

AFFIDAVIT OF DAVID SCOLMAN

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

DAVID SCOLMAN, being duly sworn, states:

1. I am of the age of majority and am otherwise competent to testify to the matters set forth herein.

2. I am a geophysicist employed by Enserch Exploration, Inc. ("EEX") and am familiar with the West Lovington Strawn Unit and the seismic data obtained by EEX and Gillespie, Inc. in the vicinity of the unit. I am also familiar with the customs and practices of the oil and gas industry and of geophysicists with respect to the collection, interpretation and dissemination of geophysical data. I have previously been qualified and testified as an expert geophysicist before the New Mexico Oil Conservation Division and my credentials have been accepted as a matter of record.

3. I am familiar with the joint seismic exploration agreement dated March 11, 1993 between PG&E Resources Company, predecessor in interest to EEX, as well as other agreements between the parties referenced therein. Among other things, the Joint Seismic Exploration Agreement provides that seismic data may not be sold, traded or given away by either party for a period of time. The agreement also provides that seismic data may be provided to a consultant for analysis only, provided the consultant does not divulge the data to third parties.

4. The West Lovington Strawn seismic exploration program was conducted at a significant cost to GCI and EEX. The specific cost of the program cannot be revealed without divulging confidential trade secret information. In undertaking the joint seismic exploration



program, GCI and EEX had a reasonable expectation that the seismic information derived therefrom would remain confidential. Moreover, the information and interpretation derived from the seismic data could not be duplicated without considerable expenditure of time, effort and expense. The design of the seismic shoot, the manner of producing the seismic data, and the manipulation and interpretation of the data are the product of unique and exclusive methodology developed in-house by EEX and GCI.

5. The development and application of proprietary seismic data gathering and interpretation methodologies led to the identification of certain characteristics not typically discernable with the smaller Strawn algal mounds more prevalent in the area. The detection of these characteristics led to competitive advantages for GCI and EEX in areas outside the lands that are affected by the respective applications of the parties in these proceedings. The divulgence of such information would directly affect the exploration value of the outside acreage.

6. The primary value and the use of seismic data here was the detection of the possible existence of algal mounds in the area of the West Lovington Strawn Unit. While seismic data reduced the risk in determining the presence of the Strawn reservoir, the data do not have a resolution sufficient to quantify hydrocarbon pore feet for the purpose of allocating value in a secondary recovery project unit such as this. Due to the limited resolution of the data, seismic has little or no value in determining the exact extent of the reservoir or of the outer limits of the pool. For example, Amerind Oil Company undertook to drill its Amerind West State No. 1 well located in the NE/NE of Section 2 based on an anomaly detected by seismic exploration. The well was non-productive in the Strawn interval. Based on my experience, it is not the custom and practice of the industry to utilize seismic data for such purposes and it would not be appropriate to utilize

the seismic data involved here in such a manner.

7. Prior to the formation of the original unit, Phillips Petroleum Company, Platt, Sparks and Associates (for Snyder Ranches) and David Petroleum were allowed to review limited portions of the seismic information. The review by David was limited to their interest in 40 acres dedicated to the Klein No. 1 well. Phillips had earlier farmed-out its "HBP" acreage to GCI on generous terms, rather than participate in the exploration and drilling associated with the discovery of the West Lovington field. At the time of its review, it was clear that Phillips was not a competitor in the Strawn exploration play. On the other hand, both Hanley and Yates are direct competitors to GCI and EEX. Both Hanley and Yates have leased exploration acreage and have staked or drilled Strawn exploration wells at a number of locations within a small radius of the West Lovington Strawn Unit. Presently, GCI and EEX are both actively competing with Hanley and Yates for exploration acreage in close proximity to the West Lovington Strawn Unit.

8. The seismic data that Hanley and Yates seek to subpoena do not cover significant areas of the acreage described in their 2,080 acre proposed expansion area. Accordingly, the GCI/EEX seismic data are of no assistance in defining the limits of the pool on their proposed expansion acreage.

9. EEX and GCI continue to rely on the confidential treatment of their seismic data under the terms of their joint seismic exploration agreement and by the NMOCD and NMOCC. If EEX and GCI are required to disclose their seismic data in this case, their proprietary and confidential trade secret information would be divulged and their competitive advantage would be lost.

10. It has always been my understanding, based on my experience, that seismic data represent a company's proprietary asset. Seismic data acquired under license from other oil companies or from service companies speculative surveys cannot in most cases be presented to competitors without violating the underlying seismic data license. Accordingly, under the operation of the April 16, 1998 Order, data licensed from third parties would be afforded greater proprietary and confidential treatment than data acquired by the exploring company at its own cost and risk. Such a precedent is inconsistent with the custom and practice of industry for the confidential treatment of seismic data.

11. Seismic information, by its very nature, and the numerous means and methods of its interpretation are so variable as to lead to widely divergent conclusions, none of which should be used to determine pool or unit boundaries. Moreover, seismic data are readily susceptible to manipulation and misinterpretation. The seismic information at issue here has no value to the parties or the Commission for purposes of determining the allocation of unit production, establishing unit boundaries of the exact horizontal and vertical limits of the reservoir, or in determining the relative value of the expansion tracts to the value of the unit, particularly when more reliable well control data are available. Seismic data interpretation may only be truly validated by the drilling of a well.

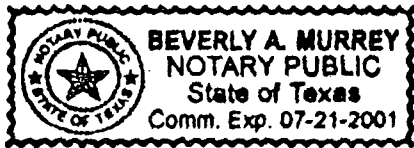
Further Affiant sayeth naught.


DAVID SCOLMAN

ACKNOWLEDGMENT

STATE OF TEXAS)
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COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me by DAVID SCOLMAN on this 23rd day of April, 1998.



Beverly A. Murrey
Notary Public
My commission expires: 7-21-2001