- that's a normal decline
15 situation, because you have got to do something to
16 keep the wells on production.

17 Q. Okay. So what you would have done was
18 to put on compression?

19 A. Well, you could have done that. There's
20 a lot of different avenues that all have different
21 ratios of return. But they need to be explored and
22 evaluated quite carefully.

23 (Deposition Exhibit No. 11 was
24 marked for identification)

25 Q. I'm handing you Exhibit 11, Mr. Olsen.

1 Would you mind identifying that? Just for the
2 record, state what it is.

3 A. Well, it's a letter from Ruth Sutton of
4 Doyle Hartman's office regarding the Carlson lease.

5 Q. All right. This letter was sent
6 certified mail and was on the third notice returned,
7 not picked up.

8 A. Okay. Well, this again involves more
9 acreage for the same amount of money. This would be
10 the equivalent of selling the other acreage for
11 \$22,000.00.

12 Q. How did you know what the letter said if
13 you never --

14 A. I didn't. I only surmise from his other
15 two letters that he was going to try to stimulate a
16 sale.

17 Q. So you refused the letter?

18 A. So I refused the letter.

19 Q. Let me ask you as a follow-up to this
20 Case 8769 for forced pooling, in order to drill the
21 Carlson Federal Number 5, did you take any steps to
22 ascertain what the costs had been on that well?

23 A. Not that I recall.

24 Q. And I'm talking about in 1985 or early
25 '86.

- 1 A. I didn't, no.
- 2 Q. You have since then, of course?
- 3 A. Not really, no.
- 4 Q. Didn't you have your auditors and lawyer
5 come to Hartman's office in the fall of 1987?
- 6 A. That's just to see what the expenses
7 were. Maybe I misunderstood your question.
- 8 Q. Well, first I was asking you about
9 whether you did that kind of thing in '85 or early
10 '86. You said no. But then I said, at a later time
11 you did examine into those costs?
- 12 A. You bet.
- 13 Q. Okay. In August of 1987, a petition was
14 filed before the New Mexico Oil Conservation
15 Division on your behalf to reopen Cases 8668 and
16 8769. Are you aware of that?
- 17 A. Yes, sir.
- 18 Q. Okay. Tell me what happened preceding
19 that in order for you to employ the Hinkle firm to
20 make that filing in your behalf?
- 21 A. I really don't understand the question.
- 22 Q. What did you do to --
- 23 A. That motivated me?
- 24 Q. Yes.
- 25 A. I wanted to get back on a pay status.

1 So I hired this firm to get me back on a pay status.

2 Q. Now, how long had you not been on a pay
3 status?

4 A. Since Doyle Hartman took over the
5 operation.

6 Q. And that was when?

7 A. I don't know. '84 or '85, whatever the
8 records indicate.

9 Q. January, 1985, when he took over from
10 Sun?

11 A. Yes, sir. If that's when he took over,
12 yes.

13 Q. And you haven't been on a pay status
14 since January of 1985?

15 A. No. I got some checks from Doyle. I
16 was on a pay status. But the production -- things
17 started dropping off shortly thereafter.

18 Q. Within, what, a few months after January
19 of '85?

20 A. Yes.

21 Q. So what did you provide to the Hinkle
22 firm so they could see about getting you back on a
23 pay status?

24 A. I provided them to the best of my
25 ability with the existing records that I had at that

1 time, which were rather marginal.

2 Q. The application filed in the OCD in
3 August of 1987 describes Case 8668 and the order in
4 that case. And it also describes Case 8769 and the
5 order entered in that case. Did you have those
6 orders?

7 A. Sir, I'm sure I did, but I don't know.
8 I didn't specifically note them in my own mind and
9 make a record of them.

10 Q. They were obtainable by you at any time
11 from the OCD, correct?

12 A. Yes.

13 Q. And there is no other explanation as to
14 motivating circumstance so that you surfaced in this
15 matter in August of 1987, except you decide you want
16 to get back on a pay status?

17 A. The money is the only thing I'm
18 interested in, getting this thing cooking,
19 maintaining the production.

20 Q. And it had been since the spring of 1985
21 that you hadn't been on a pay status?

22 A. Yes, that's correct.

23 Q. Did you have a gas purchase agreement
24 with the pipeline purchaser of the gas from the
25 Carlson leases?

- 1 A. Yes.
- 2 Q. And that purchaser was who?
- 3 A. El Paso.
- 4 Q. And as a result of that purchase
5 agreement, your gas was sold by you and purchased by
6 El Paso. You were paid by El Paso, correct?
- 7 A. Yes.
- 8 Q. The checks were coming directly to you?
- 9 A. Yes.
- 10 Q. Okay. That was true whether Doyle
11 Hartman was operator or Sun was operator. Isn't
12 that true?
- 13 A. No. That's not necessarily correct.
14 Sun had been making payments, then Doyle had been
15 making payments. Now, in the process, Doyle and I
16 have a falling-out over the way things are being
17 handled, so I have El Paso pay me direct. And they
18 did for a short period of time.
- 19 Q. Does that refer to the point where
20 Hartman paid you for the gas production and El Paso
21 also paid you for the gas production?
- 22 A. Yes, that's correct.
- 23 Q. And you kept both checks?
- 24 A. That's right. Yes, sir.
- 25 Q. Okay. And then from that point forward,

1 which would have been, what, the spring of 1986, El
2 Paso was paying you directly?

3 A. Yes, but they did only for a very short
4 period of time. And then they put the revenues in
5 suspense.

6 Q. El Paso did?

7 A. Yes. They didn't continue to pay me
8 indefinitely.

9 Q. Well, what did you do about El Paso
10 holding your revenue?

11 A. Went to them about it.

12 Q. And them being the Hinkle firm?

13 A. Yes.

14 Q. And what did they do about it?

15 A. Gave it a great deal of study.

16 Q. And sent you bills. Sent a bill every
17 month?

18 A. Yes.

19 Q. Well, what happened besides that?

20 A. Well, I'm still not back on a pay status
21 with El Paso. And, frankly, I don't know how I
22 stand with El Paso. It's so mixed up and confusing,
23 I don't know how I stand with anybody. I would like
24 to get it all straightened out with everybody. I'm
25 not trying to hold anybody's revenue. But by the

1 same token, I would like to get it straightened out.

2 Q. Are you saying you are still in suspense
3 with El Paso?

4 A. I'm still in suspense with El Paso. Oh,
5 sure.

6 Q. Mr. Olsen, did you get the February,
7 1986 notice to sellers that El Paso sent out telling
8 you how rough things were for them?

9 A. Yeah.

10 Q. And were you aware in March of 1986 they
11 essentially shut in all the production in Lea
12 County?

13 A. Yes, but I'm used to that. I didn't pay
14 much attention to it. I have a lot of shut-in gas
15 wells in different places.

16 Q. It didn't bother you?

17 A. No.

18 Q. I guess then you weren't aware of Mr.
19 Hartman obtaining an injunction that went into
20 effect April of 1987, requiring El Paso to produce
21 those wells and pay the contract prices?

22 A. No, sir, I really wasn't. I didn't give
23 it that much time.

24 Q. Who is Garold Bowlby?

25 A. That's the gentleman down at the end of

1 the table. That's my CPA.

2 Q. Where does he live?

3 A. He lives in Norman, Oklahoma.

4 Q. How long has he been your CPA?

5 A. Oh, for at least 25 years.

6 Q. And does he handle the financial and
7 accounting matters pertaining to your oil and gas
8 business?

9 A. Well, he audits, recommends, and
10 advises. Yes, he does.

11 Q. Okay. And, of course, he was doing that
12 for you in 1985?

13 A. Yes, years ago.

14 Q. Any reason in 1985, after you knew you
15 were force pooled on these wells and knew they had
16 been drilled under an estimated expense that you
17 thought was too high that you didn't have Mr. Bowlby
18 go in and do a joint interest audit?

19 A. Well, the material available to us is
20 the older files. Now, whether it was an internal
21 mistake, whether the files were deliberately lost or
22 thrown away as a result of being fired, which I
23 haven't ruled that out, but that is why I have come
24 up with a void in my files during the period with
25 Carol Murphy.

1 But I sincerely wanted Carol -- I sent
2 Mr. Bowlby and an accountant, an assistant, to El
3 Paso to try to find out. El Paso is scared to death
4 to say anything because they don't know what
5 their -- if they even knew it. I'm not sure that
6 they knew what to say. But if they did, they're not
7 going to tell me doodley, anything.

8 So I sent the same group to audit Doyle
9 Hartman's office to try to find out where we stand
10 and didn't do any better there. So I still don't
11 know where we stand as to who owes who what and for
12 how much.

13 Q. With all due respect, you really lost me
14 with that answer.

15 A. I didn't intend to.

16 Q. I asked about sending somebody the joint
17 interest billing in 1985, and you talked something
18 about the files got lost and the person you fired
19 and El Paso and -- let's go back. I'm sure you were
20 trying to give an answer.

21 A. I was.

22 Q. I just wasn't following you. Let's take
23 it a step at a time. Okay. You are saying
24 something happened in your own Phoenix office as to
25 your records?

1 A. Yes.

2 Q. What happened?

3 A. They're just not available on this
4 lease.

5 Q. And you attribute that at least possibly
6 to this Carol Murphy who you had to fire?

7 A. It's possible. I don't want to pin it
8 that tight, but I have that suspicion.

9 Q. But you have been in this business a
10 long time, and you know as a working interest owner
11 that you have got the right to go in and make a
12 joint interest billing audit of the operator's
13 records?

14 A. Oh, I haven't been able to do that that
15 easy. That is easier said than done. I mean, you
16 can go in, but to put it all together just doesn't
17 work quite that easy. It sounds very easy, but it
18 doesn't work that well.

19 Q. Well, let's break that down then.

20 A. Okay.

21 Q. First of all, you recognize that you
22 have the right to go in and examine the books at any
23 time?

24 A. Oh, sure. We did that.

25 Q. But what you are saying is sometimes

1 that's not -- or that's difficult as far as what you
2 get from the examination?

3 A. Yeah.

4 Q. All right. Now, the fact remains that
5 in 1985 you did not request or instruct Mr. Bowlby
6 or anybody else to make a check of the expenses and
7 production or anything like that?

8 A. Right.

9 Q. And the fact remains in 1986 you did not
10 take such a step?

11 A. To the best of my knowledge, I didn't,
12 no.

13 Q. So is it accurate to say that it was the
14 fall of 1987 before you had anybody in your behalf
15 examine into the expenses, costs, and revenues on
16 these wells?

17 A. Yes.

18 Q. And when you did that, it was Mr. Bowlby
19 who you requested to do it?

20 A. Uh-huh.

21 Q. All right.

22 MR. EZZELL: As a matter of
23 clarification, by these wells, you are referring to
24 the 4 and 5 and not 2 and 3?

25 MR. GALLEGOS: Well, all of them. By

1 that, the Carlson lease wells, because I think
2 that's what -- he examined all four of them.

3 MR. EZZELL: Okay.

4 Q. (By Mr. Gallegos) He was asked to look
5 into all four of them, isn't that right?

6 A. Sure.

7 MR. EZZELL: But there was a lot of
8 prior correspondence with respect to the 2 and 3 and
9 not the 4 and 5.

10 MR. GALLEGOS: I don't dispute that.

11 Q. Do you have any correspondence relating
12 to the examination of the financial records or the
13 audit, as we might call it, to be done in your
14 behalf by Mr. Bowlby on the Carlson lease wells?

15 A. I'm sure he wrote me a letter in the
16 form of a report of his conclusion of what he found.
17 I couldn't begin to give you a date on it or the
18 total that he put in the material of the letter.
19 But I would have a letter from him, yes.

20 MR. GALLEGOS: Could we see any
21 correspondence, Mr. Ezzell, which would also include
22 engaging Mr. Bowlby to do this audit?

23 MR. EZZELL: I don't know that we
24 would have anything, but I'll look.

25 (DISCUSSION OFF THE RECORD)

1 (Deposition Exhibit No. 12 was
2 marked for identification)

3 Q. Let me hand you a copy of what has been
4 marked as Exhibit 12 to your deposition. It's a
5 letter from Ben Wilcox to Mr. Bowlby, dated October
6 6, 1987, and ask if you have ever seen that.

7 (PAUSE)

8 A. Yes, I have seen this.

9 Q. And how did it come to be provided to
10 you?

11 A. I would assume that I got probably two
12 copies. One would be that Mr. Bowlby would have
13 sent me a copy. And the other would be that Doyle
14 Hartman's office would send me a copy.

15 Q. Were you having any trouble getting
16 information that you wanted?

17 A. No, sir. They were very cooperative.

18 (Deposition Exhibit No. 13 was
19 marked for identification)

20 Q. And this is Exhibit 13. Would you
21 identify that, please?

22 (PAUSE)

23 A. Okay. Yes, I have seen that, and I have
24 a copy of that.

25 Q. And were you made aware by your audit

1 team visiting the Hartman offices as to Well Number
2 4 and Well Number 5, they were provided with the
3 C-115's for proof production, with the expenses from
4 the well files?

5 A. Yes.

6 Q. With settlement statements to show all
7 the revenues?

8 A. Yes.

9 Q. Okay. And the pay-out files?

10 A. Yes.

11 Q. Now, this report from Mr. Bowlby is
12 styled as being tentative and rough. But was this,
13 in fact, the only report you received from him in
14 this audit? And you might consult with him if you
15 want to.

16 A. This was it, sure.

17 MR. BOWLBY: To my knowledge, that's
18 it.

19 A. That's it. Yeah.

20 MR. BOWLBY: Unless Calder has
21 something else.

22 Q. I haven't added these items up, Mr.
23 Olsen, but even if the exceptions on the 4 and 5
24 that Mr. Bowlby alludes to are all legitimate, it
25 comes far from making the drilling of the wells at a

1 cost of \$300,000.00 or less. You agree with that,
2 don't you?

3 A. Well, let's see. I have never thought
4 of it that way.

5 Q. About how much was in question?

6 A. To try to answer that question correctly
7 and not knowing other things that might be involved,
8 it would only be an assumption that that would be
9 correct at this time, because I'm not taking all
10 factors into consideration.

11 Q. Let me ask the question this way.

12 A. Okay.

13 Q. What did you learn and conclude from the
14 audit results on the 4 and 5 well that were provided
15 you in November of 1987?

16 A. I take all audits with a grain of salt,
17 because I think there might be other things that are
18 left out or need to be included, or I'm prepared for
19 surprises. So I saw some figures there, but to me
20 they weren't struck on stone by God. I mean, I saw
21 some figures, but I wasn't that impressed with any
22 figures that I saw from anybody. No disrespect.

23 Q. Well, you weren't satisfied with the
24 work done by Mr. Bowlby?

25 A. Well, I just took them rather lightly.

1 I mean, I paid for them, but they are just figures.
2 And I did not consider them gospel, because I
3 thought we might find something later on that might
4 contradict these figures.

5 Q. Well, having this information as a
6 result of the audit that you called for, did you
7 decide that you wanted to be a participant in the
8 well, a voluntary participant in the well? I should
9 say wells, the 4 and the 5.

10 A. Well, based on the experience that I had
11 had with corresponding and getting things done with
12 Doyle Hartman, I wasn't enthusiastic about becoming
13 a partner with him as operator.

14 Q. Okay. So you took no steps after
15 receiving this audit report in November of 1987 to
16 express to Doyle Hartman that you wanted to be a
17 voluntary participant in the well?

18 A. Right. I didn't want to be a voluntary
19 participant, because I had to get a court order to
20 get in there to get an audit. And I thought, well,
21 it's going to be difficult to get along as a working
22 partner when the records are not available to you
23 freely for the first go-around.

24 Q. What are you referring to when you say
25 you had to get a court order?

1 A. Well, at one time I had to go to
2 considerable lengths to get in to get the
3 information on the wells at all.

4 MR. EZZELL: We filed the action.

5 Q. Mr. Ezell is saying that you filed a
6 lawsuit.

7 MR. GALLEGOS: Isn't that what you
8 are saying, Mr. Ezzell?

9 MR. EZZELL: We did not get a court
10 order. They were very cooperative.

11 Q. (By Mr. Gallegos) Doesn't Mr. Wilcox's
12 letter that you have already looked at, said you got
13 a copy of, say to Mr. Bowlby, "In response to your
14 telephone conversation, here are these items, and we
15 invite you to perform an audit"?

16 A. We tried to get in there before, and it
17 hadn't been quite that easy. They postponed dates.
18 There would be foot-dragging. And it was not that
19 easy. It sounds rather easy based on this letter.
20 But it was not that easy to get into Hartman's
21 office to get these figures.

22 Q. You didn't have to get a court order to
23 do it?

24 A. No, no.

25 Q. And just so the record is very clear on

1 this, once it was done -- I won't argue with you
2 about what you had to do to do it. But once it was
3 done, it was your decision that you did not want to
4 be a voluntary partner, as you put it, or joint
5 interest participant in the wells, the Number 4 and
6 the Number 5?

7 A. That's correct.

8 Q. Okay. And the fact that the Number 4
9 well was drilled for a cost of some \$16,000.00 less
10 than the AFE and the Number 5 for some \$75,000.00
11 less than the AFE makes no difference to you?

12 A. No.

13 MR. GALLEGOS: Okay. Let me just
14 have a couple of minutes here, and maybe we are
15 about finished.

16 (RECESS)

17 MR. GALLEGOS: That concludes my
18 questions for Mr. Olsen.

19 MR. HENSLEY: I have got a few
20 clarifying questions.

21

22 EXAMINATION

23 BY MR. HENSLEY:

24 Q. Mr. Olsen, we have just been talking
25 about two exhibits here, Exhibits 12 and 13. Let me

1 be sure I have got the right exhibits. And if I
2 understood exactly what the questions and answers
3 were relative to these exhibits, Mr. Gallegos was
4 asking you whether or not you wished to voluntarily
5 participate in the cost of drilling these wells
6 after your receipt of this information. Is that
7 what you understood those questions to be?

8 A. Yes.

9 Q. Let me ask you this. Has there been a
10 discrepancy in the well cost information which you
11 have received out of Mr. Hartman's office? Has
12 there been one report, for example, that indicated
13 that the well cost was like over \$600,000.00?

14 A. Yes.

15 Q. And was that a communication which
16 showed that your share of the well cost was over
17 \$140,000.00?

18 A. Yes.

19 MR. GALLEGOS: You are asking him a
20 dollar per dollar share or a risk penalty share?

21 MR. HENSLEY: Dollar per dollar, I
22 assume. I can show you where --

23 MR. GALLEGOS: I think you are
24 misreading something.

25 MR. HENSLEY: Maybe so.

1 MR. GALLEGOS: Well cost with a 200
2 percent penalty on it, of course, is going to look
3 different than a dollar per dollar cost.

4 MR. HENSLEY: Well, let's just mark
5 this.

6 (Deposition Exhibit No. 14 was
7 marked for identification)

8 Q. Let me hand you what has been marked for
9 identification as Deposition Exhibit Number 14. Is
10 this information, as far as you know, Mr. Olsen,
11 that was furnished to your audit team by Mr. Hodge
12 in Mr. Hartman's office?

13 A. Yes.

14 Q. And does this show that the well cost on
15 the Federal Number 4 -- what does it mean when it
16 says, "Well cost on Carlson Number 4 since
17 inception. Olsen's 25 percent. \$146,919.00"? What
18 does that mean to you?

19 MR. GALLEGOS: We are reserving
20 objections. I don't think he can interpret what
21 somebody else means, but --

22 MR. HENSLEY: Well, I'm asking what
23 it means to him. It was submitted to him pursuant
24 to our request for information.

25 A. Well, without reviewing it in its

1 entirety, I don't know how to answer the question.

2 Q. Let me ask you again, did you receive
3 other information which indicated that the costs
4 were below \$400,000.00, for example, total well
5 costs?

6 A. Yes.

7 Q. And based on the communications which
8 you did receive in connection with the cost of the 4
9 and 5 Carlson wells, have you been concerned about
10 what the real cost of the two wells were?

11 A. Yes.

12 Q. And as a consequence of that, did you
13 authorize your attorneys to proceed with the filing
14 of the petitions which Mr. Gallegos made reference
15 to in September of 1987 with reference to reopening
16 Cases 8668 and 8769?

17 A. Yes, sir, I did.

18 Q. And is it your understanding of the
19 purpose of those petitions to get all this matter
20 clarified and to see if there had been compliance
21 with the OCD orders by Mr. Hartman?

22 A. Yes, sir.

23 Q. And if there had not been compliance,
24 and if you are given the opportunity by the OCD to
25 participate in the cost of those wells, will you

1 favorably consider that opportunity?

2 A. Yes, sir.

3 Q. Okay. Now, let me go back and try and
4 clarify a couple of things. Let's look at Number 3.
5 There had been a number of questions which have been
6 addressed to you by Mr. Gallegos and a number of
7 responses by you concerning the so-called
8 misunderstanding, if you will, on your part
9 concerning whether it was 40 acres involved in Mr.
10 Hartman's proposal or 80. Do you recall all those
11 questions and your answers?

12 A. Yes, sir.

13 Q. Let me direct your attention, Mr. Olsen,
14 to this particular Exhibit Number 3 to your
15 deposition. Does this exhibit purport to relate
16 only to 40 acres being the Southeast quarter-
17 Southeast quarter of Section 23?

18 A. It indicates 40 acres in the regard.

19 Q. And this is where the proposal of Mr.
20 Hartman is again reiterated for \$22,500.00?

21 A. Yes, sir.

22 Q. Now, directing your attention to
23 Deposition Exhibit 7 to your deposition, this is a
24 letter of October 4, 1985, from Mr. Foraker to
25 yourself. Did you receive that?

1 A. Yes, sir.

2 Q. And is there a communication contained
3 in this letter to you indicating a mix-up with
4 respect to whether there is 40 acres or 80 acres
5 involved in Mr. Hartman's proposed offer?

6 A. It clearly states 40 acres.

7 Q. Okay. And was it your understanding at
8 all times material in connection with your
9 communications with Mr. Foraker that the proposal
10 from Mr. Hartman, when it was raised to \$50,000.00,
11 involved only 40 acres, being the Southeast-
12 Southeast quarter?

13 A. That was my intent. 40 acres only for
14 the \$50,000.00.

15 MR. HENSLEY: Okay. No further
16 questions. Thank you.

17

18 FURTHER EXAMINATION

19 BY MR. GALLEGOS:

20 Q. Mr. Olsen, you wanted Mr. Bowlby and his
21 people to audit the Hartman records so you could
22 find out what the actual costs had been for the
23 drilling of the Number 4 and the Number 5 well.
24 Isn't that right?

25 A. Yes.

1 Q. And he provided that information to you,
2 did he not?

3 A. Yes.

4 Q. And while it may not be in mind right
5 now as to those numbers, whatever they were, your
6 testimony has been that you weren't interested in
7 being a partner with Mr. Hartman. Isn't that true?

8 A. No, that's not correct. I didn't intend
9 to leave that impression. I would like to be a
10 partner with Mr. Hartman, could we get these figures
11 together and sit down and have a meeting.

12 Q. Well, unless you have a specific
13 recollection from the audit results, if you will
14 assume for me the number -- the cost, the actual
15 cost in the Number 4 well was \$374,000.00, was that
16 an acceptable amount to you?

17 A. Well, there are other figures involved.
18 I can't give you a direct answer. I'm trying to
19 figure out the total monies that had been paid to
20 date with El Paso and also some payments from Doyle.
21 And I don't know where I stand. So to give you a
22 precise -- taking that into consideration, I can't
23 give you a precise answer on that.

24 Q. Okay. Well, setting aside whether El
25 Paso has paid you or what has gone on on the Number

1 2 and 3 well, I'm just asking you about being a
2 voluntary participant in the Number 4 well, and
3 assuming that's within a thousand dollars here or
4 there, that \$374,000.00 was the cost in the Number 4
5 well. That's what was shown by the numbers. Is
6 that something that you want to voluntarily
7 participate in to the tune of 25 percent?

8 A. Yes. I wanted to participate in that
9 well to reserve and protect my 25 percent. But I
10 had run up against obstacles back in the early
11 stages of dealing with Doyle.

12 Q. Okay. Then since you wanted to do that,
13 once you had sent in Mr. Bowlby and his team and
14 they had obtained the actual costs, why did you not
15 take steps to express to Mr. Hartman that you wanted
16 to be a voluntary participant and to pay your share?

17 MR. HENSLEY: I'm just going to
18 object to the form of the question in that it
19 assumes that there is an unequivocation with respect
20 to the well costs for the 4 and 5. And I think Mr.
21 Olsen has explained that that is one problem which
22 is still up in the air, as far as he is concerned.
23 You can go on and answer the question, but it
24 assumes that there is no dispute concerning what the
25 actual well costs were.

1 A. There is no dispute about that.

2 Q. Okay. And so then being no dispute
3 about that, why did you not, when you had the audit
4 done and you had the results in November of 1987,
5 step forward and say, "Here I am. I want to pay my
6 share"?

7 A. I'm not sure that I would have had a
8 correct accounting with my share, and I'm not sure
9 we could have gotten along as partners, even had I
10 come forward at that point.

11 Q. And for that reason you didn't come
12 forward?

13 A. No, no. I wasn't solicited by him, on
14 the other hand. Why didn't he come to me and say,
15 "Well, look, you have 25 percent of this. Here is
16 the report on what we have been doing. And why
17 don't you come along and participate?" He never did
18 that.

19 Q. Well, you had the audit done to get the
20 costs, and you had those results.

21 A. But I didn't take the audit that
22 seriously.

23 Q. Okay. What you are suggesting is that
24 even with the audit done by your CPA, you still
25 don't -- you are still not comfortable that those

1 are correct numbers?

2 A. That's correct.

3 Q. And so if I ask you the same questions
4 regarding the Number 5 well, only if I represent
5 that the costs of that well would be within a few
6 thousand of \$311,000.00, the drilling of it, your
7 answers would be the same?

8 A. No, because that's a different well, and
9 there would be different reserves, and there would
10 be different things to consider.

11 Q. Okay. Then having your knowledge about
12 the reserves and having knowledge of the well costs
13 once an audit was done --

14 A. But I don't have the knowledge of the
15 reserves.

16 Q. You don't have the knowledge of the
17 reserves?

18 A. No. I don't know how many cubic feet
19 would be bankable under that 40 acres.

20 Q. I see. So what does that mean, that
21 you --

22 A. That means I don't know how many feet of
23 gas are down there.

24 Q. And so what have you done to find that
25 out?

1 A. I haven't paid much attention to it,
2 because I figured whatever it is, it's a stored
3 value, and it will be there for a long time or it
4 will get out whenever somebody drills for it.

5 Q. And as an experienced former operator
6 and a person in this business, you know how to find
7 out what those reserves are, don't you?

8 A. Yes, but you don't take them all that
9 seriously. Everybody has a different -- if you go
10 to nine engineers, you will get nine different
11 figures. If you go to nine lawyers, you will get
12 nine different solutions to your problem.

13 Q. So when do you ever make a decision?

14 A. Very slowly. Not all at once.

15 Q. And you didn't want to make a decision
16 in November of 1987?

17 A. No, not really.

18 Q. Are you ready to make a decision now?

19 A. I'm not sure. I don't think so.

20 Q. Okay. You don't think so?

21 A. No, sir.

22 MR. GALLEGOS: That's all the
23 questions.

24 MR. HENSLEY: Let me get a couple
25 more things in the record that should be on there.

1 (Deposition Exhibit No. 15 was
2 marked for identification)

3
4 FURTHER EXAMINATION

5 BY MR. HENSLEY:

6 Q. Just to clarify this matter, Mr. Olsen,
7 concerning the questions that were propounded to you
8 and your answers, relative to when Mr. Hartman took
9 over operation of the Carlson lease and whether he
10 paid you runs and the ensuing period when you got
11 some runs for a short period from El Paso, do you
12 recollect those questions and those answers that
13 dealt with that subject matter?

14 A. Yes, sir.

15 Q. As a matter of fact, El Paso ultimately,
16 in the summer of 1985, suspended all your runs from
17 those properties. Is that correct?

18 A. Yes, sir. That's correct.

19 Q. And if you will examine what I have
20 marked for identification as Deposition Exhibit
21 Number 15, can you tell me if the suspension of your
22 accounts was at the instance and request of Mr.
23 Hartman to El Paso?

24 A. It's my impression that Mr. Hartman put
25 the accounts in suspension. He requested El Paso to

1 do so.

2 Q. And is it your recollection that
3 finally, after communications between the Hartman
4 group and El Paso, he finally filed an operator's
5 lien and that resulted in a suspension of all runs?

6 A. Correct.

7 Q. You haven't received any runs since,
8 have you?

9 A. No.

10 MR. HENSLEY: That's all I have.

11 (Deposition Exhibit No. 16 was
12 marked for identification)

13

14 FURTHER EXAMINATION

15 BY MR. GALLEGOS:

16 Q. Now let me show you Exhibit 16.

17 A. Okay.

18 Q. And that's from El Paso to Hartman's
19 office, dated February 26. It copies you, Mr.
20 Olsen. It refers to Mr. Burr's letter of February
21 15th, does it not?

22 A. Yes, sir.

23 Q. And it says El Paso is not going to
24 comply with the request of Hartman to suspend your
25 payments. Isn't that right?

1 A. I'm not sure I have seen this letter.

2 Q. I'm not sure whether you have seen it
3 either, but it shows a copy to you.

4 MR. HENSLEY: Well, can we get off
5 the record a minute?

6 (DISCUSSION OFF THE RECORD)

7 A. I haven't seen that letter, for whatever
8 it's worth, whatever you want to do.

9 Q. Well, so we don't leave this dangling on
10 the record here, off the record counsel had a
11 discussion, and I think we are of the view that this
12 basically is not relevant to the Number 4 and 5
13 wells, and there is a question as to why El Paso
14 really suspended the money and El Paso has got the
15 money.

16 A. Okay.

17 Q. Hartman doesn't have it. I think we all
18 agree on that.

19 MR. EZZELL: On the 2 and 3.

20 MR. HENSLEY: That's right. We will
21 stipulate to that.

22 MR. GALLEGOS: Okay. I don't have
23 any further questions.

24 MR. HENSLEY: We don't have any more.

25 (WITNESS EXCUSED)

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BEFORE THE OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY,
MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF HOWARD OLSEN TO REOPEN CASE
NOS. 8668 AND 8769, LEA COUNTY,
NEW MEXICO

CASE NO. 8769 & 8668

COURT REPORTER'S CERTIFICATE
ORAL DEPOSITION OF HOWARD OLSEN
Taken August 25, 1989

I, Todd Anderson, Certified Shorthand Reporter for The State of Texas, do hereby certify that I am the deposition officer before whom this deposition was given; that the witness was duly sworn by me; that the transcript is a true record of the testimony given by the witness; that my charges for preparation of the completed original deposition transcript and any exhibits thereto are:

Original Deposition \$ 317.40
Copying of Exhibits \$ 15.75
To Be Paid by Hon. J. E. Gallegos

I further certify that the original deposition was:

Hand-delivered or sent via First Class Mail to the witness on the date shown on the bottom of this Court Reporter's Certificate, for examination and signature;

Hand-delivered or sent via First Class Mail to _____, attorney of record, on the date shown on the bottom of this Court Reporter's Certificate, for obtaining the signature of the witness;

1 [] Held in the offices of Permian Court
2 Reporters, Inc., the witness being notified on the
3 date shown on the bottom of this Court Reporter's
4 Certificate by U.S. Mail that he has 20 days to
5 appear in our offices so that he may examine and
6 sign the deposition.

7 [] I further certify that the witness failed
8 to sign and return the original deposition within 20
9 days, and that a copy of the deposition may be used
10 in lieu of the original.

11 [] I further certify that the witness signed
12 and returned the original deposition, and that the
13 original deposition, along with any corrections or
14 changes thereto, was hand-delivered or sent via
15 First Class Mail to the attorney who asked the first
16 question appearing in the transcript for safekeeping
17 and use at trial.

18 Witness my hand this 29th day of August, 1989.

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TODD ANDERSON - CERTIFIED SHORTHAND REPORTER
CSR No. 2708 - Expires Dec. 31, 1990
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MIDLAND-ODESSA (915) 683-3032

1 THE STATE OF TEXAS)
2 COUNTY OF _____)

3 I hereby certify that I have read the foregoing
4 deposition, and that this deposition is a true
5 record of my testimony given at this deposition,
6 together with any changes or corrections that I have
7 indicated in the spaces provided below and the
8 reasons for the changes. (DO NOT MAKE CHANGES ON
9 THE TRANSCRIPT. USE BACK SIDE OF PAGE IF NECESSARY)

7	PAGE	LINE	CHANGE OR CORRECTION	REASON FOR CHANGE
8	_____	_____	_____	_____
9	_____	_____	_____	_____
10	_____	_____	_____	_____
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21 _____
22 DEPONENT

23 SUBSCRIBED AND SWORN TO before me by the said
24 witness on this the _____ day of _____,
25 19____.

25 _____
NOTARY PUBLIC

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BEFORE THE OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY,
MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF HOWARD OLSEN TO REOPEN CASE
NOS. 8668 AND 8769, LEA COUNTY,
NEW MEXICO

CASE NO. 8769 & 8668

ORAL DEPOSITION OF GAROLD BOWLBY
Taken August 25, 1989

A P P E A R A N C E S

FOR HOWARD OLSEN: HON. HAROLD L. HENSLEY, JR.
 HON. T. CALDER EZZELL, JR.
 Hinkle, Cox, Eaton,
 Coffield & Hensley
 400 N. Pennsylvania
 United Bank Plaza, Suite 700
 Roswell, New Mexico 88201

FOR DOYLE HARTMAN: HON. J. E. GALLEGOS
 Attorney at Law
 141 E. Palace Avenue
 Santa Fe, New Mexico 87501

ALSO APPEARING: MR. OLE OLSEN
 MR. HOWARD OLSEN
 MR. DOYLE HARTMAN

PERMIAN COURT REPORTERS, INC.
MIDLAND-ODESSA (915) 683-3032

1 ORAL ANSWERS AND DEPOSITION OF GAROLD BOWLBY,
2 taken August 25, 1989, at 1:00 p.m., at the offices
3 of Hinkle, Cox, Eaton, Coffield & Hensley, ClayDesta
4 National Bank, Suite 2800, 6 Desta Drive, Midland,
5 Texas, before Todd Anderson, Certified Shorthand
6 Reporter for the State of Texas, in accordance with
7 the Rules of Civil Procedure.

8 IT IS STIPULATED AND AGREED by the parties to
9 the above-entitled and numbered cause, through their
10 attorneys appearing herein, that the Oral Deposition
11 of the within-named witness may be taken at this
12 time and place before Todd Anderson, Certified
13 Shorthand Reporter for the State of Texas.

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I N D E X

Page

Examination by Mr. Gallegos-----4

1 GAROLD BOWLBY

2 the witness, was duly sworn on oath by the
3 Court Reporter to tell the truth, the whole
4 truth, and nothing but the truth, whereupon
5 the witness testified as follows in answer to
6 the questions propounded by Counsel:

7 EXAMINATION

8 BY MR. GALLEGOS:

9 Q. State your name, please.

10 A. Garold Bowlby.

11 Q. Would you spell your first name, please?

12 A. G-a-r-o-l-d.

13 Q. Where do you live, Mr. Bowlby?

14 A. Norman, Oklahoma.

15 Q. What is your occupation?

16 A. Retired CPA.

17 Q. When did you retire?

18 A. 1986.

19 Q. Did you practice in Oklahoma?

20 A. In Oklahoma City.

21 Q. For how many years?

22 A. Oh, 30 some odd years.

23 Q. Did your practice include accounting and
24 auditing in the business of oil and gas?

25 A. Some oil and gas. Mostly construction,

1 though.

2 Q. Have you done auditing and accounting in
3 the oil and gas industry as it relates to the
4 interests of Howard Olsen?

5 A. Not while I was in practice, but when I
6 retired I did some work for him in Midland.

7 Q. Beginning when?

8 A. In 1987. I have always worked for Mr.
9 Olsen as tax advisor.

10 Q. I see. Well, when you undertook work
11 for him in 1987, was it your view that you had
12 experience and were acquainted with the methods used
13 in accounting the oil and gas business?

14 A. Yes.

15 Q. Had you done a joint interest audit
16 before?

17 A. Not really.

18 Q. Have you done any since?

19 A. No.

20 Q. Tell us what happened. What were the
21 circumstances surrounding your taking on this
22 engagement from Mr. Olsen?

23 A. I'm sure he asked me if I could go, and
24 I told him I couldn't give him a certified report
25 because the terms of my retirement wouldn't let me

1 do that. But I have a man that works with me, just
2 really a bookkeeper, and we agreed to go and just
3 look at the records.

4 Q. Now, as we are discussing this in your
5 testimony, are you referring to the examination you
6 made of certain records of Doyle Hartman in Midland?

7 A. Yes.

8 Q. And tell us how it came about that you
9 conducted the examination. What steps did you take
10 in order to be able to do it?

11 A. Well, we just made arrangements -- and I
12 can't remember the man's name -- that we would come
13 and he would make all the well records available to
14 us.

15 Q. Was the man's name Ben Wilcox? Does
16 that refresh your recollection?

17 A. Probably, yes.

18 Q. Did you go through any other person, Mr.
19 Olsen's attorneys, for example, or anyone else in
20 order to make those arrangements?

21 A. Well, I'm sure we talked about it, but
22 we had permission to go, sure.

23 Q. Do you remember any particular obstacles
24 or difficulties in obtaining that access to the
25 records?

1 A. No.

2 Q. And from testimony we previously have in
3 the record, it's indicated that this was done
4 sometime in early November of 1987. Does that
5 comport with your recollection?

6 A. Yes.

7 Q. How much time did you spend at the
8 Hartman offices?

9 A. Less than a week. Three or four days.
10 I don't remember.

11 Q. Did you come there having in mind
12 certain records that you wanted to see?

13 A. Yes, specifically the Number 4 and 5
14 Carlson wells.

15 Q. All right. And as to those wells, did
16 you have certain kinds of records or documents that
17 you wanted to view?

18 A. Sure. All the supporting invoices for
19 costs and so forth.

20 Q. Was it your objective, or at least one
21 of the objectives of your audit, to ascertain what
22 were the actual costs of drilling the Number 4 and
23 Number 5 well to completion?

24 A. Yes.

25 Q. And on appearing at the Hartman offices,

1 did you make a request for the records you wanted to
2 see?

3 A. Yes.

4 Q. And were those records furnished to you?

5 A. Yes.

6 Q. And did you examine them?

7 A. We did.

8 Q. And as a result of that examination,
9 were you able to ascertain what the actual well
10 costs were on the Number 4 and Number 5 well?

11 A. All the invoices we examined. There
12 were a few holes that they didn't furnish us. One
13 or two invoices they never did find, and a few
14 questionable items. But, basically, if they were
15 proper, we came up with some numbers for cost.

16 Q. Do you recall the numbers that you came
17 up with?

18 A. I can't tell you. That's been two
19 years.

20 Q. Will Exhibit 13 help you?

21 (PAUSE)

22 A. I'm trying to find a summary or
23 something that would give the full --

24 Q. I was looking for that, too.

25 A. Well, are these the operating

1 statements? I really can't find any totals.

2 Q. Sir, I couldn't either. And I'm
3 wondering if there isn't something else.

4 A. I may have something more to summarize.
5 I really think I do. And I didn't really realize
6 what this was or could remember what it was.

7 Q. Well, I would expect that you would.
8 And let me just ask you this. Are you satisfied in
9 your mind that you did present to Mr. Olsen, as a
10 result of your audit, your findings as to the actual
11 well costs on the 4 and the 5?

12 A. Yes, I'm sure I did.

13 Q. And that would have been presented
14 somehow in writing, would it not?

15 A. Yes. Figures or a schedule or
16 something.

17 Q. Would that have been done on or about
18 November 9, 1987?

19 A. Yes. Should have been roughly this same
20 time.

21 Q. Do you have even a general recollection
22 of what you found?

23 A. Two years ago, you know, I really can't.
24 I would be afraid to say.

25 Q. In connection with doing this

1 examination, did you have available the
2 authorization for expenditures?

3 A. I think we did, yes.

4 Q. And did you make a comparison of what
5 that authorization showed as compared to actual
6 cost?

7 A. I'm sure we did, yes.

8 Q. Okay. But you couldn't remember how --

9 A. If you asked me \$200,000.00 or
10 \$300,000.00 -- you know.

11 Q. Would you be willing to search your file
12 and find that and supply it to us through Mr.
13 Olsen's attorneys?

14 A. Yes.

15 Q. Let me ask this. Exhibit 13 does show a
16 few exceptions. Was there any follow-up on those?

17 A. We received, as I recall, answers to all
18 but one pretty sizable item. And I can't remember
19 what that was, frankly. I don't remember. We never
20 did -- they just didn't find the invoice for it, a
21 pretty good item.

22 Q. So were the others resolved to your
23 satisfaction except for whatever that item was?

24 A. Uh-huh.

25 Q. Would there also be some correspondence

1 on that, Mr. Bowlby?

2 A. It was probably by phone. I'm guessing
3 that Wilcox probably called me. The best I recall,
4 he said, "We just can't find that particular
5 invoice." "Well, if you can't find it, you can't
6 find it."

7 Q. I mean on the others that were resolved,
8 they would have supplied you documentation?

9 A. Yes, yes. I know he did.

10 Q. So that will be in the file?

11 A. Should be.

12 Q. And then did you report to Mr. Olsen
13 regarding this follow-up on the exceptions?

14 A. Sure did.

15 Q. We would like to have that information
16 also, if we could, please.

17 A. All right.

18 MR. HENSLEY: Sure.

19 MR. GALLEGOS: Okay. That's all the
20 questions I have.

21 (WITNESS EXCUSED)

22 (SIGNATURE WAIVED)

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BEFORE THE OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY,
MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF HOWARD OLSEN TO REOPEN CASE
NOS. 8668 AND 8769, LEA COUNTY,
NEW MEXICO

CASE NO. 8769 & 8668

COURT REPORTER'S CERTIFICATE
ORAL DEPOSITION OF GAROLD BOWLBY
Taken August 25, 1989

I, Todd Anderson, Certified Shorthand Reporter
for The State of Texas, do hereby certify that I am
the deposition officer before whom this deposition
was given; that the witness was duly sworn by me;
that the transcript is a true record of the
testimony given by the witness; that my charges for
preparation of the completed original deposition
transcript and any exhibits thereto are:

Original Deposition \$ 44.85

Copying of Exhibits \$.25

To Be Paid By Hon. J. E. Gallegos

I further certify that the witness and parties
present waived the right of the witness to examine

1 and sign the deposition; and that the original
2 deposition was delivered or mailed in a postpaid
3 properly addressed wrapper to the attorney who asked
4 the first question appearing in the transcript for
5 safekeeping and use at trial.

6 Witness my hand this 29th day of August, 1989.

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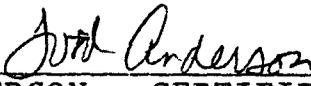
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34

WELL COSTS COMPARISON
 CARLSON FEDERAL 4 AND CARLSON FEDERAL 5
 P-23-25S-37E A-26-25S-37E
 LANGLIE MATTIX POOL
 LEA COUNTY, NEW MEXICO

	AFE COSTS		ACTUAL COST
	WITHOUT CONTINGENCY	WITH CONTINGENCY	
CARLSON FEDERAL #4	329,000.00	390,000.00	373,819.79
CARLSON FEDERAL #5	329,000.00	390,000.00	311,378.26
TOTAL (2 WELLS)	658,000.00 =====	780,000.00 =====	685,198.05 =====

AFE COST VS ACTUAL COST (TWO WELLS)		
WITHOUT CONTINGENCY	(685,198.05/658,000.00) X 100% =	104.1%
WITH CONTINGENCY	(685,198.05/780,000.00) X 100% =	87.8%

AUTHORIZATION FOR EXPENDITURE AND DETAIL WELL ESTIMATE

LEASE NAME Carlson Federal WELL NO. 4 W.I. 100% of Well Cost

COUNTY Lea STATE New Mexico FIELD Langlie Mattix

LOCATION: SE/4 SE/4 Section 23, T-25-S, R-37-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost <u>3,500</u> Feet @ <u>13.145</u> Per Foot	<u>46,000</u>	<u>46,000</u>
2. Day Work <u>1 day at 3,800</u>	<u>3,800</u>	<u>3,800</u>
3. Coring Service _____ Well Surveys _____	<u>8,400</u>	<u>8,400</u>
4. Bits and Reamers _____	---	---
5. Testing _____	---	---
6. Directional Drilling _____	---	---
7. Fuel _____ Water _____	<u>6,500</u>	<u>6,500</u>
8. Mud _____ Mud Logging _____	<u>8,100</u>	<u>8,100</u>
9. Cementing Service _____ Cement _____ Floats _____	<u>15,600</u>	<u>5,000</u>
10. Company Labor _____ Contract Labor _____	<u>9,500</u>	<u>3,600</u>
11. Surface Damages and Right-of-Way _____	<u>2,800</u>	<u>2,800</u>
12. Digging Pits _____ Filling Pits _____	<u>1,200</u>	<u>1,200</u>
13. Pit Lining _____	<u>1,500</u>	<u>1,500</u>
14. Roads & Bridges _____ Dredging & Grading _____	<u>8,000</u>	<u>8,000</u>
15. Acidizing <u>18,000</u> Fracturing <u>86,000</u> Perforating <u>4,000</u>	<u>100,000</u>	---
16. Plugging _____	---	<u>2,800</u>
17. Trucking Cost _____	<u>2,900</u>	<u>1,500</u>
18. Development Superintendence <u>14</u> days @ \$ <u>500</u> /day	<u>7,000</u>	<u>3,500</u>
19. Rental Equipment _____	<u>4,500</u>	<u>500</u>
20. Swabbing and Testing _____	<u>10,500</u>	---
21. Legal and Professional Expenses:		
Product Price Determination _____	<u>2,400</u>	<u>2,400</u>
Regulatory Hearings _____ Other _____	<u>3,600</u>	<u>3,600</u>
22. Abstracts and Title Opinions _____	<u>4,300</u>	<u>4,300</u>
23. Geological, Geophysical and Land Support _____	---	---
24. Other Costs _____	---	---
25. Contingency @ <u>15</u> % _____	<u>43,400**</u>	<u>20,500</u>
Total Intangibles	<u>290,000</u>	<u>134,000</u>
WELL EQUIPMENT:		
26. Casing <u>400</u> Ft. of <u>9 5/8</u> @ <u>8.50</u> Per Ft.		
<u>3,500</u> Ft. of <u>7</u> @ <u>6.46</u> Per Ft.		
<u>3500</u> Ft. of <u>2 3/8</u> @ <u>2.63</u> Per Ft.	<u>26,000</u>	<u>3,400</u>
27. Tubing _____	<u>9,200</u>	---
28. Casing Head _____	<u>1,300</u>	<u>1,300</u>
29. Xmas Tree or Pumping Connections _____	<u>4,600</u>	---
30. Pumping Unit _____	<u>19,500</u>	---
31. Engine/Motor Controller and Power System _____	<u>4,500</u>	---
32. Sucker Rods _____	<u>6,100</u>	---
33. Pump _____	<u>2,000</u>	---
34. Tank Battery _____	<u>2,600</u>	---
35. Separator or Dehydration Equip. _____	<u>2,400</u>	---
36. Metering Equipment _____	---	---
37. Flow Lines _____	<u>1,900</u>	---
38. Guards and Fences _____	<u>2,300</u>	<u>2,300</u>
39. Other Costs _____	---	---
40. Contingency @ <u>15</u> % _____	<u>17,600**</u>	<u>1,000</u>
Total Tangibles	<u>100,000</u>	<u>8,000</u>
TOTAL COST OF WELL	<u>390,000**</u>	<u>142,000</u>
Howard Olsen	<u>25</u>	<u>97,500</u>
Share at _____ %		<u>35,500</u>

REMARKS: Our projected cost for drilling and completing the proposed infill well is ~~\$329,000~~. This cost is for a routine well with no problems. With the addition of a 15% contingency for possible problems, the total cost comes to ~~\$390,000~~ for a completed well.

Originated by Larry G. Namy Title Engineer Date July 10, 1985
 Approved _____ Title _____ Date _____

1 owner is Mr. R. Howard Olson, who has a 25 percent working
2 interest.

3 Q Will Mr. Hartman call another witness to
4 review the efforts made to --

5 A He will.

6 Q -- gain voluntary joinder?

7 Mr. Aycock, what is the estimated cost of
8 the proposed well?

9 A The estimated cost of the proposed well
10 including contingencies is \$390,000 for a producing well and
11 \$142,000 for a dry hole.

12 Q Are these costs in line with the costs
13 for other similar wells in the area?

14 A Yes, they're based on Mr. Hartman's con-
15 siderable contemporary experience as the most active opera-
16 tor throughout this trend.

17 Q And he has drilled other Langlie Mattix
18 wells in this area?

19 A Yes.

20 Q Have you made an estimate of the overhead
21 and administrative costs to be incurred while drilling and
22 operating the well?

23 A Yes.

24 Q Are these charges and -- and what are
25 those charges?

AUTHORIZATION FOR EXPENDITURE AND DETAIL WELL ESTIMATE

LEASE NAME Carlson Federal WELL NO. 5 W.I. 100% of Well Cost
 COUNTY Lea STATE New Mexico FIELD Langlie Mattix
 LOCATION: SE/4 NE/4 Section 26, T-25-S, R-37-E

DRILLING INTANGIBLES:

	PRODUCER	DRY HOLE
1. Drilling Cost <u>3,500</u> Feet @ <u>13.145</u> Per Foot	<u>46,000</u>	<u>46,000</u>
2. Day Work <u>1 day at 3,800</u>	<u>3,800</u>	<u>3,800</u>
3. Coring Service _____ Well Surveys _____	<u>8,400</u>	<u>8,400</u>
4. Bits and Reamers _____	<u>---</u>	<u>---</u>
5. Testing _____	<u>---</u>	<u>---</u>
6. Directional Drilling _____	<u>---</u>	<u>---</u>
7. Fuel _____ Water _____	<u>6,500</u>	<u>6,500</u>
8. Mud _____ Mud Logging _____	<u>8,100</u>	<u>8,100</u>
9. Cementing Service _____ Cement _____ Floats _____	<u>15,600</u>	<u>5,000</u>
10. Company Labor _____ Contract Labor _____	<u>9,500</u>	<u>3,600</u>
11. Surface Damages and Right-of-Way _____	<u>2,800</u>	<u>2,800</u>
12. Digging Pits _____ Filling Pits _____	<u>1,200</u>	<u>1,200</u>
13. Pit Lining _____	<u>1,500</u>	<u>1,500</u>
14. Roads & Bridges _____ Dredging & Grading _____	<u>8,000</u>	<u>8,000</u>
15. Acidizing <u>10,000</u> Fracturing <u>86,000</u> Perforating <u>4,000</u>	<u>100,000</u>	<u>---</u>
16. Plugging _____	<u>---</u>	<u>2,800</u>
17. Trucking Cost _____	<u>2,900</u>	<u>1,500</u>
18. Development Superintendence <u>14</u> days @ \$ <u>500</u> /day	<u>7,000</u>	<u>3,500</u>
19. Rental Equipment _____	<u>4,500</u>	<u>500</u>
20. Swabbing and Testing _____	<u>10,500</u>	<u>---</u>
21. Legal and Professional Expenses:		
Product Price Determination _____	<u>2,400</u>	<u>2,400</u>
Regulatory Hearings _____ Other _____	<u>3,600</u>	<u>3,600</u>
22. Abstracts and Title Opinions _____	<u>4,300</u>	<u>4,300</u>
23. Geological, Geophysical and Land Support _____	<u>---</u>	<u>---</u>
24. Other Costs _____	<u>---</u>	<u>---</u>
25. Contingency @ <u>15</u> % _____	<u>43,400</u>	<u>20,500</u>
Total Intangibles	<u>290,000</u>	<u>134,000</u>

WELL EQUIPMENT:

26. Casing <u>400</u> Ft. of <u>9 5/8</u> @ <u>8.50</u> Per Ft.	<u>26,000</u>	<u>3,400</u>
<u>3,500</u> Ft. of <u>7</u> @ <u>6.46</u> Per Ft.	<u>22,600</u>	<u>---</u>
_____ Ft. of _____ @ _____ Per Ft.	<u>---</u>	<u>---</u>
27. Tubing <u>3,500</u> Ft. of <u>2 3/8</u> @ <u>2.63</u> Per Ft.	<u>9,200</u>	<u>---</u>
28. Casing Head _____	<u>1,300</u>	<u>1,300</u>
29. Xmas Tree or Pumping Connections _____	<u>4,600</u>	<u>---</u>
30. Pumping Unit _____	<u>19,500</u>	<u>---</u>
31. Engine/Motor Controller and Power System _____	<u>4,500</u>	<u>---</u>
32. Sucker Rods _____	<u>6,100</u>	<u>---</u>
33. Pump _____	<u>2,000</u>	<u>---</u>
34. Tank Battery _____	<u>2,600</u>	<u>---</u>
35. Separator or Dehydration Equip. _____	<u>2,400</u>	<u>---</u>
36. Metering Equipment _____	<u>---</u>	<u>---</u>
37. Flow Lines _____	<u>1,900</u>	<u>---</u>
38. Guards and Fences _____	<u>2,300</u>	<u>2,300</u>
39. Other Costs _____	<u>---</u>	<u>---</u>
40. Contingency @ <u>15</u> % _____	<u>17,600</u>	<u>1,000</u>
Total Tangibles	<u>100,000</u>	<u>8,000</u>

TOTAL COST OF WELL

390,000

142,000

Share at _____ %

REMARKS: Our projected cost for drilling and completing the proposed infill well is \$329,000. This cost is for a routine well with no problems. With the addition of a 15% contingency for possible problems, the total cost comes to \$390,000 for a completed well.

Originated by Larry A. Munn Title Engineer Date October 15, 1985

Approved _____ Title _____ Date _____

1 area and was ineffectively draining it, as well.

2 The Terra Carlson Federal No. 1 operated
3 by Doyle Hartman is located in Unit C of Section 26, Town-
4 ship 25 South, Range 37 East, and has a cumulated since ini-
5 tial production approximately 2.9 BCF of gas and was produc-
6 ing between -- has produced as high as 4-million cubic feet
7 per month within the year prior to July 1st, 1985, and was
8 producing approximately an average of around 3.3-million
9 cubic feet per month; has a definite downward, defined down-
10 ward trend on the rate/time curve and there is no BHP/z data
11 available to plot a -- to determine the slope of that curve.

12 The Santa Fe Energy Carlson "B" 26 No. 4
13 is located in 26-I, 25 South, 37 East. It has accumulated
14 1.4 BCF of gas production as of July 1st of 1985. It is
15 producing at between 560 and 720 MCF per month with a very
16 slight downward trend to the rate/time curve and with a re-
17 ciprocated sign change slope of the BHP/z as a function of
18 cumulative gas curve of only 5.5 MMCF per psi, indicating
19 once again that it is not draining a very large area and is
20 not draining it very effectively.

21 Q Mr. Aycock, what is the estimated cost of
22 the proposed well?

23 A We are using the same AFE for this as we
24 did for Case 8668, which indicates the cost of a producing
25 well at \$390,000 and a dry hole at \$142,000.

1 Q Are these --

2 A And that is with contingencies. With a
3 routine well with no contingencies the drilling -- the com-
4 pleted cost would be \$329,000.

5 Q And these costs are in line with the
6 costs for other wells in the area?

7 A They're in line with Mr. Hartman's cur-
8 rent experience as the most active operator in the Jalmat-
9 Langlie Mattix trend at the present time.

10 Q Have you made an estimate of the overhead
11 and administrative costs to be assessed while drilling this
12 well and also while --

13 A Yes.

14 Q -- producing it?

15 A \$550 per month while producing and \$5500
16 per month while drilling.

17 Q Are these the figures that were author-
18 ized by the Commission in Order R- -- or in the prior order
19 for the acreage to the north?

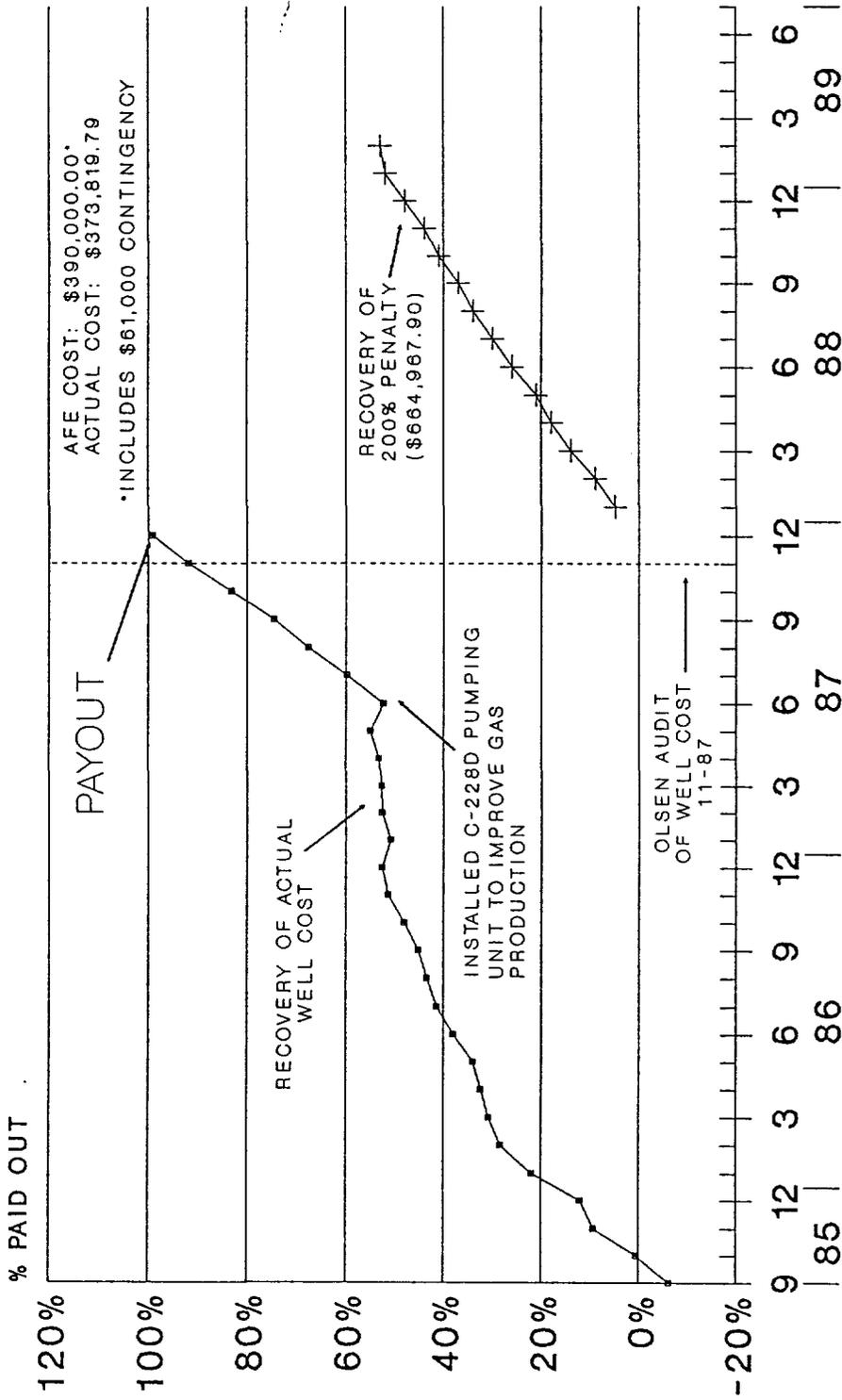
20 A For Case 8668, yes, they were.

21 Q And do you recommend that these figures
22 be included in any order which results from today's hearing?

23 A I do.

24 Q Mr. Aycock, does Mr. Hartman request to
25 be designated operator of the proposed unit and well?

CARLSON FEDERAL #4 PAYOUT



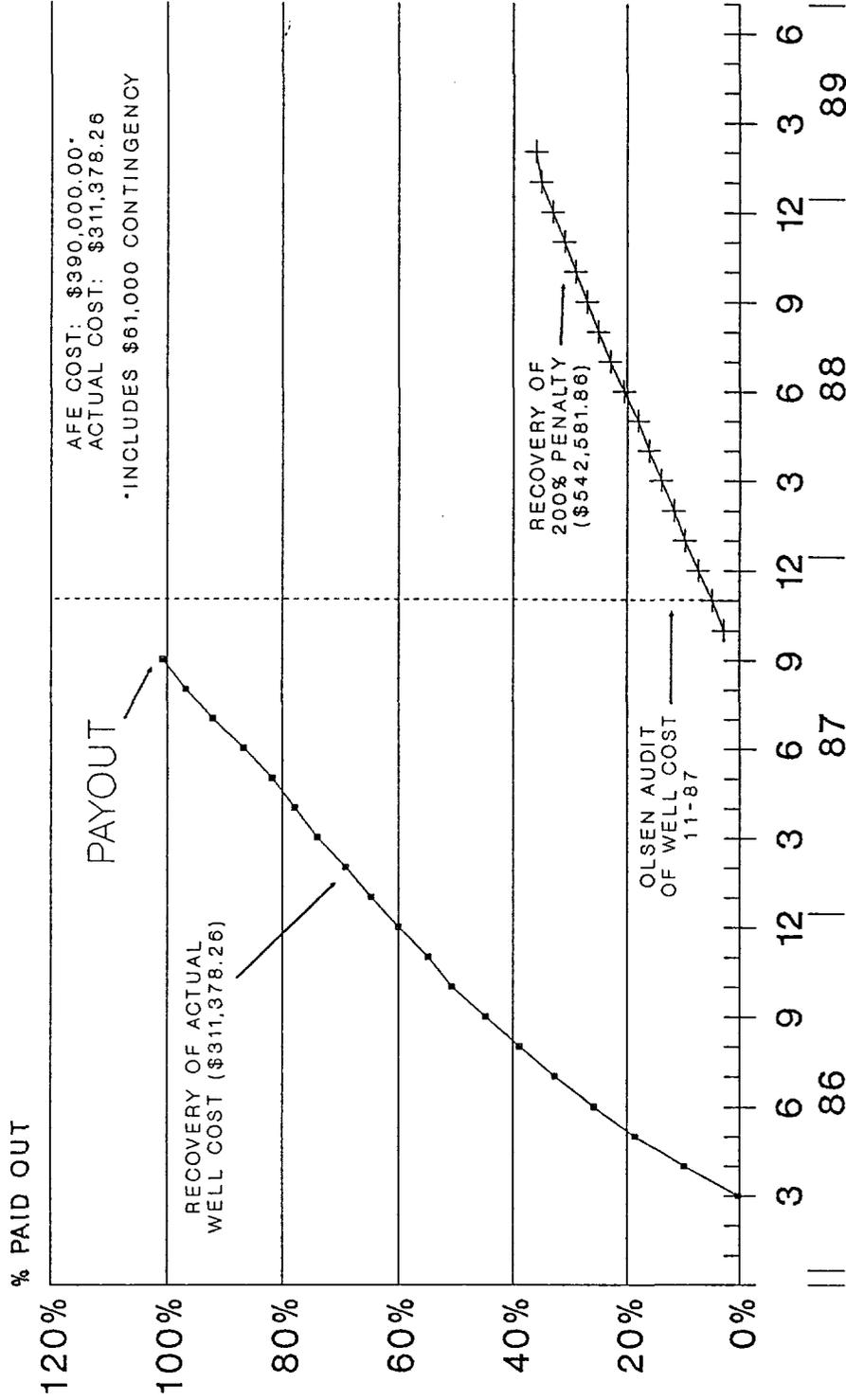
CARLSON FEDERAL NO. 4
 LANGLIE MATTIX POOL
 P-23-25S-37E
 LEA COUNTY, NEW MEXICO

Date	Initial Investment		***INVESTMENT RECOVERY ***					Cumulative Net Income	% Expenses Paid Out
	Intangible Drilling Costs	Lease and Well Equipment Below wellhead	Lease and Well Equipment Above wellhead	Total Initial Investment	Revenue Less Prod. Taxes & Royalty	Lease Operating Expense	Net Income Revenue less LOE		
09-85	131,696.03	38,377.89			23,255.14	(23,255.14)	-6.22%		
10-85	161,527.85				8,663.36	25,285.74	0.54%		
11-85	530.63	32,948.41			3,490.91	34,873.55	9.33%		
12-85	351.55				24,645.42	10,547.77	12.15%		
01-86		1,890.00			7,161.27	36,343.81	21.87%		
02-86					10,842.60	24,160.31	28.34%		
03-86		4,315.93			5,864.33	8,901.20	30.72%		
04-86					1,896.13	6,217.27	32.38%		
05-86					7,737.43	6,146.70	34.02%		
06-86					3,164.17	14,800.34	37.98%		
07-86					3,206.07	13,064.24	41.48%		
08-86					3,710.52	7,308.81	43.43%		
09-86		2,181.50			5,363.45	6,627.54	45.21%		
10-86				373,819.79	4,514.45	10,837.15	48.11%		
11-86					2,274.24	12,113.78	51.35%		
12-86					5,879.78	4,694.95	52.60%		
01-87					6,901.12	(6,379.55)	50.90%		
02-87					4,774.15	6,333.46	52.71%		
03-87					6,480.32	434.11	52.71%		
04-87					7,203.40	2,007.02	53.24%		
05-87					2,920.51	6,522.43	54.99%		
06-87					20,324.26	(10,023.70)	52.31%		
07-87					5,526.10	27,740.94	27.740.94		
08-87					4,892.79	29,577.04	252,849.17		
09-87					3,922.74	25,788.34	278,637.51		
10-87					5,381.36	32,409.85	311,047.36		
11-87					2,717.06	32,184.43	343,231.79		
12-87					7,792.73	27,360.86	370,592.65		
					PENALTY PERIOD				
01-88				664,967.90	2,271.50	31,389.78	31,389.78	4.72%	
02-88					1,933.10	27,215.05	58,604.83	8.81%	
03-88					1,409.56	31,386.32	89,991.15	13.53%	
04-88					2,477.90	27,486.85	117,478.00	17.67%	
05-88					3,376.32	24,197.26	141,675.26	21.31%	
06-88					3,104.03	28,278.18	169,953.44	25.56%	
07-88					1,776.70	28,260.70	198,214.14	29.81%	
08-88					2,747.96	27,376.27	225,590.41	33.93%	
09-88					5,620.17	21,699.21	247,289.62	37.19%	
10-88					3,712.19	23,058.57	270,348.19	40.66%	
11-88					1,827.10	23,966.67	294,314.86	44.26%	
12-88					1,867.14	25,172.65	319,487.51	48.05%	
					Initial Investment less surface equipment 200% times 332,483.95				
					Amount to recover				

CARLSON FEDERAL NO. 4
 LANGLIE MATTIX POOL
 P-23-25S-37E
 LEA COUNTY, NEW MEXICO

Initial Investment		***INVESTMENT RECOVERY ***							
Date	Intangible Drilling Costs	Lease and Well Equipment Below wellhead	Lease and Well Equipment Above wellhead	Total Initial Investment	Revenue Less Prod.Taxes & Royalty	Lease Operating Expense	Net Income Revenue less LOE	Cumulative Net Income	% Expenses Paid Out
1-89					26,791.12	1,270.13	25,520.99	345,008.50	51.88%
2-89					10,073.64	1,924.47	8,149.17	353,157.67	53.11%
					959,574.40	235,824.08	723,750.32		

CARLSON FEDERAL #5 PAYOUT



CARLSON FEDERAL NO. 5
 LANGLIE MATTIX POOL
 A-26-25S-373
 LEA COUNTY, NEW MEXICO

Date	Initial Investment			Lease Well Equipment Below wellhead	Lease Equipment Above wellhead	Total Initial Investment	Revenue Less Prod. Taxes & Royalty	Lease Operating Expenses	Net Income Revenue less LOE	Cumulative Net Income	% Expenses Paid out
	Intangible Drilling Costs	Lease and Well Equipment Above wellhead	Lease Equipment Below wellhead								
12-85	241,487.68	37,524.16	17,429.19			24,112.70			(24,112.70)	(24,112.70)	
01-86	(9,591.13)		22,658.14			9,130.06			(9,130.06)	(33,242.76)	
02-86	1,870.22					4,820.27			(4,820.27)	(38,063.03)	
03-86						2,073.19			38,921.40	858.37	0.28%
04-86						1,527.30			29,917.90	30,776.27	9.88%
05-86						1,219.57			26,649.87	57,426.14	18.44%
06-86						1,177.39			22,939.20	80,365.34	25.81%
07-86						937.94			21,537.56	101,902.90	32.73%
08-86						1,648.47			19,162.41	121,065.31	38.88%
09-86						20,027.26			18,411.36	139,476.67	44.79%
10-86						19,385.38			18,501.09	157,977.76	50.73%
11-86						15,381.24			12,607.09	170,584.85	54.78%
12-86						17,178.69			16,168.55	186,753.40	59.98%
01-87						15,803.54			14,750.54	201,503.94	64.71%
02-87						14,624.27			13,811.61	215,315.55	69.15%
03-87						16,176.49			15,182.32	230,497.87	74.03%
04-87						13,050.64			12,109.36	242,607.23	77.91%
05-87						13,103.23			11,995.16	254,602.39	81.77%
06-87						16,111.62			15,136.15	269,738.54	86.63%
07-87						17,776.80			16,712.67	286,451.21	91.99%
08-87						15,399.31			14,382.52	300,833.73	96.61%
09-87						14,654.74			12,758.31	313,592.04	100.71%
*****PENALTY PERIOD*****											
						542,581.86			13,381.41	2,213.78	
10-87						14,945.81			10,824.81	15,595.19	2.87%
11-87						11,949.74			13,594.48	26,420.00	4.87%
12-87						14,528.41			12,636.83	40,014.48	7.57%
01-88						13,604.58			10,751.42	52,651.31	9.70%
02-88						11,850.68			11,628.66	63,402.73	11.69%
03-88						13,645.17			10,423.41	75,764.61	13.96%
04-88						12,484.70			13,353.45	87,393.27	16.11%
05-88						11,555.99			13,094.16	97,816.68	18.03%
06-88						14,258.38			11,869.01	111,170.13	20.49%
07-88						13,975.26			11,046.96	124,264.29	22.90%
08-88						12,994.13			11,079.56	136,133.30	25.09%
09-88						11,906.12			10,414.21	147,180.26	27.13%
10-88						11,862.21			10,707.45	158,259.82	29.17%
11-88						11,647.82			10,707.45	168,674.03	31.09%
12-88						11,567.93			11,390.08	179,381.48	33.06%
1-89						12,162.34			4,882.58	190,771.56	35.16%
2-89						5,462.23			507,032.20	195,653.94	36.06%
*****PENALTY PERIOD*****											
						586,786.91			79,754.71	507,032.20	

Initial Investment less surface equipment
 200% TIMES \$271,290.93
 Amount to recover