

**BEFORE THE OIL CONSERVATION COMMISSION,  
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**

**OIL CONSERVATION COMMISSION HEARING**

**FEBRUARY 28, 1991**

**EXHIBITS**

**OF**

**DOYLE HARTMAN**

**BEFORE THE OIL CONSERVATION COMMISSION  
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. 8668 & 8769**

<b><u>HARTMAN EXHIBIT</u></b>	<b><u>DESCRIPTION</u></b>	<b><u>CROSS-REFERENCE DEPOSITION EXHIBIT</u></b>
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 Staments - 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	Ruth Sutton Notes on Negotiations with Olsen's Office	
10	9/20/85 Letter - Sutton to Foraker	6-O
11	Case 8668 Order - Compulsory Pooling	1-H

12	10/1/85 Letter - Sutton to Olsen	8-O
13	10/4/85 Letter - Hartman to Olsen	9-O
14	10/29/85 Letter - Carr to Stamets - NMOCD - enclosing Application - Case 8769	
15	11/11/85 Letter - Carr to Olsen	10-O, 4-H
16	11/21/85 Transcript, Examiner Hearing Case No. 8769	
17	12/12/85 Sundry Notice - Spud & Set Casing - Carlson Federal #5	
18	Case 8769 Order - Compulsory Pooling	2-H
19	1/6/86 Letter - Sutton to Olsen (not accepted)	11-O, 3-H
20	4/17/86 Letter - Underwood to Working Interest Participants, Davidson signed	
21	4/17/86 Letter - Underwood to W.I.O., including Olsen, enclosing list of all addressees	
22	5/29/86 EPNG Notice to Sellers	
23	7/18/86 Order (CV 85-369-J) Hartman vs. El Paso Natural Gas Company	
24	Lea County Lawsuit Billing Schedule	
25	1/20/87 Verified Complaint for Damages and Permanent Injunctive Relief (CV 87-72-J) Davidson vs. El Paso Natural Gas Co.	
26	10/6/87 Letter - Wilcox to Bowlby	12-O
27	11/9/87 Letter Bowlby to Olsen	13-O

- 28 11/16/87 Letter - Bowlby to Olsen
- 29 4/1/89 Transfer of Operating Rights -  
Hartman to Meridian
- 30 Payout Status of Carlson Federal 4 and 5  
- - Assume Forced Pool  
- - Assume Participation
- 31 Olsen Pricing July 1986 - February 1989
- 32 1/10/91 Order of the Division  
Case No. 8668
- 33 1/10/91 Order of the Division  
Case No. 8769

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10428

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 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.

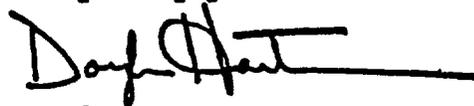
We can certainly understand your concern generally since the well operations have been recently shifted from Sun with whom you are familiar to us with whom you are not familiar. We hope this explanation answers your questions and, in this regard, we would be willing to offer you \$22,500.00 for all of 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,



Doyle Hartman

DH/mh

DOYLE HARTMAN, OIL OPERATOR  
P.O. BOX 10424  
MCKINNEY, TEXAS 75062  
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 IN OUR 90 DAY COLUMN. UPON REVIEW OF YOUR INVOICES  
YOU FIND THAT WE HAVE NOT SUPPLIED 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,

DOYLE HARTMAN, OIL OPERATOR

PATRICIA K. BURNS  
CONTROLLER  
915-684-4011



ACCOUNTS RECEIVABLE AGING SCHEDULE FOR A/R OWNER # 77148

CURRENT	30-DAY	60-DAY	90-DAY
\$789.24	\$504.87	\$421.25	\$33,460.27

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  
7148 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			34,414.30
10/31/87	SERVICE CHARGE	339.09		
	BALANCE AFTER PAYMENTS			34,753.40
* CURRENT INVOICES ***				
	00715002 CARLSON #2	213.89		
	00715003 CARLSON #3	236.26		
	*** TOTAL CURRENT INVOICES ***			450.15
			*** TOTAL DUE ***	35,203.55



DOYLE HARTMAN

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

JOINT OWNER INVOICE

OWNER 77148 R. HOWARD OLSEN  
LEASE 00715002 CARLSON #2

DATE OCTOBER 31, 1987  
INVOICE 871001853

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SHARE
LEASE OPERATING EXPENSE - JID				
10/30/87	D. HARTMAN OIL OPERA	DIRECT LABOR - OPER	116.55	29.14
10/30/87	D. HARTMAN OIL OPERA	EMPLOYEE BENEFITS	37.75	9.44
01/20/87	MIDWEST INSURANCE AG	INSURANCE	22.00	5.50
01/30/87	D. HARTMAN OIL OPERA	INSURANCE	33.16	8.29
10/30/87	D. HARTMAN OIL OPERA	OPERATING SUPPLIES	81.91	20.48
10/31/87	D. HARTMAN OIL OPERA	PRODUCING OVERHEAD	544.14	141.04
TOTAL LEASE OPERATING EXPENSE - JID **			855.51	213.89
LEASE TOTAL ***			855.51	213.89

LEASE: 00715002 CARLSON #2 YOUR INTEREST .25000000 213.89

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				
10/30/87	D. HARTMAN OIL OPERA	DIRECT LABOR - OPER	116.55	29.14
10/30/87	D. HARTMAN OIL OPERA	EMPLOYEE BENEFITS	37.75	9.44
10/30/87	D. HARTMAN OIL OPERA	INSURANCE	33.16	8.29
10/20/87	MIDWEST INSURANCE AG	INSURANCE	80.00	20.00
10/30/87	D. HARTMAN OIL OPERA	OPERATING SUPPLIES	81.91	20.48
10/09/87	SOUTHWESTERN PUBLIC	FUEL AND POWER	31.47	7.87
10/31/87	D. HARTMAN OIL OPERA	PRODUCING OVERHEAD	564.14	141.04
TOTAL LEASE OPERATING EXPENSE - JIB **			944.98	236.26
LEASE TOTAL ***			944.98	236.26

LEASE: 00715003 CARLSON #3

YOUR INTEREST .25000000

236.26

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.

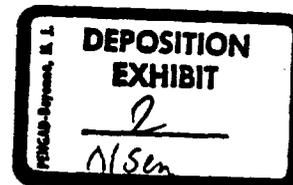
Your cooperation in this matter is appreciated.

Sincerely,

Donna M. Mariner  
Accountant

DM/cac

HARTMAN EXHIBIT 2



**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. [unclear]  
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 line extending to the right.

Doyle Hartman

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

Revised 5-15-82

**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> 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>		
3. Coring Service	<u>Well Surveys</u>	<u>3,800</u>	<u>3,800</u>
4. Bits and Reamers		<u>8,400</u>	<u>8,400</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 &amp; 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:			
Product Price Determination		<u>2,400</u>	<u>2,400</u>
Regulatory Hearings	<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>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 G. Namys Title Engineer Date July 10, 1985  
 Approved \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

**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**

HARTMAN EXHIBIT 4

JUL 22 1985

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

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

Case 8668

RECEIVED  
JUL 18 1968  
OIL CONSERVATION DIVISION

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

ATTORNEYS FOR DOYLE HARTMAN

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 22, 1985

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

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

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

HARTMAN EXHIBIT 5

RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED  
NOT FOR BILLING/PAYMENT SAID

Sent to	R. Howard Olson
Street and City	P. O. Box 32279
P.O., State and ZIP Code	Phoenix, Arizona 85018
Postage	\$
Certified Fee	.81
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 allow 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 services 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
<input checked="" type="checkbox"/> Registered	
<input type="checkbox"/> Insured	
<input type="checkbox"/> Certified	
<input type="checkbox"/> COD	P 456 364 608
<input type="checkbox"/> Express Mail	

Always obtain signature of addressee at point and DATE DELIVERED.

5. Signature of Addressee	
6. Signature - Agent	X

7. Date of Delivery	7-25-85
8. Addressee's Address (ONLY if requested and fee paid)	

PS Form 3811, July 1983 447-845 DOMESTIC RETURN RECEIPT

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 Carr

HARTMAN EXHIBIT 6

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  
compulsory pooling, Lea County,  
New Mexico.

CASE  
8668

BEFORE: Gilbert T. Quintana, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Jeff Taylor  
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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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.

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WILLIAM P. AYCOCK,

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

DIRECT EXAMINATION

BY MR. CARR:

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

A William P. Aycock, Midland, Texas.

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

A By Doyle Hartman in connection with his applications filed as Case Number 8668 on Docket Number 24-88.

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

A I have.

Q And how were you qualified at that time?

A As a petroleum engineer.

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

A I have.

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 8662 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 27  
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 M.

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 Kimberly 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 infec-  
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 27th 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 2,938 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 potentiald for 37-million  
13 cubic feet per day.

14 Well No. 2 potentiald for 280 barrels of  
15 oil per day.

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

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

20 And Well No. 5 potentiald 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, 1960.  
24 It had produced at that time a cumulative gas production of  
25 6,970 MMCF and as of March of 1965 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 3,208 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 coming 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 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                   Q           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 P 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 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           C           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 cover,  
15 under number --

16          C           And does --

17          A           -- Section No. 3, Overhead, Section 1-A,  
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          C           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 7, 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 far-  
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. R. 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 certain correspondence with Mr. Olson, as Mr. Aycock has testified 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 these agreements I have come to the conclusion that  
24 they do not in fact cover the operation of this lease 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 Were 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 #668 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

**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) 983-8043

August 13, 1985

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

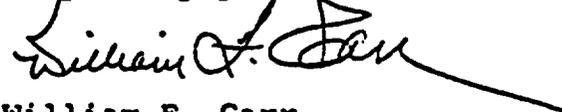
Re: Application of Doyle Hartman for  
Compulsory Pooling, Lea County, New Mexico.

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.

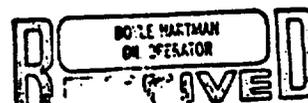
Very truly yours,



William F. Carr

WFC/cdd  
Enclosure

cc: Ms. Michelle Hembree



HARTMAN EXHIBIT 8

AUG 15 1985

# Notes on Carlson Federal

7-10-85 ltr DH > HO - Proposed well  
offer <sup>gain</sup> buy on f.o.

7-30-85 - <sup>RS</sup> + Olsen says - may present  
adv Bill Carr

7-30-85 ltr to Olsen per DH

per "ad" adv OCD Olsen has  
agreed to mutually acceptable  
f.o.

RS call Carol back adv mly l

8-19-85 call Olsen's eye (Carol) - Olsen  
Out of town - took f.o. into his  
line - Alaska - she thought he  
was going to sign B-4 he lgt -  
should call in tomorrow.

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

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

DOYLE HARTMAN

Oil Operator

800 N. MAIN

P.O. BOX 10428

MIDLAND, TEXAS 79702

(915) 834-4011

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*  
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. NW-0766	Union Texas Natural Gas Corporation and Joseph E. Seagrams & 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)

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)

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:  
the information is being collected pursuant to the law (43 CFR 3106-3(c));  
the information will be used to create a record of lease assignment;  
response to this request is required to obtain a benefit.

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.

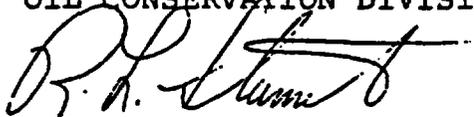
(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

-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/

DOYLE HARTMAN

Oil Operator

300 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 NMOCD 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.

HARTMAN EXHIBIT 13

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.

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: <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

POSTAGE STAMPS TO ARTICLE TO  
 IL FEE, AND CHARGES FOR ANY SEL  
 ) postmarked, stick the gummed stuc  
 ed and present the article at a post of  
 ) receipt postmarked, stick the gumme  
 retain the receipt, and mail the arct  
 ) sign, write the certified mail number a  
 to the front of the article by means of t  
 front of article, RETURN RECE  
 restricted to the addressee, or to  
 )RY on the front of the article  
 ces requested in the appropriate spac  
 e blocks in item 1 of form 3811  
 present if you make inquiry

P 167 617 962

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to <b>Mr. Howard Olsen</b>	
Street and No. <b>P. O. Box 32279</b>	
City, State, and ZIP Code <b>Phoenix, Arizona 85018</b>	
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**

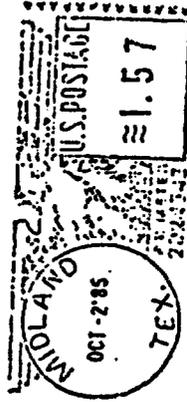
P 167 617 962

MAIL

DOJ

MIDL

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



\* U.S.G.P.O. 1984-445-014

PS Form 3800, Feb. 1982

PS Form 3800, July 1983 447-945  
DOMESTIC RETURN RECEIPT

**SENDER: Completes 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 checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail	P 167 617 962
<input type="checkbox"/> Insured <input type="checkbox"/> COD	

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

5. Signature - Addressee  
*[Signature]*

6. Signature - Agent  
*[Signature]*

7. Date of Delivery  
 10/9/84

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

Carlson Fed No. 4-H. Olsen/mh

P 167 617 962

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NO INSURANCE COVERAGE PROVIDED  
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(See Reverse)

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

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	
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Return Receipt Showing to whom and Date Delivered	.60
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Postmark or Date 10-02-85	
Carlson Fed No. 4-H. Olsen/mh	

**DOYLE HARTMAN**

*Oil Operator*

800 N. MAIN

P.O. BOX 10428

MIDLAND, TEXAS 79702

(815) 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

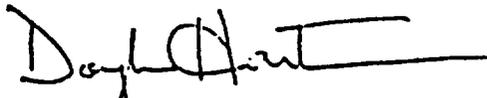
HARTMAN EXHIBIT 14

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.

- 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
<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)

Carlson Fed. No. 4-Olsen/mh

DOMESTIC RETURN RECEIPT

Save this receipt and present it if you make inquiry.  
 Enter fees for the services requested in the appropriate space.  
 Check the applicable boxes in item 1 of Form 3811.  
 STRICTED DELIVERY on the front of the article.  
 If you want delivery restricted to the addressee, or  
 if you want delivery restricted to the addressee, or  
 back of article. Endorse front of article. RETURN RE  
 m 3811, and attach it to the front of the article by means  
 If you want a return receipt, write the certified mail number  
 on the front of the article. Endorse front of article. RETURN RE  
 If you do not want this receipt postmarked, stick the gummed  
 extra charge) on the front of the article. Endorse front of  
 If you want this receipt postmarked, stick the gummed  
 on the receipt attached and present the article at a post  
 CERTIFIED MAIL FEE, AND CHARGES FOR ANY  
 STICK POSTAGE STAMPS TO ARTICLE

**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)

Sent to Mr. Howard Olsen	
Special Delivery No. Box 32279	
P.O., State and ZIP Code Phoenix, Arizona 85018	
Postage	\$ .22
Certified Fee	.75
Special Delivery Fee	
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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
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Carlson Fed No. 4-mh

**CERTIFIED**

P 167 617 963

**MAIL**

U.S. POSTAGE  
\$1.57

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

PS Form 3800, Feb. 1982

PS Form 3811, 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

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 Mr. Howard Olsen  
 P.O. Box 32279  
 Phoenix, Arizona 85018

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

Article Number: P 167 617 963

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

5. Signature - Addressee  
*[Signature]*

6. Signature - Agent

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

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(See Reverse)

PS Form 3800, Feb. 1982 \* 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
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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

**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**

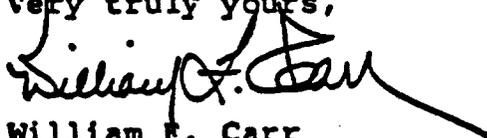
**HAND DELIVERED**

**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.**

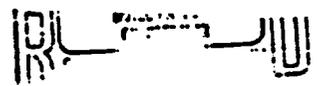
**Dear Mr. Stamets:**

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**



**NOV 15 1985**

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

EXHIBIT "D"

**CAMPBELL & BLACK, P.A.**

**LAWYERS**

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

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

November 11, 1985

**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*  
William F. Carr

WFC/cv  
enclosure

Form 3800, Feb. 1982

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

Return Receipt Showing to whom and Date Delivered	
Restricted Delivery Fee	
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Certified Fee	
Package	1
TOTAL Postage and Fees	\$1
Postmark or Date	11/11/85

NO INSURANCE COVERAGE PROVIDED  
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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:

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

1  
2 MR. STOGNER: The hearing will  
3 come to order.

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

7 We will now call for appear-  
8 ances.

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

13 MR. STOGNER: Are there any  
14 other appearances?

15 Will all three witnesses please  
16 stand and be sworn.

17  
18 (Witnesses sworn.)

19  
20 WILLIAM P. AYCOCK,  
21 being called as a witness and being duly sworn upon his  
22 oath, testified as follows, to-wit:  
23  
24  
25

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 8658 and the subsequent Or-  
5 der R-8031.

6 Q Mr. Aycok, 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 8666 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 understocd) 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 pradiate 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 --<sup>2</sup> 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 128 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. 16 is located in  
10 Section 25, Township 35 South, Range 37 East, and it has  
11 produced an accumulative production of 1.16 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 for 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. Aycok, 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

25

## CROSS EXAMINATION

1  
2 BY MR. STOGNER:

3 Q Mr. Aycock, on all the production sum-  
4 maries you've given me here, it would be easy to say this  
5 proposed well would be offsetting some pretty good produ-  
6 cers, would it not?

7 A Yes.

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

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

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

22 MR. STOGNER: I have o further  
23 questions of Mr. Aycock.

24 Is there anything further of  
25 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 Ol-  
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.)

17

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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

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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

Carlson Federal

3. ADDRESS OF OPERATOR

9. WELL NO.

Post Office Box 10426 Midland, Texas 79702

10. FIELD AND POOL, OR WILDCAT

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also space 17 below.) At surface

Langlie Mattix

1750 FNL & 990 FEL (H)

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

Section 26, T-25-S, R-37

13. PERMIT NO.

14. ELEVATIONS (Show whether of, to, or, etc.)

12. COUNTY OR PARISH 13. STATE

30-025-70578

3060.3 G.L.

Lea

NM

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

NOTICE OF INTENTION TO:

SUBSEQUENT REPORT OF:

TEST WATER SHUT-OFF

WELL OR ALTER CASING

WATER SHUT-OFF

REPAIRING WELL

FRACURE TREAT

MULTIPLE COMPLETE

FRACURE TREATMENT

ALTERING CASING

SHOOT OR ACIDIZE

ABANDON\*

SHOOTING OR ACIDIZING

ABANDONMENT\*

REPAIR WELL

CHANGE PLAN\*

(Other) Spud and set casing

(Other)

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

17. DESCRIBE PURPOSE OR COMPLETION 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 Hernandez

TITLE Administrative Assistant

DATE December 14 1985

(This space for Federal or State officer use)

APPROVED BY

TITLE

DATE

CONDITIONS OF APPROVAL, IF ANY:

ACCEPTED FOR RECORD

MD

\*See In...

DEC 16 1985

DEC 13 1985

Title 18 U.S.C. Section 1001, makes it a crime for any pe United States any false, fictitious or fraudulent statement CAPICRAN NR...

my department or agency of the him its jurisdiction.

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

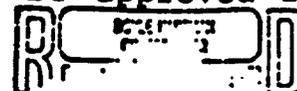
BY THE DIVISION:

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



DEC 11 1985

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.

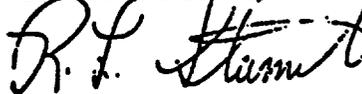
(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

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

DOYLE HARTMAN

Oil Operator

800 N. MAIN

P.O. BOX 10428

MIDLAND, TEXAS 79702

(815) 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*  
Ruth Sutton  
Landman

RS/dr

HARTMAN EXHIBIT 22

*Pls. the not checked*

Mr. R. Howard sen  
January 6, 1988  
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. 1984-48914 PS Form 3800, Feb. 1982	Sent to	<i>R. Howard Nelson</i>
	Street and No.	<i>P.O. Box 32279</i>
	P.O. State and ZIP Code	<i>Alaska AK 995018</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 Lacer (Sun)</i>		

P 167 325 606

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

PS Form 3800, Feb. 1982

Sender's Name	<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 Ladd (Sun)</i>	

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

**CERTIFIED**

P 167 325 606

**MAIL**

JAN - 6 1986  
TEX.  
U.S. POSTAGE  
\$1.57

PS Form 3811, July 1983 447-845

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. <input type="checkbox"/> Show to whom, date and address of delivery.	
2. <input type="checkbox"/> Restricted Delivery.	
3. Article Addressed to:	<i>R. Howard Olsen P.O. Box 32279 Phoenix, AZ 85018</i>
4. Type of Service:	Registered <input type="checkbox"/> Insured <input type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/>
Article Number	<i>PL67325606</i>
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 Ladd (Sun)*  
*1-6-86*

*Pls  
clear  
Tgs  
me*

DOYLE HARTMAN  
OM Operator

P. 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

MIDLAND, TX  
1 PM  
6 JAN  
1986

POSTAGE DUE

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

REGISTERED

167 325 606

MAIL

CLAIM CHECK  
NO. 746975

HOLD

DATE

1ST NOTICE

2ND NOTICE

RETURN

Detached from  
PS Form 3849-A  
Oct. 1980

112412

**DOYLE HARTMAN**

**Oil Operator**

**800 N. MAIN**

**P.O. BOX 10480**

**MIDLAND, TEXAS 79702**

**(915) 684-4011**

**April 17, 1986**

**Working Interest Participants  
Doyle Hartman Operated Wells  
Lea and Eddy County, New Mexico**

Subsequent to our letter of April 15, 1986 to our working interest participants, I received an inquiry from several of the participants as to the anticipated range of costs we expect may be incurred pursuant to the recent lawsuit Doyle Hartman has filed in Lea County, New Mexico against El Paso Natural Gas Company. Based on the costs of Doyle Hartman's recent successful litigation against Sun Exploration and Production Company and our internal expectations regarding this litigation, we would not be surprised if the total costs of this litigation could exceed the range of \$600,000 to \$750,000 (cost of the Sun lawsuit). As Doyle Hartman is the largest working interest owner in the potentially affected wells, his share of these costs will be substantial. He is prepared to incur these costs to protect his interests, as we are confident he will prevail in this litigation.

We know from conversations with a number of our working interest partners that they wish to participate in the benefits expected to emanate from this litigation and will pay their prorata portion of the costs of this action. We will bill these costs to our working interest participants monthly as incurred, based upon the weighted average that each owner's working interest percentage for each of his Doyle Hartman operated wells bears to the total for all such lawsuit wells operated by Doyle Hartman.

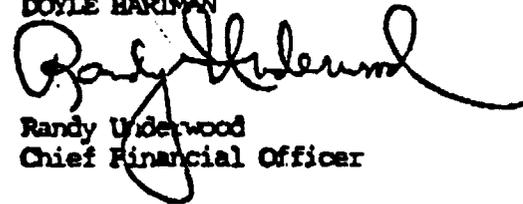
Even though it is incomprehensible to me that any of you would be satisfied with El Paso's present actions to shut-in these wells and their unworkable offer to allow you to sell the production for a substantially reduced price based on their presumption of market on a month-to-month basis, there may nevertheless be certain of you who do not desire to participate in and pay your prorata costs of this litigation. Therefore, we are asking each of our working interest participants to officially indicate their commitment to either share in the aforementioned expected costs of this litigation and the anticipated benefits to emanate therefrom, or to not share therein. In any event, we continue to give you notice that we believe it is not in your best interest to sign any new documents at this time with El Paso or participate in any of their "market sensitive" sales programs. We thank you for your continued cooperation and support.

Working Interest Participants  
April 17, 1986  
Page 2

Please indicate your preference in this matter below and return it to us in writing by April 24, 1986. If we do not receive your written reply by April 24, 1986, we will assume, for whatever reason, you do not wish to share in this action.

Very truly yours,

DOYLE HARTMAN

  
Randy Underwood  
Chief Financial Officer

RU/dr

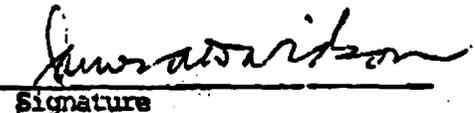
Please check below:

I do wish to share in this action against El Paso Natural Gas Company and will pay my prorated portion of the attendant costs. (Yes)

~~I do not wish to share in this action against El Paso Natural Gas Company. (No)~~

James A. Davidson  
Name (print or type)

4/18/86  
Date

  
Signature

The undersigned parties also vote "yes" with each such party acting by and through J.A. Davidson:

MARILYN L. YATES

MICHAEL R. MITCHELL

J.A. DAVIDSON, TRUSTEE

MRS. C.W. DUNNAM, individually & independent executrix  
of the ESTATE of C.W. DUNNAM

RETURN THIS CO  
TO: DOYLE HARTMAN  
BOX 10426  
MIDLAND, TX 797

  
J.A. DAVIDSON

APR 21 1986

**DOYLE HARTMAN**

*Oil Operator*

800 N. MAIN  
P.O. BOX 10428

MIDLAND, TEXAS 79702

(915) 884-4011

April 17, 1986

**Working Interest Participants  
Doyle Hartman Operated Wells  
Lea and Eddy County, New Mexico**

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We know from conversations with a number of our working interest partners that they wish to participate in the benefits expected to emanate from this litigation and will pay their prorata portion of the costs of this action. We will bill these costs to our working interest participants monthly as incurred, based upon the weighted average that each owner's working interest percentage for each of his Doyle Hartman operated wells bears to the total for all such lawsuit wells operated by Doyle Hartman.

Even though it is incomprehensible to me that any of you would be satisfied with El Paso's present actions to shut-in these wells and their unworkable offer to allow you to sell the production for a substantially reduced price based on their presumption of market on a month-to-month basis, there may nevertheless be certain of you who do not desire to participate in and pay your prorata costs of this litigation. Therefore, we are asking each of our working interest participants to officially indicate their commitment to either share in the aforementioned expected costs of this litigation and the anticipated benefits to emanate therefrom, or to not share therein. In any event, we continue to give you notice that we believe it is not in your best interest to sign any new documents at this time with El Paso or participate in any of their "market sensitive" sales programs. We thank you for your continued cooperation and support.

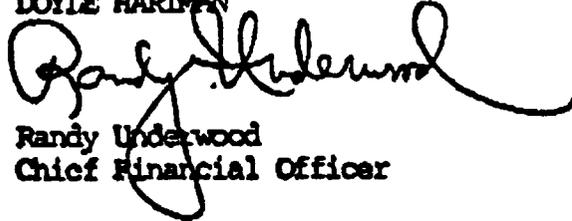
April 17, 1986

Page 2

Please indicate your preference in this matter below and return it to us in writing by April 24, 1986. If we do not receive your written reply by April 24, 1986, we will assume, for whatever reason, you do not wish to share in this action.

Very truly yours,

DOYLE HARTMAN



Randy Underwood  
Chief Financial Officer

RU/dr

Please check below:

I do wish to share in this action against El Paso Natural Gas Company and will pay my prorated portion of the attendant costs. (Yes)

I do not wish to share in this action against El Paso Natural Gas Company. (No)

\_\_\_\_\_  
Name (print or type)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

RETURN THIS COPY  
TO: DOYLE HARTMAN  
BOX 10426  
MIDLAND, TX 79701

**WORKING INTEREST OWNERS**

**AMR ENERGY CORPORATION  
1500 FIDELITY UNION TOWER  
DALLAS, TEXAS 75201**

**ALPHA TWENTY ONE CORPORATION  
200 WEST ILLINOIS, SUITE 200  
MIDLAND, TEXAS 79701**

**AMCOO PRODUCTION COMPANY  
ATTN: JOINT INTEREST GROUP  
P.O. BOX 591  
TULSA, OKLAHOMA 74102**

**ARLENE S. ANTHONY  
721 CHATHAM ROAD  
GLENVILLE, ILLINOIS 60025**

**ARCO OIL AND GAS COMPANY  
P.O. BOX 85063  
DALLAS, TEXAS 75285**

**WILLIAM F. AYCOCK  
ATTN: WILL O'BRIEN  
P.O. BOX 3148  
MIDLAND, TEXAS 79702**

**ROY G. BARTON  
P.O. BOX 978  
HOBBS, NEW MEXICO 88240**

**THELMA BAUERDORF  
APT. 11B  
9500 WILSHIRE BOULEVARD  
BEVERLY HILLS, CA. 90212**

**GERALD BELL  
9149 RAEFORD  
DALLAS, TEXAS 75243**

**WILLIAM T. BERRY  
P.O. BOX 3774  
MIDLAND, TEXAS 79701**

**ROBERT F. BLINN  
P.O. BOX 226  
NORFOLK, NEBRASKA 68701**

**H. R. BRIGHT  
2355 STEMMONS BUILDING  
DALLAS, TEXAS 75207**

**MERCANTILE SAFE DEPOSIT &  
TRUST CO., ET AL, TRUSTEES U/D  
DONALDSON BROWN A/C 2  
14 W. MADISON STREET**

**BETTY AD. JS  
7107 S. HUDSON CIRCLE  
LITTLETON, COLORADO 80122**

**AMEKADA HESS CORPORATION  
OPERATIONS MANAGER  
P.O. BOX 2046  
TULSA, OKLAHOMA 74102**

**MILDRED ANDERSON  
63 MID AMERICAN BUILDING  
MIDLAND, TEXAS 79701**

**ARCO OIL AND GAS CO.  
P. O. BOX 1610  
MIDLAND, TEXAS 79702**

**CATHIE AUVENSHINE  
P.O. BOX 33280-296  
AUSTIN, TEXAS 78764**

**WARREN D. BARTON  
HCR78 BOX 118  
SANTA ANNA, TEXAS 76878-9605**

**BASS ENTERPRISES PROD. CO.  
FIRST CITY BANK TOWER  
201 MAIN STREET  
FORT WORTH, TEXAS 76102**

**THELMA BAUERDORF AND CONSTANCE  
B. CARTWRIGHT, TTS U/W GEORGE  
F. BAUERDORF  
9363 WILSHIRE BLVD., SUITE 211  
BEVERLY HILLS, CA. 90210**

**O. H. BERRY  
188 ONE MARIENFELD PLACE  
MIDLAND, TEXAS 79701**

**H. M. BETTIS, INC.  
P.O. BOX 1240  
GRAHAM, TEXAS 76046**

**W. T. BOYLE & WIFE LOYCE BOYLE  
BOX 57  
GRAHAM, TEXAS 76046**

**MERCANTILE SAFE DEPOSIT &  
TRUST CO., ET AL, TRUSTEES U/D  
DONALDSON BROWN A/C 1  
16 W. MADISON STREET  
BALTIMORE, MARYLAND 21201**

**JAMES E. BURR  
2502 EMERSON DRIVE  
MIDLAND, TEXAS 79705**

CENTURION OIL & GAS CO. .  
DRAWER 792  
MIDLAND, TEXAS 79702

DOUGLAS H. CHRISTENSEN  
P.O. BOX 3790  
MIDLAND, TEXAS 79702

PAULINE CHRISTMAS  
X JAMES R. LEETON, SR.  
404 ENERGY SQUARE BLDG.  
MIDLAND, TEXAS 79701

CITIES SERVICE OIL & GAS CORP.  
P.O. BOX 85541  
DALLAS, TEXAS 75285

DONALD C. CONDIE  
5583 GOLF COURSE DR.  
MORRISON, COLORADO 80465

CLIFFORD CONE  
P.O. BOX 6010  
LUBBOCK, TEXAS 79413

KATHLEEN CONE  
P.O. BOX 1509  
LOVINGTON, NEW MEXICO 88260

THOMAS R. CONE  
P.O. BOX 778  
JAY OKLAHOMA 74346

HUGH CORRIGAN III  
P O BOX 3388  
VERO BEACH, FLORIDA 32964

P. EDWARD CORRIGAN  
P O BOX 76  
MIDLAND, TEXAS 79702

MARION CULBERTSON, TRUSTEE  
ATTN: MR. CHUCK WALLACE  
P. O. BOX 50250  
MIDLAND, TEXAS 79710

JAMES A. DAVIDSON  
P O BOX 494  
MIDLAND, TEXAS 79702

DELTEX ROYALTY CO. INC.  
1504 OIL & GAS BUILDING  
FORT WORTH, TEXAS 76102

P. L. DUNCAN  
P.O. BOX 7  
WESLEY, ARKANSAS 72773

P.O. DRAWER 2788  
MIDLAND, TEXAS 79702

MAX H. CHRISTENSEN  
P.O. BOX 3790  
MIDLAND, TEXAS 79702

CITIES SERVICE OIL & GAS CORP.  
ATTN: WILLIAM ESTEP  
P.O. BOX 3908  
TULSA, OKLAHOMA 74102

MAX COLL, II  
BOX EE  
SANTA FE, NEW MEXICO 87502

LOUELLA J. CONDIE  
5583 S. GOLF COURSE DRIVE  
MORRISON, COLORADO 80465

DOUGLAS L. CONE  
P.O. BOX 6217  
LUBBOCK, TEXAS 79413

KENNETH G. CONE  
P.O. BOX 11310  
MIDLAND, TEXAS 79702

JIMMIE T. COOPER  
P O BOX 55  
MONUMENT, NEW MEXICO 88265

HUGH CORRIGAN IV  
5520 DRANE DRIVE  
DALLAS, TEXAS 75209

E.A. CULBERTSON MGT TRUST  
ATTN: CHUCK WALLACE  
P.O. BOX 50250  
MIDLAND, TEXAS 79710

DALPORT OIL CORPORATION  
3471 FIRST NATIONAL BANK BLDG.  
DALLAS, TEXAS 75202

J.A. DAVIDSON, TRUSTEE  
UNDER T/A DATED 3/15/82  
5201 N. MIDKIFF  
MIDLAND, TEXAS 79705

JOHN F. DIPAOLO  
P.O. BOX 342  
ROSWELL, NEW MEXICO 88201

C. W. DUNNAM  
2502 COUNTRY CLUB ROAD  
MIDLAND, TEXAS 79701

BETSY ANNE DWYER  
#18 SADDLE CLUB DRIVE  
MIDLAND, TEXAS 79705

EL PASO NATURAL GAS COMPANY  
1800 WILCO BUILDING  
MIDLAND, TEXAS 79701

JACK FLETCHER  
P.O. DRAWER 10887  
MIDLAND, TEXAS 79702

KENNETH A. FREEMAN  
4402 W. INDUSTRIAL  
MIDLAND, TEXAS 79701

GIEB CORPORATION  
P.O. BOX 10368  
MIDLAND, TEXAS 79702

FRED G. GOODMAN  
P O BOX 4932  
MIDLAND, TEXAS 79701

JAMES E. GRAY  
306 S BENTWOOD  
MIDLAND, TEXAS 79703

B. O. GREENWADE, JR.  
P O BOX 1675  
ROSWELL, NEW MEXICO 88201

HCM EXPLORATION, INC., AGENT  
P.O. BOX 10585  
MIDLAND, TEXAS 79702

D. L. HANNIFIN  
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EL PASO, TEXAS 79978

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FRONTIER FUELS, INC.  
ATTN: MS. CAROL STAHL  
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15 EAST FIFTH STREET  
TULSA, OKLAHOMA 74103

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PENEDALE, WYOMING 82941

INTERFIRST BANK FORT WORTH  
FORT WORTH TRUSTEE  
P.O. BOX 2546 TRUST 1311  
FORT WORTH, TEXAS 76113

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AND KATHLEEN IRWIN SCHUSTER  
CO-INDEPENDENT EXECUTORS OF  
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AUSTIN, TEXAS 78731

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C/O KERN COMPANY  
3005 N. BIG SPRING  
MIDLAND, TEXAS 79705

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KAYE M. ISAACS  
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TRUST  
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6205 PULPIT ROCK DRIVE  
COLORADO SPRINGS, CO. 80907

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ROBERTS ROAD & BETHEL LANE  
BRYN MAWR, PENNSYLVANIA 19010

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P. O. BOX 1492  
EL PASO, TEXAS 79978  
PHONE: 915-541-2800

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.

51-7  
(16-2)

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*

FIFTH JUDICIAL DISTRICT COURT  
COUNTY OF LEA  
STATE OF NEW MEXICO

LEA COUNTY

'86 JUN 18 AM 21

DOYLE HARTMAN,  
an individual,

Plaintiff,

VS.

NO. CV 85-369-J

EL PASO NATURAL GAS COMPANY,  
a Delaware Corporation,

Defendant.

ORDER

This matter came on to be heard upon application of Plaintiff for reconsideration of Order Denying Preliminary Injunction to Plaintiff with Plaintiff appearing in person and by and through his attorneys and Defendant appearing through its designated representatives and attorneys and the Court being advised in the premises finds:

I.

This Court has jurisdiction over the parties hereto and the subject matter hereof.

II.

Due to changed circumstances since the prior hearing in this matter, it is hereby ordered that pending the outcome of the trial on the merits in this litigation:

(A) El Paso will take and pay for all production for which Plaintiff receives proceeds for the account of Plaintiff or other parties from Hartman-operated casinghead wells pursuant to terms of the applicable contracts at the contract price commencing June

1 until the date of judgment and in the event Defendant establishes in this proceeding that Plaintiff is not entitled to receive the contract price for such production, Plaintiff shall refund to Defendant the difference between the contract price and the wellhead price tendered by Defendant for other casinghead gas in the Permian Basin under the terms set out in its May 29, 1986 Notice to Sellers.

(B) The Defendant agrees not to assert that Plaintiff had a duty to mitigate damages by making sales other than pursuant to the terms of Plaintiff's contracts with Defendant.

(C) The trial setting in this case of October 20, 1986 shall remain firm.

(D) This order will be sealed and not made a matter of public record.

(E.) This order shall be kept confidential by all parties and counsel for parties, including those who have not entered an appearance, and shall not be disclosed to third parties except that Plaintiff may disclose the terms of the order, if it is necessary to his financial operations, to his bankers provided that such bankers agree to keep the terms of the order confidential and not disclose them to third parties and so signify by signing a copy of this order.

(F) Both parties reserve all rights, claims, and remedies they would otherwise have with the exception of that defense of mitigation of damages specifically waived herein.

(G) That this Order shall not be used as evidence for either side to show liability, damage or for any other purpose in this or any other proceeding.

*Larry Johnson*

LARRY JOHNSON  
District Judge

APPROVED AS TO FORM:

*Bob F. Turner*

Attorney for Plaintiff

*Irwin H. Singer*

Attorney for Defendant

LEA COUNTY LAWSUIT BILLING SCHEDULE  
INCLUDING ADDITION OF STRANCO

OWNER NAME	TOTAL W.I.	% TO BE BILLED
WILLIAM P. AYCOCK	0.01776924	0.0001440643
JAMES E. BURR	1.18400466	0.0095993328
DONALD C. CONDIE	0.03125000	0.0002533598
JAMES A. DAVIDSON	27.61840836	0.2239165953
J.A. DAVIDSON, TRUSTEE	0.18140449	0.0014707392
C.W. DUNNAM	0.06201172	0.0005027608
JACK FLETCHER	1.27537678	0.0103401334
MARIE FLETCHER	0.26917476	0.0021823378
ALVAREEN O. HARTMAN	0.10214845	0.0008281699
OYLE HARTMAN	89.12220278	0.7225593868
GEORGE N. HARTMAN	0.10214845	0.0008281699
PAMELA D. HARTMAN	0.03710940	0.0003008649
MICHELLE HEMBREE WILCOX	0.08937175	0.0007245826
PATRICIA A. HENDERSON'	0.02604167	0.0002111332
KE MITCHELL	0.22095526	0.0017913976
ERRY A. NERMYR	1.58266749	0.0128314967
RUTH SUTTON	0.85781166	0.0069547189
HAROLD SWAIN	0.09635418	0.0007811927
FRANZ WEIS	0.33312377	0.0027008052
MARGARET D. WHITE	0.04663086	0.0003780603
MARILYN YATES	0.03955078	0.0003206584
STRANCO	0.04687500	0.0003800397
	123.34239151	1.00000000

FIFTH JUDICIAL DISTRICT  
LEA COUNTY

IN THE FIFTH JUDICIAL DISTRICT

STATE OF NEW MEXICO

'87 JAN 20 AM 1:19

COUNTY OF LEA

Line 0 2 2

JAMES A. DAVIDSON, Individually, )  
and as Trustee of the Marilyn L. )  
Yates Trust; PAMELA D. HARTMAN; )  
GEORGE N. HARTMAN; ALVAREEN O. )  
HARTMAN; MRS. C. W. DUNNAM; )  
MARILYN L. YATES; PATRICIA )  
HENDERSON; FRANZ WEIS; JAMES E. )  
BURR AND LAVETA BURR, Individually )  
and as Parents and Next Friends of )  
LYNDSI BURR and LAUREN BURR, )  
Minor Children; JACK FLETCHER; )  
DONALD C. CONDIE; RUTH SUTTON; )  
WILLIAM P. AYCOCK; LARRY A. )  
NERMYR; MICHAEL R. MITCHELL; )  
MICHELLE HEMBREE; MARGARET D. )  
WHITE BROWN; HAROLD SWAIN; )  
ROXIE SWAIN, also known as )  
ROXANNE SWAIN; MARIE FLETCHER; )  
and STRANCO, LTD.; )

Plaintiffs,

vs.

EL PASO NATURAL GAS COMPANY,  
a Delaware corporation,

Defendant.

No. CV 87-72 J

VERIFIED COMPLAINT FOR DAMAGES RESULTING FROM  
INTENTIONAL AND MALICIOUS BREACH OF CONTRACT,  
AND FOR PRELIMINARY AND PERMANENT INJUNCTIVE RELIEF

COME NOW the Plaintiffs JAMES A. DAVIDSON, indi-  
vidually, and as Trustee of the Marilyn L. Yates Trust, Pamela  
D. Hartman, George N. Hartman, Alvareen O. Hartman, Mrs. C. W.  
Dunnam, Marilyn L. Yates, Patricia Henderson, Franz Weis,

James E. Burr and LaVeta Burr, individually and as Parents and Next Friends of Lyndsi Burr and Lauren Burr, Minor Children, Jack Fletcher, Donald C. Condie, Ruth Sutton, William P. Aycock, Larry A. Nermyr, Michael R. Mitchell, Michelle Hembree, Margaret D. White Brown, Harold Swain, Roxanne Swain, Marie Fletcher, and STRANCO, LTD., and for their Complaint against Defendant El Paso Natural Gas Company, state:

THE PARTIES

1. Plaintiffs James A. Davidson, Pamela D. Hartman, George N. Hartman, Alvareen O. Hartman, Mrs. C. W. Dunnam, Marilyn L. Yates, Patricia Henderson, Franz Weis, Jack Fletcher, Ruth Sutton, William P. Aycock, Larry A. Nermyr, Michelle Hembree, Margaret D. White Brown, and Marie Fletcher are individuals and residents of the State of Texas who are authorized to do and are doing business in the State of New Mexico.

2. Plaintiff James A. Davidson, Trustee is the individual Trustee of the Marilyn L. Yates Trust, a Texas Trust.

3. Plaintiffs James E. Burr and LaVeta Burr, husband and wife, and their minor children, Lyndsi Burr and Lauren Burr, are individuals and residents of the State of Texas who are authorized to do and are doing business in the State of New Mexico.

4. Plaintiffs Donald C. Condie and Michael R. Mitchell are individuals and residents of the State of

Colorado who are authorized to do and are doing business in the State of New Mexico.

5. Plaintiffs Harold Swain and Roxie Swain, also known as Roxanne Swain, husband and wife, are individuals and residents of the State of New Mexico.

6. STRANCO, LTD. is a New Mexico Limited Partnership whose principal place of business is in the State of New Mexico.

7. Defendant El Paso Natural Gas ("El Paso") is a Delaware corporation whose principal place of business is in the State of Texas and who is authorized to do and is doing business in the State of New Mexico.

8. Plaintiffs are engaged in the business of exploring for, producing and selling natural gas in the State of New Mexico, particularly in Lea and Eddy Counties, New Mexico. Plaintiffs own interests in several natural gas properties in Lea and Eddy Counties, New Mexico, the production from which is sold at the wellhead to El Paso pursuant to written natural gas purchase contracts.

9. El Paso is engaged in the business of purchasing natural gas at the wellhead in the State of New Mexico and transporting most of such gas for resale outside of the State of New Mexico.

**THE CONTRACTUAL RELATIONSHIPS  
BETWEEN PLAINTIFFS AND DEFENDANT**

10. Plaintiffs own working interests in several natural gas properties in Lea and Eddy Counties, New Mexico, operated by Doyle Hartman of Midland, Texas, the production from which is sold to El Paso pursuant to certain natural gas purchase contracts. All of Plaintiffs' working interests in such wells were acquired from or through Doyle Hartman. These wells and contracts (the "Contracts") are identified and listed on Exhibit "A", which is attached hereto and incorporated herein by reference. 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 an oil pool ("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. Plaintiffs seek to protect their interests in such properties through enforcement of such contracts.

11. Copies of the Contracts are not attached to this Complaint because they are voluminous and the Defendant possesses copies of such contracts.

12. El Paso's intentional, malicious and unjustifiable conduct with respect to the contracts is the basis of this Complaint.

**DEFENDANT'S CONDUCT WITH  
RESPECT TO THE CONTRACTS**

13. The terms of the Contracts relating to production of oil-well casinghead gas and certain contracts relating to the production of dry gas clearly and unambiguously obligate El Paso to take all of such gas produced from such properties and to pay for such gas at the prices specified therein.

14. The terms of most of the Contracts covering dry gas and gas-well casinghead gas clearly and unambiguously obligate El Paso to take Plaintiffs' gas "ratably" with all other gas taken from wells connected to El Paso's system in Lea County, New Mexico, and to pay for such natural gas at the prices specified in the Contracts.

15. The terms of some of the Contracts covering dry gas clearly and unambiguously obligate El Paso to take Plaintiffs' natural gas "ratably" with all other natural gas taken from wells within the same source pool or reservoir, or, in some cases, with all other natural gas purchased by El Paso within the same source pool or reservoir and to pay for such natural gas at the prices specified in the Contracts.

16. Prior to June 1, 1986, El Paso took substantially all of Plaintiffs' oil well and gas-well casinghead gas in accordance with the Contracts and to the extent determinable at this time, paid for such oil well and gas-well casinghead gas at the prices specified in the Contracts.

17. Prior to January 1, 1982, El Paso took Plaintiffs' dry gas ratably in accordance with the Contracts, and prior to January 1, 1985, to the extent determinable at this time, paid for such natural gas at the prices specified in the Contracts.

18. Subsequent to such dates, El Paso has unjustifiably refused to honor the Contracts, and instead has intentionally and maliciously breached such Contracts and has otherwise engaged in unlawful and inexcusable conduct and discriminatory and preferential marketing practices, including shutting-in and turning off wells subject to the Contracts, improper and illegal manipulation of nomination and proration regulations, unilaterally reducing the price paid for gas produced from wells subject to the Contracts.

19. On or about February 26, 1986, El Paso notified Plaintiffs that recent developments in El Paso's interstate markets required El Paso to implement new "production-scheduling procedures", which are internal El Paso-generated procedures not mandated or directed by any regulatory agency,

nor utilized to the same extent by other interstate pipeline companies. The effect of these implementations is that El Paso deviates from the provisions of such contracts and its longstanding interpretation thereof.

20. On or about February 28, 1986, El Paso notified Doyle Hartman that approximately eighty-five (85) wells producing dry gas subject to the Contracts would be "shut-in" or "turned-off", and such wells were completely "shut-in" or "turned-off" shortly thereafter.

21. From and since February 28, 1986, such wells together with others producing dry gas subject to such Contracts have, for the most part, remained "shut-in" or "turned-off", and El Paso has not taken Plaintiffs' gas therefrom "ratably" in accordance with the Contracts.

22. From and since June 1, 1986, El Paso has unilaterally reduced the price paid for oil-well casinghead gas and gas well casinghead gas taken under the Contracts.

23. El Paso has engaged in discriminatory and preferential purchasing and marketing practices, including the manipulation of nomination and proration regulations.

24. El Paso's initial and continuing "shut-in" of wells subject to such Contracts, its unilateral reduction in the price paid for gas actually taken and its purchasing and marketing practices were and are unjustified and discriminatory.

25. El Paso's own statements and purchasing policies indicate that a substantial portion of Plaintiffs' historical daily producing volumes may not be returned to production for an indefinite period of time.

26. At all times during the terms of the Contracts, Plaintiffs have fully performed all of their obligations thereunder, both express and implied.

### CAUSES OF ACTION

#### COUNT I

#### FOR ACTUAL, CONSEQUENTIAL AND PUNITIVE DAMAGES RESULTING FROM EL PASO'S INTENTIONAL AND MALICIOUS BREACH OF THE CONTRACTS

27. Plaintiffs adopt and incorporate herein by reference the allegations contained in Paragraphs 1 through 26 of this Complaint.

28. El Paso's actions in shutting-in and turning-off wells subject to the Contracts and its failure to meet its contractual obligations to take Plaintiffs' dry gas and gas well casinghead gas "ratably" in accordance with the Contracts is in violation and breach of the Contracts.

29. El Paso's actions in shutting-in and turning-off wells producing oil-well casinghead gas and certain wells producing dry gas, and its failure to meet its contractual obligations to take all of such gas from Plaintiffs is in violation and breach of the Contracts.

30. El Paso's actions in unilaterally reducing the price paid for Plaintiffs' gas, including but not limited to Plaintiffs' oil-well casinghead gas and gas-well casinghead gas, is in violation and breach of the Contracts.

31. El Paso's discriminatory and preferential purchasing and marketing practices are in violation and breach of the Contracts.

32. El Paso's violation and breach of the Contracts by shutting-in and turning-off dry and casinghead gas wells, by unilaterally reducing the price of Plaintiffs' gas, and its discriminatory and preferential practices was and is intentional, malicious, coercive, in bad faith and intended to serve the business interests of El Paso to the detriment of Plaintiffs.

33. As a direct and actual result of El Paso's intentional and malicious breach of the Contracts, Plaintiffs have been injured in an amount presently estimated to be in excess of \$5,000,000.00.

34. As a direct and consequential result of El Paso's intentional and malicious breach of the Contracts, Plaintiffs have and will continue to suffer consequential damages in the nature of lost gas reserves due to uncompensated drainage and reservoir damage. Such additional damages cannot presently be calculated.

WHEREFORE, Plaintiffs pray for judgment against El Paso for actual damages estimated presently to be in excess of \$5,000,000.00, for consequential damages, for punitive damages resulting from El Paso's intentional and malicious breach of the contracts, all in amounts more specifically provable at trial, plus pre and post judgment interest thereon, costs and fees in this litigation and for such further relief as the Court deems just and proper.

COUNT II

FOR PERMANENT INJUNCTIVE RELIEF  
WITH RESPECT TO EL PASO'S CONDUCT

35. Plaintiffs adopt and incorporate herein by reference the allegations contained in Paragraphs 1 through 34 of this Complaint.

36. El Paso's intentional and malicious breach of the Contracts threatens to continue for an indefinite period.

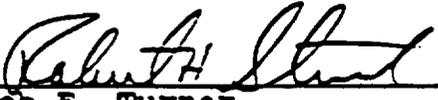
37. El Paso's continuing, intentional and malicious breach of the Contracts will cause Plaintiffs irreparable injury for which they have no adequate remedy at law.

38. El Paso's continuing, intentional and malicious breach of the Contracts, particularly its refusal to take Plaintiffs' dry gas "ratably" in accordance with the Contracts, may and will impair or destroy Plaintiffs' gas reservoirs, result in the irretrievable loss and drainage of Plaintiffs' gas reserves and otherwise cause Plaintiffs ir-

reparable injury for which they have no adequate remedy at law.

WHEREFORE, Plaintiffs pray for the issuance of a preliminary and permanent injunction requiring El Paso (A) to honor, abide by and perform its obligations under the Contracts, and (B) to cease and desist from "shutting in" wells subject to the Contracts and to return to production those wells previously "shut-in".

ATWOOD, MALONE, MANN & TURNER, P.A.

By   
Bob F. Turner  
Robert H. Strand  
Post Office Drawer 700  
Roswell, New Mexico 88202-0700  
(505) 622-6221

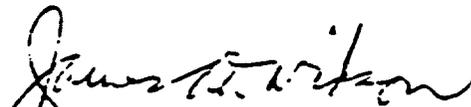
Don R. Maddox  
MADDOX, RENFROW & SAUNDERS  
Post Office Box 5370  
Hobbs, New Mexico 88241  
(505) 393-0505

ATTORNEYS FOR PLAINTIFFS

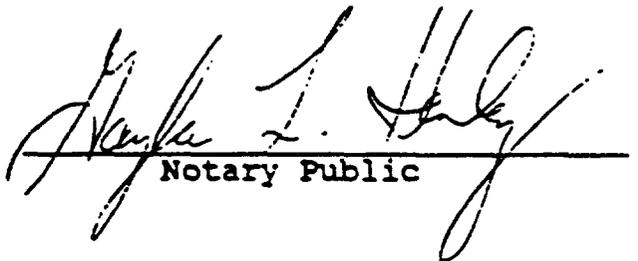
VERIFICATION

STATE OF TEXAS                    )  
  )    ss.  
COUNTY OF MIDLAND                )

I, JAMES A. DAVIDSON, individually and as Trustee of the Marilyn L. Yates Trust, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

  
\_\_\_\_\_  
JAMES A. DAVIDSON, individually  
and as Trustee of the Marilyn  
L. Yates Trust

SUBSCRIBED AND SWORN TO before me this 9th day of  
January, 1987.

  
\_\_\_\_\_  
Notary Public

My Commission Expires:  
9-26-88

VERIFICATION

STATE OF TEXAS                    )  
  )    ss.  
COUNTY OF MIDLAND            )

I, PAMELA D. HARTMAN, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

Pamela D. Hartman  
PAMELA D. HARTMAN

SUBSCRIBED AND SWORN TO before me this 15<sup>th</sup> day of January, 1987.

Francis R. ...  
Notary Public

My Commission Expires:  
4-19-90

VERIFICATION

STATE OF TEXAS                    )  
  )    ss.  
COUNTY OF MIDLAND                )

I, GEORGE N. HARTMAN, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

George N. Hartman  
GEORGE N. HARTMAN

SUBSCRIBED AND SWORN TO before me this 12<sup>th</sup> day of January, 1987.

Barbara A. Humphreys  
Notary Public

My Commission Expires:

6/24/89

Barbara A. Humphreys

VERIFICATION

STATE OF TEXAS                    )  
  )  ss.  
COUNTY OF MIDLAND                )

I, ALVAREEN O. HARTMAN, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

*Alvareen O. Hartman*  
\_\_\_\_\_  
ALVAREEN O. HARTMAN

SUBSCRIBED AND SWORN TO before me this 12th day of  
January, 1987.

*Barbara A. Humphreys*  
\_\_\_\_\_  
Notary Public

My Commission Expires:  
6/24/89  
\_\_\_\_\_  
Barbara A. Humphreys

VERIFICATION

STATE OF TEXAS                    )  
  )    ss.  
COUNTY OF MIDLAND            )

I, MRS. C. W. DUNNAM, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

*Mrs. C. W. Dunnam*  
MRS. C. W. DUNNAM

SUBSCRIBED AND SWORN TO before me this 12th day of January, 1987.

*[Signature]*  
Notary Public

My Commission Expires:  
9-26-88

VERIFICATION

STATE OF TEXAS                    )  
  )  
COUNTY OF MIDLAND            )    ss.

I, MARILYN L. YATES, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

Marilyn L. Yates  
MARILYN L. YATES

SUBSCRIBED AND SWORN TO before me this 12<sup>th</sup> day of January, 1987.

[Signature]  
Notary Public

My Commission Expires:

9-26-88

VERIFICATION

STATE OF TEXAS                    )  
  )    ss.  
COUNTY OF MIDLAND            )

I, PATRICIA HENDERSON, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

Patricia Henderson  
PATRICIA HENDERSON

SUBSCRIBED AND SWORN TO before me this 14<sup>th</sup> day of January, 1987.

Mary Ann Rose  
Notary Public

My Commission Expires:

2-27-89

MARY ANN ROSE  
Notary Public in and for the State of Texas  
My Commission Expires 2-27-1989

VERIFICATION

STATE OF TEXAS            )  
                                  )    ss.  
COUNTY OF MIDLAND        )

I, FRANZ WEIS, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

*Franz Weis*  
FRANZ WEIS

SUBSCRIBED AND SWORN TO before me this 16 day of  
January, 1987.

*[Signature]*  
Notary Public

My Commission Expires:

4/29/89

VERIFICATION

STATE OF TEXAS                    )  
  )    ss.  
COUNTY OF MIDLAND            )

We, JAMES E. BURR and LAVETA BURR, individually and as Parents and Next Friends of LYNDSEI BURR and LAUREN BURR, Minor Children, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

James E. Burr  
JAMES E. BURR

Laveta Burr  
LAVETA BURR

Individually and as Parents and Next Friends of LYNDSEI BURR and LAUREN BURR, Minor Children

SUBSCRIBED AND SWORN TO before me this 9th day of January, 1987.

Wayne T. Henley  
Notary Public

My Commission Expires:  
9-26-88

VERIFICATION

STATE OF TEXAS                    )  
  )    ss.  
COUNTY OF MIDLAND            )

I, JACK FLETCHER, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

*Jack Fletcher*  
\_\_\_\_\_  
JACK FLETCHER

SUBSCRIBED AND SWORN TO before me this 12<sup>th</sup> day of

January, 1987.



DEBBIE BRYANT  
NOTARY PUBLIC STATE OF TEXAS  
COMMISSION EXPIRES 2-27-88

*Debbie Bryant*  
\_\_\_\_\_  
Notary Public

My Commission Expires:

2/27/88

VERIFICATION

STATE OF COLORADO            )  
  )    ss.  
COUNTY OF JEFFERSON        )

I, DONALD C. CONDIE, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

*Donald C. Condie*  
DONALD C. CONDIE

SUBSCRIBED AND SWORN TO before me this 14<sup>th</sup> day of January, 1987.

*Richard J. [Signature]*  
Notary Public

My Commission Expires:

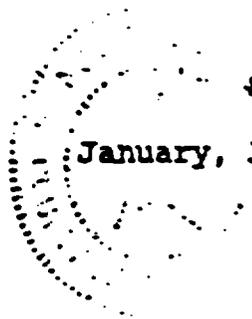
11-15-88

VERIFICATION

STATE OF TEXAS                    )  
  )    ss.  
COUNTY OF MIDLAND            )

I, RUTH SUTTON, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

*Ruth Sutton*  
RUTH SUTTON



SUBSCRIBED AND SWORN TO before me this 9<sup>th</sup> day of  
January, 1987.

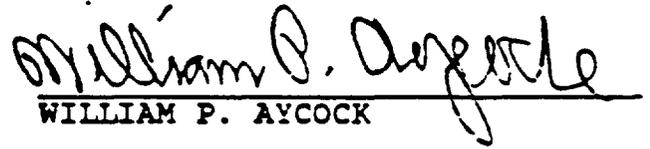
*Cindy Sue Harrison*  
Notary Public

My Commission Expires:  
CINDY SUE HARRISON  
My Commission Expires 11.30.1987

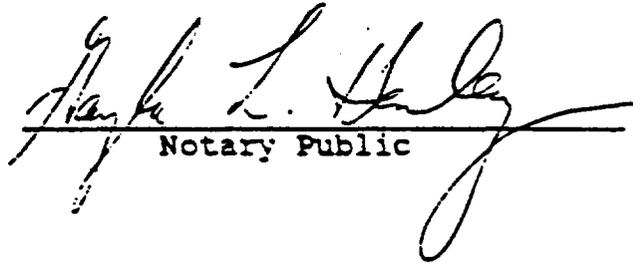
VERIFICATION

STATE OF TEXAS                    )  
  ) SS.  
COUNTY OF MIDLAND            )

I, WILLIAM P. AYCOCK, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

  
WILLIAM P. AYCOCK

SUBSCRIBED AND SWORN TO before me this 13th day of January, 1987.

  
Notary Public

My Commission Expires:  
9-26-88

VERIFICATION

STATE OF TEXAS                    )  
  )  
COUNTY OF MIDLAND            )    ss.

I, LARRY A. NERMYR, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

Larry A. Nermyr  
LARRY A. NERMYR



SUBSCRIBED AND SWORN TO before me this 9<sup>th</sup> day of January, 1987.

Cindy Sue Harrison  
Notary Public

My Commission Expires:  
CINDY SUE HARRISON  
My Commission Expires January 1, 1987

VERIFICATION

STATE OF TEXAS )  
 ) ss.  
COUNTY OF MIDLAND )

I, MICHAEL R. MITCHELL, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

Michael R. Mitchell  
MICHAEL R. MITCHELL

SUBSCRIBED AND SWORN TO before me this 15th day of January, 1987.

John T. Haley  
Notary Public

My Commission Expires:

9-26-88

VERIFICATION

STATE OF TEXAS                    )  
  )    ss.  
COUNTY OF MIDLAND                )

I, MICHELLE HEMBREE, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

Michelle Hembree  
MICHELLE HEMBREE

SUBSCRIBED AND SWORN TO before me this 12th day of January, 1987.

Gayle L. Hickey  
Notary Public

My Commission Expires:  
9-26-88

VERIFICATION

STATE OF TEXAS                    )  
  )  ss.  
COUNTY OF MIDLAND            )

I, MARGARET D. WHITE BROWN, being first duly sworn state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

*Margaret D. White Brown*  
MARGARET D. WHITE BROWN

SUBSCRIBED AND SWORN TO before me this 13<sup>th</sup> day of January, 1987.

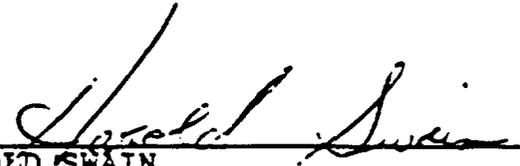
*Brenda Wilson*  
\_\_\_\_\_  
Notary Public

**My Commission Expires:**  
Notary Public in and for the State of Texas  
My Commission Expires September 18, 1995

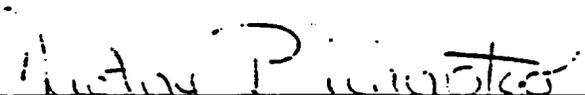
VERIFICATION

STATE OF NEW MEXICO            )  
  )    ss.  
COUNTY OF Santa Fe            )

I, HAROLD SWAIN, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

  
\_\_\_\_\_  
HAROLD SWAIN

SUBSCRIBED AND SWORN TO before me this 14 day of January, 1987.

  
\_\_\_\_\_  
Notary Public

My Commission Expires:

June 21, 1990

VERIFICATION

STATE OF NEW MEXICO            )  
  )    ss.  
COUNTY OF Sco.                )

Roxie Swain, also known as,  
I, /ROXANNE SWAIN, being first duly sworn, state that  
I am a Plaintiff in the above-styled and numbered cause; that  
I have read and understand the contents of the foregoing  
Complaint, and that the allegations contained therein are true  
and correct to the best of my knowledge and belief.

Roxie Swain, also known as

*Roxanne Swain*  
ROXANNE SWAIN

SUBSCRIBED AND SWORN TO before me this 13 day of  
January, 1987.

*Clint B. Binnick*  
Notary Public

My Commission Expires:

June 21, 1990

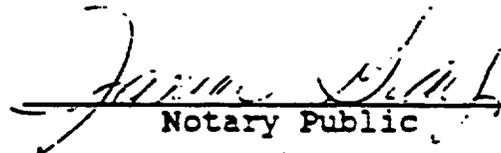
VERIFICATION

STATE OF TEXAS                    )  
  )  ss.  
COUNTY OF MIDLAND            )

I, MARIE FLETCHER, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

  
\_\_\_\_\_  
MARIE FLETCHER

SUBSCRIBED AND SWORN TO before me this 19<sup>th</sup> day of January, 1987.

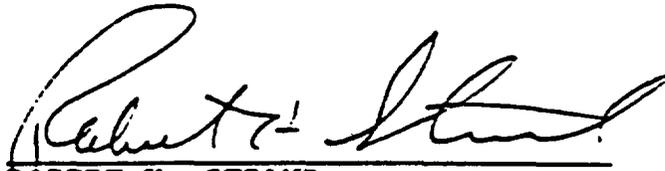
  
\_\_\_\_\_  
Notary Public

My Commission Expires:  
6.6.87

VERIFICATION

STATE OF NEW MEXICO        )  
                                  )  ss.  
COUNTY OF CHAVES         )

I, Robert H. Strand, General Partner of STRANCO, LTD., a New Mexico Limited Partnership, being first duly sworn, state that I am a Plaintiff in the above-styled and numbered cause; that I have read and understand the contents of the foregoing Complaint, and that the allegations contained therein are true and correct to the best of my knowledge and belief.

  
ROBERT H. STRAND

SUBSCRIBED AND SWORN TO before me this 15<sup>th</sup> day of January, 1987.

  
Notary Public

My Commission Expires:  
9-16-89

El Paso  
Meter No.

Well Name

Contract Code

Pool

Meter No.	Well Name	Contract Code	Pool
58-034	Cooper State #2	6025, 6059	Jalmat
58-059	Phillips Goldston #1	5106	Jalmat
58-183	El Paso Pritchard Fed #1	634B	Jalmat
58-212	Maralo State #1	6077	Jalmat
58-228	Santa Fe Federal #1	6054	Jalmat
58-230	Custer State #1	6108	Jalmat
53-235	J. K. Rector #1	6135	Eumont Yates
58-260	BB & S Bates #1	6076	Jalmat
58-270	Fluor Harrison #1	5044	Jalmat
58-271	Federal Jalmat Com #1	6066, 6133	Jalmat
58-344	North Shore Woolworth #5	6065	Jalmat
58-353	El Paso Wells Federal #1	6054, 6066	Jalmat
58-372	Samedan Hughes Federal #1	6100	Jalmat
58-395	South Empire State #1	875E	Empire Morrow
58-459	W. H. King #3	6037	Jalmat
58-492	Bates #3	6076	Jalmat
58-504	Late-Thomas #3	6075	Jalmat
58-511	Late-Thomas #2	6075	Jalmat
58-512	Husky Woolworth #1	6065	Jalmat
58-522	B. M. Justis #10	6076	Jalmat
58-540	Shell State #5	608H	Jalmat
58-553	Ellen Welr #1	853G	Eumont Yates
58-561	Munn Harrison #1	6087	Jalmat
58-564	Justis Christmas Gas U #1	6076	Jalmat
58-581	Langlie Jal Federal #1	8658	Jalmat
58-593	Otis L. Jones #2	6037	Jalmat
58-630	Munn Harrison B #1	6150	Jalmat
58-638	Toby #3	6073	Jalmat
58-646	Byrom Williams #1	8199	Eumont Yates
58-655	Woolworth #1	6060	Jalmat
58-662	State A 20 #4	6147	Eumont Yates
58-667	Courtland Myers #9	6087	Jalmat
58-687	Langlie A #3	6108	Jalmat
58-696	Woolworth N.S. #6	6065	Jalmat

Exhibit A

E1 Paso  
Meter No.

Well Name

E1 Paso  
Contract Code

Pool

58-698	Wells B-5 #2	6066	Jalmat
58-706	Legal #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	Ealmat
58-782	Carlson-Harrison Fed. Com #4	6066	Jalmat
58-790	Carlson-Harrison Fed. Com #5	796B, 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	Otis 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

EI Paso Meter No.	Well Name	EI Paso Contract Code	Pool
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
60-981	H.T. Mattern #1	6099	Eumont Yates
61-064	Wells Federal #11	6066	Jalmat
61-104	Annie Myers B #3 YP	6087	Jalmat
61-284	Emery King NW #4	6087	Jalmat
61-711	Cooper State #1	6025, 6059	Jalmat
61-880	Etz #1	6150	Jalmat
61-960	R.H. Huaton, Jr. #1	6071	Eumont Yates
61-976	Cooper B #3	6087	Jalmat
61-999	Highland State #1	6087	Jalmat
68-249	Wilmington #9	618B, 6077	Jalmat
58-060	Justis State #1 and #2	779A	Langlie-Mattix
58-233	Odessa Langlie #1	740C	Langlie-Mattix
58-358	Terra-Carlson Federal #1	6054	Langlie-Mattix
58-400	Terra-Barlson 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	Citgas Thomas #3	6026	Langlie-Mattix

Meter No.	Well Name	Contract Code	Pool
61-861	Adela Sowell #1	6026	Langlie-Mattix
61-862	Fowler State #1	6059	Langlie-Mattix
61-895	Adela 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	Jalmat Oil
64-146	Gregory A #8	4185	Langlie-Mattix
68-059	Henry Harrison #1	6145	Langlie-Mattix
68-064	Etz #2	5094	Jalmat Oil
68-065	Gulf Eddle Corrigan #1, #2	5105	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	Jalmat Oil
68-182	Gutman #1	5313	Eumont Oil
68-183	Gutman #2	5313	Eumont Oil
68-247	B.M. Justis #12	4127	Jalmat Oil
68-251	Janda J #5	4100	Jalmat Oil
68-258	Gregory B #2	6087	Rhodes Oil

Meter No.	Well Name	Contract Code	Gas Type
58-142	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

Meter No.	Well Name	Contract Code	Gas Type
60-811	Van Zandt #1	6087	DG
60-969	Carson Federal #2	6067	CHG
60-984	Carson Federal #3	6067	CHG
61-114	Langlie A State #2Y	6108	DG
61-989	Boren & Greeg As Unit #2	6126	DG
63-499	R.O. Gregory #1, 3	4115	CHG
63-538	Eaton #2, #5, #7	4185	CHG
63-708	Farnsworth 4 #1-5, #7-14	4533	CHG
63-763	Myers B #1, 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 Federal #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, 7	4115	CHG
60-824	E.C. Winters #1	6032	DG
60-243	W.H. King #1	6037	DG
68-243	Carlson Harrison Fed's Com #2	6066	DG
60-736	Bates #1	6076	DG

**DOYLE HARTMAN**

*Oil Operator*

300 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

October 6, 1987

*LKA*

Mr. Garold Bowlby, CPA  
2221 West Lindsey, Suite 216  
Norman, Oklahoma 73069

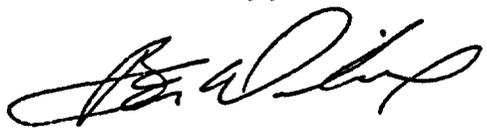
Dear Mr. Bowlby:

In response to our recent telephone conversations, I am enclosing the following data:

- . Joint Interest Account Analysis \$ 33,577.95 (08-31-87)
- . Payout Status on Carlson Federal #4
- . Payout Status on Carlson Federal #5

Our accounts are now and have always been open for a standard joint interest audit by any joint interest owner. If you would prefer to preform a joint interest audit of these accounts, please feel free to contact me and we will arrange a mutually suitable time (during regular office hours) for such audit to be performed.

Sincerely,



Ben Wilcox



BW/kb

Enclosure  
cc: Don Maddox

HARTMAN EXHIBIT 28

**FILE COPY**

JOINT INTEREST ACCOUNT ANALYSIS  
 R. HOWARD OLSEN #77148

DATE	BEGINNING BALANCE	LOE CHARGES	ADJUSTMENTS	SERVICE CHARGE	TOTAL LOE AND S/C	ENDING BALANCE
9-1-84	0.00	197.26			197.26	197.26
10-31-84	197.26	209.71			209.71	406.97
11-30-84	406.97	198.08		1.97	200.05	607.02
12-1-84	607.02	197.35		4.09	201.44	808.46
1-31-85	808.46	192.93		6.11	199.04	1,007.50
2-28-85	1,007.50	203.60	-5098.76		203.60	(3,887.66)
3-1-85	(3,887.66)	194.80	8974.26		194.80	5,281.40
4-1-85	5,281.40	208.18			208.18	5,489.58
5-31-85	5,489.58	214.13		52.81	266.94	5,756.52
6-1-85	5,756.52	205.91		55.40	261.31	6,017.83
7-1-85	6,017.83	198.21		58.12	256.33	6,274.16
8-31-85	6,274.16	199.99		60.76	260.75	6,534.91
8-31-87	6,534.91	1,066.04		63.33	1,129.37	7,664.28
10-1-85	7,664.28	8,508.12		65.98	8,574.10	16,238.38
11-30-85	16,238.38	897.97		77.30	975.27	17,213.65
12-31-85	17,213.65	579.25		163.16	742.41	17,956.06
1-1-86	17,956.06	223.57		173.76	397.33	18,353.39
2-1-86	18,353.39	260.66		175.50	436.16	18,789.55
3-31-86	18,789.55	1,885.63		183.05	2,068.68	20,858.23
4-1-86	20,858.23	303.91		189.73	493.64	21,351.87
5-1-86	21,351.87	249.73		210.47	460.20	21,812.07
6-30-86	21,812.07	788.14		215.62	1,003.76	22,815.83
7-11-86	22,815.83	393.50		220.27	613.77	23,429.60
8-1-86	23,429.60	385.24		230.36	615.60	24,045.20
9-1-86	24,045.20	409.28		236.59	645.87	24,691.07
10-31-86	24,691.07	440.44		242.61	683.25	25,374.32
11-1-86	25,374.32	397.36		249.33	646.69	26,021.01
12-1-86	26,021.01	436.32		256.23	692.55	26,713.56
1-31-87	26,713.56	595.77		262.77	858.54	27,572.10
2-1-87	27,572.10	400.81		265.40	666.21	28,238.31
3-1-87	28,238.31	1,123.24		272.41	1,395.65	29,633.96
4-30-87	29,633.96	574.96		285.10	860.06	30,494.02
5-31-87	30,494.02	432.13		299.19	731.32	31,225.34
6-1-87	31,225.34	501.83		307.93	809.76	32,035.10
7-1-87	32,035.10	482.79		315.33	798.12	32,833.22
8-31-87	32,833.22	421.23		323.50	744.73	33,577.95
TOTALS		24,178.87		5,524.38	29,702.45	

2-28-85 Olsen's account was credited with revenue received from El Paso. A check in the amount of \$3887.66 was issued. This was the excess revenue over joint interest expenses to that date. Mr. Olsen cashed this check. In the following month, El Paso deducted the amount previously paid, and paid it directly to Olsen.

3-31-85 To correct the previous month's joint interest write-off, \$5,086.60, and record the cashed check of \$3887.66.

JOHN'S INTEREST ACCOUNT ANALYSIS  
 R. HOWARD OLSEN #77148

DATE	CARLSON 2 LOE CHARGES	CARLSON 3 LOE CHARGES	TOTAL LOE CHARGES	SERVICE CHARGE	TOTAL LOE AND S/C
9-30-84		197.26	197.26		197.26
10-31-84		209.71	209.71		209.71
11-30-84		198.08	198.08		198.08
12-31-84		197.35	197.35		197.35
1-31-85		192.93	192.93		192.93
2-28-85		203.60	203.60		203.60
3-31-85		194.80	194.80		194.80
4-30-85		208.18	208.18		208.18
5-31-85		214.13	214.13	52.81	266.94
6-30-85		205.91	205.91	55.40	261.31
7-31-85		198.21	198.21	58.12	256.33
8-31-85		199.99	199.99	60.76	260.75
9-30-87		1,066.04	1,066.04	63.33	1,129.37
10-31-85		8,508.12	8,508.12	65.98	8,574.10
11-30-85		897.97	897.97	77.30	975.27
12-31-85		579.25	579.25	163.16	742.41
1-31-86		223.57	223.57	173.76	397.33
2-28-86		260.66	260.66	175.50	436.16
3-31-86		1,885.63	1,885.63	183.05	2,068.68
4-30-86		303.91	303.91	189.73	493.64
5-31-86		249.73	249.73	210.47	460.20
6-30-86	581.14	207.00	788.14	215.62	1,003.76
7-31-86	188.31	205.19	393.50	220.27	613.77
8-31-86	188.69	196.55	385.24	230.36	615.60
9-30-86	191.69	217.59	409.28	236.59	645.87
10-31-86	211.78	228.66	440.44	242.81	683.25
11-30-86	194.75	202.61	397.36	249.33	646.69
12-31-86	209.72	226.60	436.32	256.23	692.55
1-31-87	284.85	310.92	595.77	262.77	858.54
2-28-87	196.39	204.42	400.81	265.40	666.21
3-31-87	887.72	235.52	1,123.24	272.41	1,395.65
4-30-87	283.54	291.42	574.96	285.10	860.06
5-31-87	212.13	220.00	432.13	299.19	731.32
6-30-87	246.98	254.85	501.83	307.93	809.76
7-31-87	237.46	245.33	482.79	315.33	798.12
8-31-87	206.68	214.55	421.23	323.50	744.73
TOTALS	4,321.83	19,856.24	24,178.07	5,512.21	29,690.28

RE: THOMAS OLSEN  
C. R. 77148

CAPSON 2 LOX CHARGES	4,321.83
CAPSON 3 LOX CHARGES	19,856.24
SERVICE CHARGES	5,512.21
CHECK ISSUED IN ERROR *	3,887.66
	<hr/>
BALANCE OWING	33,577.94

\* 14-85 CHECK (COPY ATTACHED) ISSUED BY HARTMAN.  
OLSEN'S REVENUE DEDUCTED AGAINST HIS ACCOUNT.  
HOWEVER, EL PASO PAID OLSEN ALSO.



BOYLE HARTMAN, OIL OPERATOR  
STATUS OF PAYOUT ACCOUNT

CARLSON FEDERAL #4

	DATE	CUMULATIVE COSTS	CUMULATIVE NET REVENUE	NET POSITION	% PAID OUT
	09-85	527,333.86		(527,333.86)	0.00%
	10-85	580,962.54	33,949.10	(547,013.44)	
TOTAL		<u>1,108,296.40</u>	<u>33,949.10</u>	<u>(1,074,347.30)</u>	3.06%
	11-85	5,152.80	2,580.02	(2,572.78)	
TOTAL		<u>1,113,449.20</u>	<u>36,529.12</u>	<u>(1,076,920.08)</u>	3.28%
	11-85 ADJ.		33,753.84	33,753.84	
TOTAL		<u>1,113,449.20</u>	<u>70,282.96</u>	<u>(1,043,166.24)</u>	6.31%
	12-85	25,127.09	35,193.19	10,066.10	
TOTAL		<u>1,138,576.29</u>	<u>105,476.15</u>	<u>(1,033,100.14)</u>	9.26%
	01-86	12,901.27	44,166.88	31,265.61	
TOTAL		<u>1,151,477.56</u>	<u>149,643.03</u>	<u>(1,001,834.53)</u>	13.00%
	02-86	10,912.60	35,534.46	24,621.86	
TOTAL		<u>1,162,390.16</u>	<u>185,177.49</u>	<u>(977,212.67)</u>	15.93%
	03-86	18,882.12	14,982.48	(3,899.64)	
TOTAL		<u>1,181,272.28</u>	<u>200,159.97</u>	<u>(981,112.31)</u>	16.94%
	04-86	1,966.13	8,232.41	6,266.28	
TOTAL		<u>1,183,238.41</u>	<u>208,392.38</u>	<u>(974,846.03)</u>	17.61%
	05-86	7,807.43	14,086.71	6,279.28	
TOTAL		<u>1,191,045.84</u>	<u>222,479.09</u>	<u>(968,566.75)</u>	18.68%
	06-86	3,234.17	7,545.74	4,311.57	
TOTAL		<u>1,194,280.01</u>	<u>230,024.83</u>	<u>(964,255.18)</u>	19.26%
	07-86	3,276.07	6,785.91	3,509.84	
TOTAL		<u>1,197,556.08</u>	<u>236,810.74</u>	<u>(960,745.34)</u>	19.77%
	08-86	3,780.52	4,570.83	790.31	
TOTAL		<u>1,201,336.60</u>	<u>241,381.57</u>	<u>(959,955.03)</u>	20.09%
	09-86	11,977.95	4,990.42	(6,987.53)	
TOTAL		<u>1,213,314.55</u>	<u>246,371.99</u>	<u>(966,942.56)</u>	20.31%
	10-86	4,584.45	6,376.80	1,792.35	
TOTAL		<u>1,217,899.00</u>	<u>252,748.79</u>	<u>(965,150.21)</u>	20.75%
	11-86	2,344.24	4,326.90	1,982.66	

BOYLE HARTMAN, OIL OPERATOR  
STATUS OF PAYOUT ACCOUNT

CARLSON FEDERAL #4

	DATE	CUMULATIVE COSTS	CUMULATIVE NET REVENUE	NET POSITION	% PAID OUT
TOTAL		1,220,243.24	257,075.69	(963,167.55)	21.07%
	12-86	5,949.78	3,708.17	(2,241.61)	
TOTAL		1,226,193.02	260,783.86	(965,409.16)	21.27%
	01-87	6,971.12	4,053.88	(2,917.24)	
TOTAL		1,233,164.14	264,837.74	(968,326.40)	21.48%
	02-87	4,844.15	3,380.28	(1,463.87)	
TOTAL		1,238,008.29	268,218.02	(969,790.27)	21.67%
	03-87	6,550.32	2,756.96	(3,793.36)	
TOTAL		1,244,558.61	270,974.98	(973,583.63)	21.77%
	04-87	7,273.40	3,644.36	(3,629.04)	
TOTAL		1,251,832.01	274,619.34	(977,212.67)	21.94%
	05-87	2,990.51	9,443.34	6,452.83	
TOTAL		1,254,822.52	284,062.68	(970,759.84)	22.64%
	11-86 ADJ.	0.00	(79.23)	(79.23)	
TOTAL		1,254,822.52	283,983.45	(970,839.07)	22.63%

CARLSON FEDERAL #4  
Well Costs

Date	Intangible Drilling Costs	Drilling Costs at 300% Payout	Lease and Well Equipment	Lease & Well Equip. at 300% Payout	Lease Operating Expense	Total
09-85	128,524.51	385,573.53	38,377.89	115,133.67	26,626.66	527,333.86
10-85	155,928.05	467,784.15	32,948.41	98,845.23	14,333.16	580,962.54
TOTAL	284,452.56	853,357.68	71,326.30	213,978.90	40,959.82	1,108,296.40
11-85	530.63	1,591.89			3,560.91	5,152.80
TOTAL	284,983.19	854,949.57	71,326.30	213,978.90	44,520.73	1,113,449.20
12-85	30.06	90.18			25,036.91	25,127.00
TOTAL	285,013.25	855,039.75	71,326.30	213,978.90	69,557.64	1,138,576.20
01-86			1,890.00	5,670.00	7,231.27	12,901.27
TOTAL	285,013.25	855,039.75	73,216.30	219,648.90	76,788.91	1,151,477.50
02-86					10,912.60	10,912.60
TOTAL	285,013.25	855,039.75	73,216.30	219,648.90	87,701.51	1,162,390.10
03-86			4,315.93	12,947.79	5,934.33	18,882.10
TOTAL	285,013.25	855,039.75	77,532.23	232,596.69	93,635.84	1,181,272.20
04-86					1,966.13	1,966.13
TOTAL	285,013.25	855,039.75	77,532.23	232,596.69	95,601.97	1,183,238.20
05-86					7,807.43	7,807.43
TOTAL	285,013.25	855,039.75	77,532.23	232,596.69	103,409.40	1,191,045.50
06-86					3,234.17	3,234.17
TOTAL	285,013.25	855,039.75	77,532.23	232,596.69	106,643.57	1,194,280.00
07-86					3,276.07	3,276.07
TOTAL	285,013.25	855,039.75	77,532.23	232,596.69	109,919.64	1,197,556.00
08-86					3,780.52	3,780.52
TOTAL	285,013.25	855,039.75	77,532.23	232,596.69	113,700.16	1,201,336.00
09-86			2,181.50	6,544.50	5,433.45	11,977.00
TOTAL	285,013.25	855,039.75	79,713.73	239,141.19	119,133.61	1,213,314.00
10-86					4,584.45	4,584.45
TOTAL	285,013.25	855,039.75	79,713.73	239,141.19	123,718.06	1,217,899.00
11-86					2,344.24	2,344.24
TOTAL	285,013.25	855,039.75	79,713.73	239,141.19	126,062.30	1,220,243.00
12-86					5,949.78	5,949.78
TOTAL	285,013.25	855,039.75	79,713.73	239,141.19	132,012.08	1,226,197.00
01-87					6,971.12	6,971.12

**CARLSON FEDERAL #1**  
**Well Costs**

	Date	Intangible Drilling Costs	Drilling Costs at 300% Payout	Lease and Well Equipment	Lease & Well Equip. at 300% Payout	Lease Operating Expense	Total
TOTAL	02-87	<u>285,013.25</u>	<u>855,039.75</u>	<u>79,713.73</u>	<u>239,141.19</u>	<u>138,983.20</u> 4,844.15	<u>1,233,164.14</u> 4,844.15
TOTAL	03-87	<u>285,013.25</u>	<u>855,039.75</u>	<u>79,713.73</u>	<u>239,141.19</u>	<u>143,827.35</u> 6,550.32	<u>1,238,008.29</u> 6,550.32
TOTAL	04-87	<u>285,013.25</u>	<u>855,039.75</u>	<u>79,713.73</u>	<u>239,141.19</u>	<u>150,377.67</u> 7,273.40	<u>1,244,558.61</u> 7,273.40
TOTAL	05-87	<u>285,013.25</u>	<u>855,039.75</u>	<u>79,713.73</u>	<u>239,141.19</u>	<u>157,651.07</u> 2,990.51	<u>1,251,832.01</u> 2,990.51
TOTAL	06-87	<u>285,013.25</u>	<u>855,039.75</u>	<u>79,713.73</u>	<u>239,141.19</u>	<u>160,641.58</u> 20,394.26	<u>1,254,822.55</u> 20,394.26
TOTAL		<u>285,013.25</u>	<u>855,039.75</u>	<u>79,713.73</u>	<u>239,141.19</u>	<u>181,035.84</u>	<u>1,275,216.78</u>

CARLSON FEDERAL 14  
REVENUE COSTS

DATE	GROSS VALUE	PRODUCTION TAX	NET VALUE	LESS .12500 OF GROSS	NET APPLIED TO P/O
10-85	42,232.23	3,004.10	39,228.13	5,279.03	33,949.10
11-85	3,083.90	118.39	2,965.51	385.49	2,580.02
TOTAL	45,316.13	3,122.49	42,193.64	5,664.52	36,529.12
11-85 ADJ.	42,520.45	3,451.55	39,068.90	5,315.06	33,753.84
TOTAL	87,836.58	6,574.04	81,262.54	10,979.57	70,282.97
12-85	44,445.44	3,696.57	40,748.87	5,555.68	35,193.19
TOTAL	132,282.02	10,270.61	122,011.41	16,535.25	105,476.16
01-86	55,770.84	4,632.61	51,138.23	6,971.36	44,166.88
TOTAL	188,052.86	14,903.22	173,149.64	23,506.61	149,643.03
02-86	44,863.32	3,720.95	41,142.37	5,607.92	35,534.46
TOTAL	232,916.18	18,624.17	214,292.01	29,114.52	185,177.49
03-86	18,858.40	1,518.62	17,339.78	2,357.30	14,982.48
TOTAL	251,774.58	20,142.79	231,631.79	31,471.82	200,159.97
04-86	10,360.58	833.10	9,527.48	1,295.07	8,232.41
TOTAL	262,135.16	20,975.89	241,159.27	32,766.90	208,392.38
05-86	17,726.24	1,423.75	16,302.49	2,215.78	14,086.71
TOTAL	279,861.40	22,399.64	257,461.76	34,982.68	222,479.09
06-86	10,149.68	1,335.23	8,814.45	1,268.71	7,545.74
TOTAL	290,011.08	23,734.87	266,276.21	36,251.39	230,024.83
07-86	9,171.56	1,239.21	7,932.35	1,146.45	6,785.91
TOTAL	299,182.64	24,974.08	274,208.56	37,397.83	236,810.73
08-86	6,202.49	856.35	5,346.14	775.31	4,570.83
TOTAL	305,385.13	25,830.43	279,554.70	38,173.14	241,381.56
09-86	6,736.88	904.35	5,832.53	842.11	4,990.42
TOTAL	312,122.01	26,734.78	285,387.23	39,015.25	246,371.98
10-86	8,608.33	1,155.49	7,452.84	1,076.04	6,376.80
TOTAL	320,730.34	27,890.27	292,840.07	40,091.29	252,748.78
11-86	6,131.84	1,038.46	5,093.38	766.48	4,326.90
TOTAL	326,862.18	28,928.73	297,933.45	40,857.77	257,075.68
12-86	5,106.05	759.62	4,346.43	638.26	3,708.17

**CARLSON FEDERAL #4  
REVENUE COSTS**

	DATE	GROSS VALUE	PRODUCTION TAX	NET VALUE	LESS .12500 OF GROSS	NET APPLIED TO P/O
TOTAL		331,968.23	29,688.35	302,279.88	41,496.03	260,783.85
	01-87	5,551.97	804.09	4,747.88	694.00	4,053.88
TOTAL		<u>337,520.20</u>	<u>30,492.44</u>	<u>307,027.76</u>	<u>42,190.03</u>	<u>264,837.74</u>
	02-87	4,507.03	563.37	3,943.66	563.38	3,380.28
TOTAL		<u>342,027.23</u>	<u>31,055.81</u>	<u>310,971.42</u>	<u>42,753.40</u>	<u>268,218.02</u>
	03-87	3,704.03	487.07	3,219.96	463.00	2,756.96
TOTAL		<u>345,731.26</u>	<u>31,542.88</u>	<u>314,191.38</u>	<u>43,216.41</u>	<u>270,974.97</u>
	04-87	4,929.25	668.73	4,260.52	616.16	3,644.36
TOTAL		<u>350,660.51</u>	<u>32,211.61</u>	<u>318,451.90</u>	<u>43,832.56</u>	<u>274,619.34</u>
	05-87	11,884.45	955.55	10,928.90	1,485.56	9,443.34
TOTAL		<u>362,544.96</u>	<u>33,167.16</u>	<u>329,380.80</u>	<u>45,318.12</u>	<u>284,062.68</u>
	11-86 ADJ.	(96.93)	5.58	(91.35)	(12.12)	(79.23)
TOTAL		<u>362,448.03</u>	<u>33,172.74</u>	<u>329,289.45</u>	<u>45,306.00</u>	<u>283,983.45</u>

BOYLE HARTMAN, OIL OPERATOR  
STATUS OF PAYOUT ACCOUNT

CARLSON FEDERAL #5

	CUMULATIVE	CUMULATIVE	NET	% PAID
12-85	908,614.23		(908,614.23)	0.00%
01-86	45,163.15		(45,163.15)	
TOTAL	953,777.38	0.00	(953,777.38)	0.00%
02-86	10,500.93		(10,500.93)	
TOTAL	964,278.31	0.00	(964,278.31)	0.00%
03-86	2,143.19	40,994.59	38,851.40	
TOTAL	966,421.50	40,994.59	(925,426.91)	4.24%
04-86	1,597.30	31,445.20	29,847.90	
TOTAL	968,018.80	72,439.79	(895,579.01)	7.48%
05-86	1,289.57	27,869.44	26,579.87	
TOTAL	969,308.37	100,309.23	(868,999.14)	10.35%
06-86	1,247.39	10,249.78	9,002.39	
TOTAL	970,555.76	110,559.01	(859,996.75)	11.39%
07-86	1,007.94	9,562.27	8,554.33	
TOTAL	971,563.70	120,121.28	(851,442.42)	12.36%
08-86	1,718.47	8,741.56	7,023.09	
TOTAL	973,282.17	128,862.84	(844,419.33)	13.24%
09-86	1,685.90	8,593.10	6,907.20	
TOTAL	974,968.07	137,455.94	(837,512.13)	14.10%
10-86	954.29	8,282.32	7,328.03	
TOTAL	975,922.36	145,738.26	(830,184.10)	14.93%
11-86	2,844.15	3,899.88	1,055.73	
TOTAL	978,766.51	149,638.14	(829,128.37)	15.29%
12-86	1,080.14	6,157.39	5,077.25	
TOTAL	979,846.65	155,795.53	(824,051.12)	15.90%
01-87	1,123.00	5,889.63	4,766.63	
TOTAL	980,969.65	161,685.16	(819,284.49)	16.48%
02-87	882.66	6,121.21	5,238.55	
TOTAL	981,852.31	167,806.37	(814,045.94)	17.09%
03-87	1,064.17	6,515.31	5,451.14	

DOYLE HARTMAN, OIL OPERATOR  
 STATUS OF PAYOUT ACCOUNT

CARLSON FEDERAL #5

		CUMULATIVE	CUMULATIVE	NET	% PAID
TOTAL		982,916.48	174,321.68	(808,594.80)	17.74%
	04-87	1,011.28	5,235.14	4,223.86	
TOTAL		<u>983,927.76</u>	<u>179,556.82</u>	<u>(804,370.94)</u>	18.25%
	05-87	1,178.07	12,887.28	11,709.21	
TOTAL		<u>985,105.83</u>	<u>192,444.10</u>	<u>(792,661.73)</u>	19.54%
	11-86 ADJ.	0.00	2,329.83	2,329.83	
TOTAL		<u>985,105.83</u>	<u>194,773.93</u>	<u>(790,331.90)</u>	19.77%

CARLSON FEDERAL 85  
Well Costs

Date	Intangible Drilling Costs	Drilling Costs at 300% Payout	Lease and Well Equipment	Lease & Well Equip. at 300% Payout	Lease Operating Expense	Total
12-85	238,976.90	716,930.70	54,953.35	164,860.05	26,823.48	908,614.23
01-86	(111,210.10)	(33,630.30)	22,658.14	67,974.42	10,819.03	45,163.15
TOTAL	<u>227,766.80</u>	<u>683,300.40</u>	<u>77,611.49</u>	<u>232,834.47</u>	<u>37,642.51</u>	<u>953,777.38</u>
02-86	1,870.22	5,610.66			4,890.27	10,500.93
TOTAL	<u>229,637.02</u>	<u>688,911.06</u>	<u>77,611.49</u>	<u>232,834.47</u>	<u>42,532.78</u>	<u>964,278.31</u>
03-86					2,143.19	2,143.19
TOTAL	<u>229,637.02</u>	<u>688,911.06</u>	<u>77,611.49</u>	<u>232,834.47</u>	<u>44,675.97</u>	<u>966,421.50</u>
04-86					1,597.30	1,597.30
TOTAL	<u>229,637.02</u>	<u>688,911.06</u>	<u>77,611.49</u>	<u>232,834.47</u>	<u>46,273.27</u>	<u>968,018.80</u>
05-86					1,289.57	1,289.57
TOTAL	<u>229,637.02</u>	<u>688,911.06</u>	<u>77,611.49</u>	<u>232,834.47</u>	<u>47,562.84</u>	<u>969,308.37</u>
06-86					1,247.39	1,247.39
TOTAL	<u>229,637.02</u>	<u>688,911.06</u>	<u>77,611.49</u>	<u>232,834.47</u>	<u>48,810.23</u>	<u>970,555.76</u>
07-86					1,007.94	1,007.94
TOTAL	<u>229,637.02</u>	<u>688,911.06</u>	<u>77,611.49</u>	<u>232,834.47</u>	<u>49,818.17</u>	<u>971,563.70</u>
08-86					1,718.47	1,718.47
TOTAL	<u>229,637.02</u>	<u>688,911.06</u>	<u>77,611.49</u>	<u>232,834.47</u>	<u>51,536.64</u>	<u>973,282.17</u>
09-86					1,685.90	1,685.90
TOTAL	<u>229,637.02</u>	<u>688,911.06</u>	<u>77,611.49</u>	<u>232,834.47</u>	<u>53,222.54</u>	<u>974,968.07</u>
10-86					954.29	954.29
TOTAL	<u>229,637.02</u>	<u>688,911.06</u>	<u>77,611.49</u>	<u>232,834.47</u>	<u>54,176.83</u>	<u>975,922.36</u>
11-86					2,844.15	2,844.15
TOTAL	<u>229,637.02</u>	<u>688,911.06</u>	<u>77,611.49</u>	<u>232,834.47</u>	<u>57,020.98</u>	<u>978,766.51</u>
12-86					1,080.14	1,080.14
TOTAL	<u>229,637.02</u>	<u>688,911.06</u>	<u>77,611.49</u>	<u>232,834.47</u>	<u>58,101.12</u>	<u>979,846.65</u>
01-87					1,123.00	1,123.00
TOTAL	<u>229,637.02</u>	<u>688,911.06</u>	<u>77,611.49</u>	<u>232,834.47</u>	<u>59,224.12</u>	<u>980,969.65</u>
02-87					882.66	882.66
TOTAL	<u>229,637.02</u>	<u>688,911.06</u>	<u>77,611.49</u>	<u>232,834.47</u>	<u>60,106.78</u>	<u>981,852.31</u>
03-87					1,064.17	1,064.17
TOTAL	<u>229,637.02</u>	<u>688,911.06</u>	<u>77,611.49</u>	<u>232,834.47</u>	<u>61,170.95</u>	<u>982,916.48</u>
04-87					1,011.28	1,011.28

CARLSON FEDERAL 85  
REVENUE COSTS

	GROSS	PRODUCTION	NET	LESS .12500 OF GROSS	NET APPLIED
03-86	42,802.27	3,585.76	39,216.51	5,350.28	33,866.23
03-86 ADJ.	8,520.63	327.19	8,193.44	1,065.08	7,128.36
TOTAL	51,322.90	3,912.95	47,409.95	6,415.36	40,994.59
04-86	39,362.37	2,996.87	36,365.50	4,920.30	31,445.20
TOTAL	90,685.27	6,909.82	83,775.45	11,335.66	72,439.79
05-86	34,882.69	2,652.91	32,229.78	4,360.34	27,869.44
TOTAL	125,567.96	9,562.73	116,005.23	15,696.00	100,309.24
06-86	13,607.22	1,656.54	11,950.68	1,700.90	10,249.78
TOTAL	139,175.18	11,219.27	127,955.91	17,396.90	110,559.01
07-86	12,652.43	1,508.61	11,143.82	1,581.55	9,562.27
TOTAL	151,827.61	12,727.88	139,099.73	18,978.45	120,121.28
08-86	11,697.63	1,493.87	10,203.76	1,462.20	8,741.56
TOTAL	163,525.24	14,221.75	149,303.49	20,440.66	128,862.84
09-86	11,239.62	1,241.57	9,998.05	1,404.95	8,593.10
TOTAL	174,764.86	15,463.32	159,301.54	21,845.61	137,455.93
10-86	10,847.69	1,209.41	9,638.28	1,355.96	8,282.32
TOTAL	185,612.55	16,672.73	168,939.82	23,201.57	145,738.25
11-86	5,520.34	930.42	4,589.92	690.04	3,899.88
TOTAL	191,132.89	17,603.15	173,529.74	23,891.61	149,638.13
12-86	8,277.72	1,085.62	7,192.10	1,034.72	6,157.39
TOTAL	199,410.61	18,688.77	180,721.84	24,926.33	155,795.51
01-87	7,882.93	1,007.93	6,875.00	995.37	5,889.63
TOTAL	207,293.54	19,696.70	187,596.84	25,911.69	161,685.15
02-87	8,097.46	964.07	7,133.39	1,012.18	6,121.21
TOTAL	215,391.00	20,660.77	194,730.23	26,923.88	167,806.36
03-87	8,650.06	1,053.49	7,596.57	1,081.26	6,515.31
TOTAL	224,041.06	21,714.26	202,326.80	28,005.13	174,321.67
04-87	6,950.45	846.50	6,103.95	868.81	5,235.14
TOTAL	230,991.51	22,560.76	208,430.75	28,873.94	179,556.81
05-87	16,103.89	1,203.62	14,900.27	2,012.99	12,887.28

CARLSON FEDERAL #5  
REVENUE COSTS

	GROSS	PRODUCTION	NET	LESS .12500 OF GROSS	NET APPLIED
TOTAL	247,095.40	23,764.38	223,331.02	30,886.93	192,444.10
11-86 ADJ.	2,914.74	220.57	2,694.17	364.34	2,329.83
TOTAL	<u>250,010.14</u>	<u>23,984.95</u>	<u>226,025.19</u>	<u>31,251.27</u>	<u>194,773.92</u>

# Garold Bowlby

Nov. 9, 1987

Howard Olsen  
Box #32279  
Phoenix, Az. 85016

Lisa

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

HARTMAN EXHIBIT 29

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 \$8,198.33 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.

SCYLE HARTMAN, OIL OPERATOR  
WELL FILE DETAIL SHEET  
FOR THE MONTH ENDING SEPTEMBER 30, 1985

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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	2,098.0
9/30/85	TAHOE DRILLING COMPA	EQUIPMENT RENTAL	1,071.6
TOTAL LEASE OPERATING EXPENSE - ALP **			3,171.6
LEASE OPERATING EXPENSE - JIB			
(4) 9/30/85	G. HARTMAN OIL OPERA	LEGAL & REGULATORY	X 21,455.1
TOTAL LEASE OPERATING EXPENSE - JIB **			21,455.1
INTANGIBLE DRILLING COST - TLP			
9/30/85	G. HARTMAN OIL OPERA	DRILLING OVERHEAD	X 1,940.0
9/30/85	BRIAN HALL	LOGGING AND TESTING	1,602.7
8/04/85	EASTERN NEW MEXICO L	ROADS AND LOCATION	182.9
9/11/85	HALLIBURTON	CEMENTING SERVICES	3,327.4
8/30/85	M & L EQUIPMENT COMP	FIT LINER	724.0
9/17/85	MERCURY TRANSPORTATI	TRUCKING AND TRANSPD	178.0
9/16/85	PAUL MUSSLEWHITE TRU	TRUCKING AND TRANSPD	92.0
9/05/85	MM CONSTRUCTION	ROADS AND LOCATION	1,071.6
9/30/85	LARRY NERMYR	LOGGING AND TESTING	1,951.2
9/30/85	SHEILA POTTS	LOGGING AND TESTING	1,041.2
9/25/85	PROFILE	CURING AND MUD LOGG	3,697.6
9/22/85	TAHOE DRILLING COMPA	FOOTAGE COST	29,632.0
9/22/85	TAHOE DRILLING COMPA	DRY WORK COST	21,714.3
9/22/85	TAHOE DRILLING COMPA	BITS AND REAMERS	1,340.2
9/23/85	TEXAS MUD AND CHEMIC	MUD AND CHEMICALS	14,087.6
(1) 9/23/85	TEXAS MUD AND CHEMIC	MUD AND CHEMICALS	6,227.4
9/13/85	XL TRANSPORTATION CC	WATER	284.0
9/13/85	XL TRANSPORTATION CC	WATER	472.5
9/20/85	XL TRANSPORTATION CC	WATER	826.8
9/20/85	XL TRANSPORTATION CC	WATER	2,116.8
TOTAL INTANGIBLE DRILLING COST - TLP **			96,059.1
INTANGIBLE DRILLING COST - ALP			
9/25/85	APACHE SERVICES, INC	OTHER COMPLETION EXP	1,821.2
9/24/85	HALLIBURTON	STIMULATION	1,860.1
9/21/85	HALLIBURTON	CEMENTING SERVICES	13,390.0
9/21/85	HALLIBURTON	OTHER COMPLETION EXP	1,532.0
9/27/85	HALLIBURTON	OTHER COMPLETION EXP	1,622.1
9/30/85	T S & S INCORPORATED	MISCELLANEOUS MATERI	640.1
9/24/85	BOB HALLETT	LOGGING AND TESTING	100.0
9/21/85	SCHLUMBERGER WELL SE	OTHER COMPLETION EXP	2,241.0
9/20/85	VELEX	OTHER COMPLETION EXP	8,076.0
8/31/85	JOHN WEST ENGINEERIN	CONSULTING FEES	422.0
9/27/85	XL TRANSPORTATION CC	WATER	636.0
TOTAL INTANGIBLE DRILLING COST - ALP **			32,435.0

DOYLE HARTMAN

PO BOX 10428  
MIDLAND, TX 79702  
(915) 684-4011

JOINT OWNER INVOICE

OWNER 47784 DOYLE HARTMAN  
LEASE 00717 CARLSON FEDERAL #4

DATE OCTOBER 31, 1985

INVOICE 851000

DATE	VENDOR	DESCRIPTION	GROSS	YOUR
10/01/85	LEWALLEN SUPPLY COMP	MISCELLANEOUS MATER	494.03	
10/17/85	CLARKE OIL WELL SERV	COMPLETION UNIT	19,403.53	9
9/30/85	JOHN WEST ENGINEERIN	OTHER COMPLETION EX	642.39	
10/04/85	J & J OILFIELD SERVI	OTHER COMPLETION EX	622.13	
TOTAL INTANGIBLE DRILLING COST - ALP **			152,167.87	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 COP	PUMPING UNITS	10,500.00	7
10/24/85	DIXIE ELECTRIC, INC.	ENGINES AND METERS	3,279.06	2
10/26/85	DONNIE'S WELDING	SEPARATION EQUIPME	1,990.00	1
10/17/85	B.P. SALES	SEPARATION EQUIPME	4,786.58	3
10/21/85	FLOYD'S NEW & USED	MISCELLANEOUS PIPIN	2,255.13	1
TOTAL LEASE AND WELL EQUIPMENT - ALP **			32,940.41	23

LEASE TOTAL \*\*\* 263,207.62 144

LEASE 00717 CARLSON FEDERAL #4

YOUR INTEREST .71093750 144

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OWNER 477E4 DOYLE HARTMAN  
LEASE 00717 CARLSON FEDERAL #4

DATE OCTOBER 31, 1985  
INVOICE 8510006

LEASE OPERATING EXPENSE - ALP

DATE	VENDOR	DESCRIPTION	GROSS	YOUR
10/11/85	XL TRANSPORTATION CO	SALT WATER DISPOSAL	895.13	100471
10/11/85	XL TRANSPORTATION CO	SALT WATER DISPOSAL	144.64	1
10/28/85	JAL WELDING & MACHIN	CONTRACT LABOR	332.67	2
10/31/85	FLOYDS PUMPING & RCU	CONTRACT LABOR	1,542.08	1001
10/05/85	LOPPS WELDING SERVIC	CONTRACT LABOR	58.80	15
10/05/85	LOPPS WELDING SERVIC	CONTRACT LABOR	117.60	
10/21/85	FLOYDS PUMPING & RCU	CONTRACT LABOR	739.20	
10/15/85	FLOYDS PUMPING & RCL	CONTRACT LABOR	1,193.33	
10/26/85	DONNIE'S WELDING	CONTRACT LABOR	176.40	
TOTAL LEASE OPERATING EXPENSE - ALP			5,577.88	3

LEASE OPERATING EXPENSE - JIB

10/31/85	G. HARTMAN OIL OPERA	PUMPER	152.47	
10/31/85	G. HARTMAN OIL OPERA	EMPLOYEE BENEFITS	37.75	
10/31/85	G. HARTMAN OIL OPERA	INSURANCE	42.50	
10/31/85	G. HARTMAN OIL OPERA	OPERATING SUPPLIES	129.42	
10/04/85	XL TRANSPORTATION CC	SALT WATER DISPOSAL	630.00	
(3)(5) 10/31/85	G. HARTMAN OIL OPERA	PRODUCING OVERHEAD	5,300.24	3
10/31/85	HOBBS SUN	OTHER OPERATING EXP	5.44	
10/17/85	CAMPBELL AND BLACK,	OTHER OPERATING EXP	262.18	
10/25/85	HOBBS SUN	OTHER OPERATING EXP	5.42	
(3)(5) 10/31/85	G. HARTMAN OIL OPERA	LEGAL & REGULATORY	2,161.91	1
TOTAL LEASE OPERATING EXPENSE - JIB			8,733.36	6

INTANGIBLE DRILLING COST - TLP

10/04/85	XL TRANSPORTATION CO	WATER	1,321.50	
10/11/85	XL TRANSPORTATION CC	WATER	2,227.44	1
10/21/85	PARTIN WATER LABCRAT	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

INTANGIBLE DRILLING COST - ALP

10/03/85	HALLIBURTON	STIMULATION	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	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

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JOINT OWNER INVOICE

OWNER 47784 DOYLE HARTMAN

DATE DECEMBER 31,

LEASE 00717 CARLSON FEDERAL #4

INVOICE 8512

DATE	VENDOR	DESCRIPTION	GROSS	YO
<b>LEASE OPERATING EXPENSE - ALP</b>				
12/06/85	VI TRANSPORTATION CO	SALT WATER DISPOSAL	321.49	*
<b>TOTAL LEASE OPERATING EXPENSE - ALP **</b>			<b>321.49</b>	*

<b>LEASE OPERATING EXPENSE - JIB</b>				
12/31/85	D. HARTMAN OIL OPERA	PUMPER	152.52	
12/31/85	D. 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	167.51	
12/12/85	SOUTHWESTERN PUBLIC	FUEL AND POWER	117.43	
12/06/85	VI TRANSPORTATION CO	SALT WATER DISPOSAL	X 1,209.10	
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	X 9,705.47	✓
12/20/85	MARTIN WATER LABORAT	CONSULTING FEES	50.00	
12/31/85	GEORGE AND JOYCE WIL	SURFACE DAMAGES	X 3,740.00	
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	* X 7,550.49	✓
<b>TOTAL LEASE OPERATING EXPENSE - JIB **</b>			<b>24,714.42</b>	

\*1709.53 ATWOOD, MALONE ETC - LEGAL RESEARCH

<b>INTANGIBLE DRILLING COST - TLP</b>				
12/31/85	MIDLAND SAMPLE CUT	CONSULTING FEES	30.06	
<b>TOTAL INTANGIBLE DRILLING COST - TLP **</b>			<b>30.06</b>	

LEASE TOTAL \*\*\* 25,060.97

111,445.44 5676.57 40,748.17

LEASE 00717 CARLSON FEDERAL #4 YOUR INTEREST .71093750

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OWNER 47784 DOYLE HARTMAN

DATE FEBRUARY 28,

LEASE 00717 CARLSON FEDERAL #4

INVOICE 86020

DATE	VENDOR	DESCRIPTION	GROSS	YOU
<b>LEASE OPERATING EXPENSE - JIB</b>				
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	
2/01/86	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	657.35	
2/25/86	CLARKE OIL WELL SERV	WELL SERVICE AND RE	X 2,252.63	
(8) 2/01/86	XL TRANSPORTATION CO	SALT WATER DISPOSAL	X 1,732.50	
2/07/86	XL TRANSPORTATION CO	SALT WATER DISPOSAL	945.00	
(3) 2/01/86	XL TRANSPORTATION CO	SALT WATER DISPOSAL	X 1,732.50	
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	
2/24/86	AXELSON, INC.	OTHER OPERATING EXP	X 1,005.46	
(1) 2/28/86	D. HARTMAN OIL OPERA	LEGAL & REGULATORY	X 900.00	<i>in plane expense</i>

TOTAL LEASE OPERATING EXPENSE - JIB \*\* 10,912.60

*in plane expense*

LEASE TOTAL \*\*\* 10,912.60

44,863.32

3720.75

41,142.37

LEASE 00717 CARLSON FEDERAL #4

YOUR INTEREST .71093750

**DOYLE HARTMAN**

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**JOINT OWNER INVOICE**

PAGE

OWNER 47784 DOYLE HARTMAN

DATE DECEMBER 31, 1985

LEASE 00718 CARLSON FEDERAL #5 /

INVOICE #51200946

DATE	VENDOR	DESCRIPTION	GR CSS	YOUR SH
<b>LEASE OPERATING EXPENSE - ALP</b>				
12/20/85	JAL WELDING & MACHIN	CONTRACT LABOR	333.66	233
12/20/85	JAL WELDING & MACHIN	CONTRACT LABOR	110.20	8
12/27/85	FLOYDS PUMPING & ROL	CONTRACT LABOR	211.68	15
12/26/85	PUMPING UNITS SERVIC	CONTRACT LABOR	1,849.24	1,314
<b>TOTAL LEASE OPERATING EXPENSE - ALP **</b>			<b>2,510.78</b>	<b>1,780</b>

DATE	VENDOR	DESCRIPTION	GR CSS	YOUR SH
<b>LEASE OPERATING EXPENSE - JIBV</b>				
12/31/85	JACK FLETCHER	CONSULTING FEES	4,024.18	2,860
12/31/85	GEORGE AND JOYCE WIL	SURFACE DAMAGES	5,680.00	4,030
12/31/85	D. HARTMAN OIL OPERA	PRODUCING OVERHEAD	5,000.00	3,550
12/31/85	BRIAN BALL	OTHER OPERATING EXP	920.67	650
12/31/85	D. HARTMAN OIL OPERA	OTHER OPERATING EXP	120.00	80
12/31/85	SHEILA POTTS	OTHER OPERATING EXP	731.33	520
12/31/85	LARRY NERMYR	OTHER OPERATING EXP	1,920.67	1,360
12/31/85	D. HARTMAN OIL OPERA	LEGACY & REGULATORY	5,901.85	4,190
<b>TOTAL LEASE OPERATING EXPENSE - JIB **</b>			<b>24,312.70</b>	<b>17,280</b>

DATE	VENDOR	DESCRIPTION	GR CSS	YOUR SH
<b>INTANGIBLE DRILLING COST - TLP</b>				
12/10/85	KM CONSTRUCTION	ROADS AND LOCATION	8,193.33	5,820
11/14/85	EASTERN NEW MEXICO U	ROADS AND LOCATION	110.00	70
11/30/85	JOHN WEST ENGINEERING	ROADS AND LOCATION	92.43	60
12/30/85	CACTUS DRILLING COMP	FOOTAGE COST	42,630.96	30,300
12/30/85	CACTUS DRILLING COMP	DRY WORK COST	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	610
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	6,419.30	4,570
12/12/85	HALLIBURTON	CEMENTING SERVICES	4,263.11	3,030
12/19/85	PROFFLE	CEMENTING AND MUD LOGG	2,451.15	1,740
12/10/85	MERCURY TRANSPORTATI	TRUCKING AND TRANSP	175.23	120
12/31/85	D. HARTMAN OIL OPERA	DRILLING OVERHEAD	1,049.18	740
<b>TOTAL INTANGIBLE DRILLING COST - TLP **</b>			<b>73,133.55</b>	<b>51,990</b>

DATE	VENDOR	DESCRIPTION	GR CSS	YOUR SH
<b>INTANGIBLE DRILLING COST - ALP</b>				
12/17/85	HALLIBURTON	CEMENTING SERVICES	11,042.52	7,890
12/19/85	HALLIBURTON	STIMULATION	5,695.91	4,090
12/31/85	HALLIBURTON	STIMULATION	130,000.00	92,400

**DOYLE HARTMAN**

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**JOINT OWNER INVOICE**

PAGE

OWNER 47784 DOYLE HARTMAN

DATE FEBRUARY 28, 1986

LEASE 00718 CARLSON FEDERAL #5

INVOICE 860200949

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SHARE
<b>LEASE OPERATING EXPENSE - JIB</b>				
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	201.12	142.
2/07/86	XL TRANSPORTATION CO	SALT WATER DISPOSAL	639.72	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.
<b>TOTAL LEASE OPERATING EXPENSE - JIB **</b>			<b>4,990.27</b>	<b>3,476</b>

**INTANGIBLE DRILLING COST - ALP**

2/03/86	AXELSON, INC.	OTHER COMPLETION EX	1,870.22	1,320
<b>TOTAL INTANGIBLE DRILLING COST - ALP **</b>			<b>1,870.22</b>	<b>1,320</b>

**LEASE TOTAL \*\*\* 6,760.49 4,806**

*Note*

LEASE 00718 CARLSON FEDERAL #5 YOUR INTEREST .71093750 4,806

**DOYLE HARTMAN**

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PAGE

OWNER 47784 DOYLE HARTMAN

DATE JANUARY 31, 1986

LEASE 00718 CARLSON FEDERAL #5 7

INVOICE #60100952

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SH
<b>LEASE OPERATING EXPENSE - ALP</b>				
1/13/86	ABC RENTAL TOOL CO.	EQUIPMENT RENTAL	795.56	56.0
1/10/86	FLOYDS PUMPING & ROU	CONTRACT LABOR	487.41	346
1/09/86	FLOYDS PUMPING & ROU	CONTRACT LABOR	336.00	233
<b>TOTAL LEASE OPERATING EXPENSE - ALP **</b>			<b>1,618.97</b>	<b>1,150</b>

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SH
<b>LEASE OPERATING EXPENSE - JIB</b>				
1/31/86	D. HARTMAN OIL OPERA	PUMPER	107.23	76
1/31/86	D. HARTMAN OIL OPERA	EMPLOYEE BENEFITS	37.75	26
1/31/86	D. HARTMAN OIL OPERA	INSURANCE	47.50	30
1/31/86	D. HARTMAN OIL OPERA	OPERATING SUPPLIES	157.91	112
1/13/86	SOUTHWESTERN PUBLIC	FUEL AND POWER	14.58	10
4/86	J & J OILFIELD SERVI	WELL SERVICE AND RE	354.37	251
1/22/86	CLARKE OIL WELL SERV	WELL SERVICE AND RE	2,907.74	2,067
1/30/86	FLOYDS PUMPING & ROU	CONTRACT LABOR	394.38	280
1/30/86	FLOYDS PUMPING & ROU	CONTRACT LABOR	1,053.40	752
(3) 1/21/86	GEORGE AND JOYCE WIL	SURFACE DAMAGES	400.00	294
1/31/86	D. HARTMAN OIL OPERA	PRODUCING OVERHEAD	550.00	391
1/24/86	AXELSON, INC.	OTHER OPERATING EXP	42.80	30
1/06/86	MIDWEST INSURANCE AG	OTHER OPERATING EXP	X 2,833.33	2,014
1/28/86	HOBBS SUN	OTHER OPERATING EXP	8.44	6
1/24/86	MERRYMAN CONSTRUCTIO	ROADS AND LOCATIONS	293.63	200
<b>TOTAL LEASE OPERATING EXPENSE - JIB **</b>			<b>9,200.06</b>	<b>6,540</b>

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SH
<b>INTANGIBLE DRILLING COST - TLP</b>				
1/03/86	XL TRANSPORTATION CO	WATER	452.26	321
1/03/86	XL TRANSPORTATION CO	WATER	91.65	65
<b>TOTAL INTANGIBLE DRILLING COST - TLP **</b>			<b>544.11</b>	<b>386</b>

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SH
<b>INTANGIBLE DRILLING COST - ALP</b>				
1/10/86	XL TRANSPORTATION CO	WATER	1,512.00	1,070
1/10/86	XL TRANSPORTATION CO	WATER	297.85	20
1/02/86	HALLIBURTON	STIMULATION	X 114,624.01	81,49
1/11/85	HALLIBURTON	STIMULATION	130,000.00	92,42
1/11/86	MERRYMAN CONSTRUCTIO	TRUCKING AND TRANSP	102.19	7
12/31/85	JOHN WEST ENGINEERIN	CONSULTING FEES	476.84	33
12/31/85	JOHN WEST ENGINEERIN	CONSULTING FEES	752.06	53
1/02/86	FLOYD'S NEW & USED	MISCELLANEOUS MATER	74.82	5
1/02/86	GENE'S WELL SERVICE	COMPLETION UNIT	413.02	29

LEASER 77146 R. HOWARD OLSEN

DATE OCTOBER 31, 1985

LEASE 00716 CARLSON #3

INVOICE 851001306

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SHARE
<b>LEASE OPERATING EXPENSE - JIB</b>				
10/31/85	C. HARTMAN OIL OPERA	PUMPER	152.69	38.1
10/31/85	C. HARTMAN OIL OPERA	EMPLOYEE BENEFITS	37.75	9.4
10/31/85	C. HARTMAN OIL OPERA	INSURANCE	40.50	10.6
10/31/85	C. HARTMAN OIL OPERA	OPERATING SUPPLIES	127.73	32.4
<del>10/22/85</del>	<del>CLARKE OIL WELL SERV</del>	<del>WELL SERVICE AND RE</del>	<del>2,735.62</del>	<del>683.9</del>
10/22/85	CLARKE OIL WELL SERV	WELL SERVICE AND RE	X 747.85	185.7
10/14/85	J & J OILFIELD SERVI	WELL SERVICE AND RE	100.00	26.2
10/11/85	PUMPING UNITS SERVIC	CONTRACT LABOR	1,940.01	481.2
10/21/85	FLOYDS PUMPING & RCL	CONTRACT LABOR	X 1,283.94	320.9
10/28/85	JAL WELDING & MACHIN	CONTRACT LABOR	332.62	83.1
10/31/85	FLOYDS PUMPING & RCL	CONTRACT LABOR	451.08	112.7
10/12/85	HENRY H. FULLER ELEC	EQUIPMENT REPAIR	112.55	29.1
10/16/85	DIXIE ELECTRIC, INC.	EQUIPMENT REPAIR	X 453.87	114.2
10/21/85	DIXIE ELECTRIC, INC.	EQUIPMENT REPAIR	X 2,714.14	678.5
10/18/85	XL TRANSPORTATION CC	CHEMICALS & WATER	654.78	164.2
10/9/85	XL TRANSPORTATION CC	CHEMICALS & WATER	341.74	85.4
10/5/85	LEWALLEN SUPPLY COMP	CONNECTIONS & MATER	371.00	92.7
10/21/85	FLOYD'S NEW & USED	CONNECTIONS & MATER	871.46	217.1
10/21/85	FLOYD'S NEW & USED	CONNECTIONS & MATER	1,377.92	344.4
10/10/85	LEWALLEN SUPPLY COMP	CONNECTIONS & MATER	420.77	107.1
10/28/85	J S & S INCORPORATED	CONNECTIONS & MATER	160.86	40.2
10/10/85	LEWALLEN SUPPLY COMP	CONNECTIONS & MATER	234.99	58.7
10/07/85	LEWALLEN SUPPLY COMP	CONNECTIONS & MATER	247.62	61.9
10/15/85	STATE OF NEW MEXICO	AD VALOREM TAXES	54.43	13.6
10/31/85	C. HARTMAN OIL OPERA	PRODUCING OVERHEAD	517.10	129.2
10/14/85	AXELSON, INC.	OTHER OPERATING EXP	X 4,640.78	1,160.2
10/14/85	AXELSON, INC.	OTHER OPERATING EXP	X 680.17	171.0
<b>TOTAL LEASE OPERATING EXPENSE - JIB **</b>			<b>21,936.05</b>	<b>5,484.0</b>

<b>LEASE AND WELL EQUIPMENT - ALP</b>				
9/25/85	LTV ENERGY PRODUCTS	PUMPING UNITS	12,096.21	3,024.0
<b>TOTAL LEASE AND WELL EQUIPMENT - ALP **</b>			<b>12,096.21</b>	<b>3,024.0</b>

<b>LEASE TOTAL ***</b>			<b>24,032.26</b>	<b>8,508.0</b>
LEASE	00716 CARLSON #3	YOUR INTEREST	.25000000	8,508.0

**LE HARTMAN**  
 P.O. BOX 10428  
 MIDLAND, TX 79702  
 (818) 684-4011

**JOINT OWNER INVOICE**

PAGE

OWNER 77148 R. HOWARD EISEN  
 LEASE 00716 CARLSON #3

DATE SEPTEMBER 30, 1985

INVOICE 850901311

DATE	VENDOR	DESCRIPTION	GROSS	YOUR SHARE
<b>LEASE OPERATING EXPENSE - JIB</b>				
9/30/85	C. HARTMAN OIL OPERA	PUMPER	105.78	26.
9/30/85	C. HARTMAN OIL OPERA	EMPLOYEE BENEFITS	37.75	9.
9/30/85	C. HARTMAN OIL OPERA	INSURANCE	42.50	10.
9/30/85	C. HARTMAN OIL OPERA	OPERATING SUPPLIES	153.90	38.
9/17/85	DIXIE ELECTRIC, INC.	EQUIPMENT REPAIR	X 2,940.07	735.
9/04/85	PCBBS ANCHOR & PCAC	ANCHORS	458.53	114.
9/30/85	C. HARTMAN OIL OPERA	PRODUCING OVERHEAD	517.10	129.
9/19/85	PCBBS SUN	OTHER OPERATING EXP	6.45	2.
<b>TOTAL LEASE OPERATING EXPENSE - JIB **</b>			<b>4,264.08</b>	<b>1,066.</b>
<b>LEASE TOTAL ***</b>			<b>4,264.08</b>	<b>1,066.</b>

LEASE 00716 CARLSON #3 YOUR INTEREST 250.00000 1,066.

**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	\$1,470.81
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. Ldg 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.

**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 (Subleasee)\* **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. <b>T-25-S, R-37-E, NMPM</b> 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. <b>T-25-S, R-37-E, NMPM</b> 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 A 1989 (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).

I 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.

Transferor *Doyle Hartman* (Signature) Transferee \_\_\_\_\_ (Signature)  
or  
Attorney-in-fact *Margaret M. Hartman* (Signature) *Dennis Sledge* (Signature)

500 N. Main (Transferor's Address)  
Midland, Texas 79701 (City) (State) (Zip Code)  
DENNIS SLEDGE (Signature)

PAYOUT STATUS ASSUMING R. HOWARD OLSEN FORCED POOLED  
 CARLSON FEDERAL #4, P-23-255-37E  
 LANGLIE MATIIX POOL, LEA COUNTY, NEW MEXICO

Date	Initial Investment			***INVESTMENT RECOVERY***				
	Intangible Drilling Costs	Lease and Well Equipment Below wellhead	Lease and Well Equipment Above wellhead	Revenue Less Prod. Taxes & Royalty *	Lease Operating Expense	Net Income Revenue less LOE	Cumulative Net Income	% Expenses Paid Out
09-85	131,696.03	38,577.89	32,948.41	0.00	23,255.14	(23,255.14)	(23,255.14)	-6.22%
10-85	161,527.85			33,949.10	8,663.36	25,285.74	2,030.60	0.54%
11-85	530.63			36,333.86	3,690.91	32,642.95	34,673.55	9.33%
12-85	351.55			35,193.19	26,645.42	10,547.77	45,421.32	12.15%
01-86			1,890.00	43,505.08	7,161.27	36,343.81	81,765.13	21.87%
02-86			4,315.93	35,002.91	10,842.60	24,160.31	105,925.44	28.34%
03-86				14,765.53	5,864.33	8,901.20	114,826.64	30.72%
04-86				8,113.40	1,896.13	6,217.27	121,043.91	32.36%
05-86				13,884.13	7,757.43	6,146.70	127,190.61	34.02%
06-86				17,964.51	3,164.17	14,800.34	141,990.95	37.98%
07-86				16,270.31	3,206.07	13,064.24	155,055.19	41.48%
08-86				11,019.33	3,710.52	7,308.81	162,364.00	43.43%
09-86			2,181.50	11,990.99	5,363.45	6,627.54	168,991.54	45.21%
10-86			373,819.79	15,351.60	4,514.45	10,837.15	179,828.69	48.11%
11-86				14,388.02	2,274.24	12,113.78	191,942.47	51.35%
12-86				10,574.73	5,879.78	4,694.95	196,637.42	52.60%
01-87				521.57	6,901.12	(6,379.55)	190,257.87	52.99%
02-87				11,107.61	4,774.15	6,333.46	197,025.44	52.71%
03-87				6,914.43	6,480.32	434.11	199,032.46	53.24%
04-87				9,210.42	7,203.40	2,007.02	199,032.46	53.24%
05-87				9,442.94	2,920.51	6,522.43	205,554.89	54.99%
06-87				10,300.56	20,324.26	(10,023.70)	195,531.19	52.31%
07-87				33,267.04	5,526.10	27,740.94	223,272.13	59.73%
08-87				34,469.83	4,892.79	29,577.04	252,849.17	67.64%
09-87				29,711.08	3,922.74	25,788.34	278,637.51	74.54%
10-87				37,791.21	5,381.36	32,409.85	311,047.36	83.21%
11-87				34,901.49	2,717.06	32,184.43	343,231.79	91.82%
12-87				35,153.59	7,792.73	27,360.86	370,592.65	99.14%
Initial Investment less surface equipment 200% times				332,483.95				
Amount to recover				664,967.90				
01-88				33,661.28	2,271.50	31,389.78	31,389.78	4.72%
02-88				29,148.15	1,933.10	27,215.05	58,604.83	8.81%
03-88				32,795.88	1,409.56	31,386.32	89,991.15	13.53%
04-88				29,964.75	2,477.90	27,486.85	117,478.00	17.67%
05-88				27,573.58	3,376.32	24,197.26	141,675.26	21.31%
06-88				31,382.21	3,104.03	28,278.18	169,953.44	25.56%
07-88				30,037.40	1,776.70	28,260.70	198,214.14	29.81%
08-88				30,124.23	2,747.96	27,376.27	225,590.41	33.93%
09-88				27,319.38	3,620.17	23,699.21	247,289.62	37.19%
10-88				26,770.76	3,712.19	23,058.57	270,348.19	40.66%
11-88				25,793.77	1,827.10	23,966.67	294,314.86	44.26%
12-88				27,039.79	1,867.14	25,172.65	319,487.51	48.03%
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%

WELL COST + LEA CO. LABOUR COSTS = MAXIMUM LAUREL PRICE 959,574.40 235,824.08 723,750.32

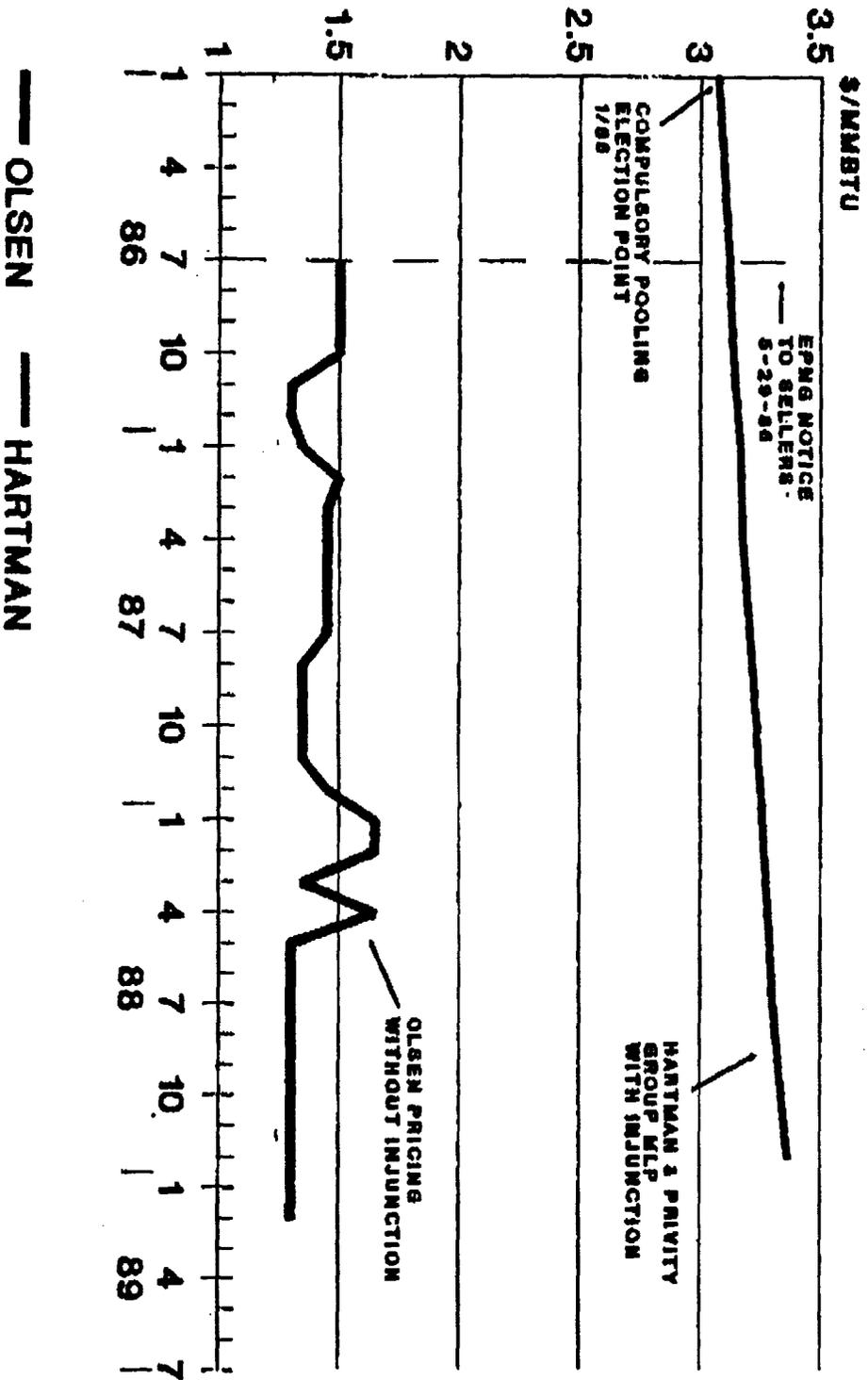
\*\*\*PENALTY PERIOD\*\*\*







# ANALYSIS OF GAS PRICING CARLSON FEDERAL #4



CARLSON FEDERAL #4

PROD DATE	a 15.025		a 14.73		RTU	NHRTU	(21.875X NR1)	OLSEN'S		EPKG	MARKET OUT PRICE	OLSEN'S		PRODUCTION TAXES	OLSEN'S	
	WCF	WCF	WCF	WCF				NHRTU	REVENUE			GROSS REVENUE	NET REVENUE			
85/09																
85/10	11,540	11,771	1116	13,136.56	2,873.62	4,153.55	1,50	2,041.43	248.58	2,011.22						
85/11	16,688	17,022	1116	18,996.79	4,153.55	3,000.70	1.50	1,381.09	151.92	1,229.17						
85/12	12,675	12,929	1061	13,717.50	3,000.70	3,756.62	1.50	1,465.89	161.25	1,304.64						
86/01	15,868	16,186	1061	17,173.12	3,756.62	3,013.49	1.50	1,551.76	170.89	1,381.07						
86/02	12,729	12,984	1061	13,775.95	3,013.49	1,198.15	1.30	1,136.54	125.02	1,011.52						
86/03	5,061	5,162	1061	3,477.26	1,198.15	656.49	1.30	1,003.12	110.34	992.78						
86/04	2,773	2,829	1061	3,001.08	656.49	1,184.11	1.50	2,259.80	248.58	2,011.22						
86/05	4,734	4,829	1121	5,413.09	1,184.11	1,506.53	1.50	1,381.09	151.92	1,229.17						
86/06	6,023	6,144	1121	6,887.00	1,506.53	920.73	1.50	1,381.09	151.92	1,229.17						
86/07	5,441	5,550	1121	6,221.51	1,360.96	920.73	1.50	1,465.89	161.25	1,304.64						
86/08	3,681	3,755	1121	4,209.04	920.73	977.26	1.50	1,465.89	161.25	1,304.64						
86/09	3,907	3,985	1121	4,467.46	977.26	1,916.41	1.50	1,551.76	170.89	1,381.07						
86/10	4,992	5,092	1147	5,840.50	1,277.61	1,551.76	1.30	1,136.54	125.02	1,011.52						
86/11	4,664	4,757	1147	5,456.75	1,193.66	874.26	1.30	1,235.88	135.95	1,099.93						
86/12	3,416	3,449	1147	3,996.62	874.26	915.47	1.30	1,003.12	110.34	992.78						
87/01	3,577	3,649	1147	4,184.99	915.47	668.75	1.45	1,097.77	88.95	997.02						
87/02	2,613	2,665	1147	3,057.13	668.75	557.67	1.45	1,097.77	88.95	997.02						
87/03	2,179	2,223	1147	2,549.37	557.67	757.08	1.45	1,219.66	134.16	1,085.50						
87/04	2,900	2,958	1170	3,460.95	757.08	841.13	1.45	1,219.66	134.16	1,085.50						
87/05	2,962	3,021	1170	3,534.94	773.27	841.13	1.45	1,219.66	134.16	1,085.50						
87/06	3,222	3,287	1170	3,845.24	841.13	73.08	1.45	1,219.66	134.16	1,085.50						
87/07	10,372	10,580	1170	12,378.27	2,707.75	2,707.75	1.45	3,926.23	431.89	3,494.35						
87/08	10,712	10,927	1170	12,784.04	2,796.51	3,926.23	1.35	3,775.29	415.28	3,360.01						
87/09	9,204	9,388	1170	10,984.35	2,402.83	3,243.81	1.35	3,243.81	356.82	2,887.00						
87/10	11,650	11,883	1172	13,927.25	3,066.59	4,112.89	1.35	4,112.89	452.42	3,660.47						
87/11	10,732	10,947	1172	12,829.80	2,806.52	3,788.80	1.45	4,089.93	449.89	3,640.04						
87/12	10,786	11,002	1172	12,894.36	2,820.64	3,788.80	1.45	4,089.93	449.89	3,640.04						
88/01	10,306	10,512	1172	12,320.53	2,695.12	4,446.94	1.65	4,446.94	489.16	3,957.78						
88/02	8,902	9,090	1172	10,642.09	2,327.96	3,841.13	1.65	3,841.13	422.52	3,418.61						
88/03	9,991	10,191	1172	11,943.96	2,612.74	3,527.20	1.35	3,527.20	387.99	3,139.21						
88/04	8,751	8,926	1219	10,881.11	2,380.24	3,927.40	1.65	3,927.40	432.01	3,495.39						
88/05	8,035	8,196	1219	9,990.82	2,185.49	2,841.14	1.30	3,126.56	312.53	2,814.03						
88/06	9,125	9,308	1219	11,346.14	2,481.97	3,226.56	1.30	3,226.56	354.92	2,871.64						
88/07	8,715	8,890	1219	10,836.35	2,370.45	3,081.59	1.30	3,081.59	338.97	2,742.61						
88/08	8,709	8,883	1219	10,828.88	2,368.82	3,079.46	1.30	3,079.46	338.76	2,740.72						
88/09	7,873	8,031	1219	9,789.39	2,141.43	2,783.86	1.30	2,783.86	308.22	2,475.63						
88/10	7,362	7,509	1273	9,559.52	2,091.14	2,718.49	1.30	2,718.49	299.03	2,419.45						
88/11	7,068	7,210	1273	9,177.76	2,007.63	2,609.93	1.30	2,609.93	287.09	2,322.83						
88/12	7,390	7,528	1273	9,582.89	2,096.26	2,725.13	1.30	2,725.13	299.76	2,425.37						
89/01	7,294	7,430	1273	9,458.23	2,068.99	2,689.69	1.30	2,689.69	295.87	2,393.82						
89/02	4,594	4,686	1273	5,965.28	1,304.91	1,696.38	1.30	1,696.38	186.60	1,509.78						

CARLSON FEDERAL #5

PROD DATE	NCF 8 15, 025	NCF 2 14, 73	RTU	WMTU	OLSEN'S WMTU (21.875% NR1)	EMRG MARKET PRICE	OLSEN'S GROSS REVENUE	PRODUCTION TAXES	OLSEN'S NET REVENUE
86/03	12,371	12,619	1253	15,811.30	3,458.72	1.50	3,029.14	333.21	2,695.94
86/04	9,462	9,651	1253	12,093.33	2,645.41	1.50	2,817.36	309.91	2,507.45
86/05	8,367	8,535	1253	10,693.81	2,339.27	1.50	2,604.32	286.47	2,317.84
86/06	7,223	7,368	1253	9,231.67	2,019.43	1.50	2,212.20	273.26	2,227.14
86/07	6,718	6,853	1253	8,586.24	1,878.24	1.50	2,502.41	243.34	1,948.86
86/08	6,210	6,334	1253	7,936.96	1,736.21	1.50	1,655.12	182.06	1,473.06
86/09	5,967	6,087	1253	7,626.39	1,668.27	1.50	1,843.21	202.75	1,640.46
86/10	5,275	5,381	1253	6,741.95	1,474.80	1.50	1,755.04	193.05	1,561.99
86/11	4,171	4,255	1368	5,820.20	1,273.17	1.45	1,925.76	170.26	1,755.53
86/12	4,645	4,738	1368	6,481.62	1,417.85	1.45	1,547.78	168.16	1,380.00
87/01	4,259	4,344	1368	5,943.00	1,300.03	1.35	1,803.07	198.34	1,604.73
87/02	3,938	4,017	1368	5,495.07	1,202.05	1.50	1,528.75	211.83	1,317.93
87/03	4,351	4,438	1368	6,071.37	1,328.11	1.45	1,528.75	170.26	1,357.53
87/04	3,497	3,567	1368	4,879.70	1,067.44	1.45	1,528.75	168.16	1,360.59
87/05	3,454	3,525	1368	4,819.70	1,054.31	1.45	1,900.09	209.01	1,691.08
87/06	4,293	4,379	1368	5,990.44	1,310.41	1.45	2,095.72	230.53	1,865.19
87/07	4,735	4,830	1368	6,607.21	1,445.33	1.45	1,684.99	165.35	1,499.64
87/08	4,089	4,171	1368	5,705.78	1,248.14	1.35	1,598.45	175.83	1,422.62
87/09	3,879	3,957	1368	5,412.75	1,184.04	1.35	1,624.72	178.72	1,446.00
87/10	3,937	4,016	1370	5,501.71	1,203.50	1.35	1,624.72	138.77	1,122.79
87/11	3,057	3,118	1370	4,271.97	934.49	1.45	1,671.94	185.91	1,488.02
87/12	3,772	3,848	1370	5,271.13	1,153.06	1.65	1,796.12	197.57	1,598.55
88/01	3,561	3,632	1370	4,976.27	1,088.56	1.65	1,560.57	171.66	1,388.91
88/02	3,094	3,156	1370	4,323.67	943.80	1.35	1,466.67	161.33	1,305.33
88/03	3,554	3,625	1370	4,966.49	1,086.42	1.35	1,635.81	179.94	1,455.87
88/04	3,222	3,287	1379	4,532.12	991.40	1.30	1,466.03	130.95	1,335.09
88/05	2,976	3,036	1379	4,186.09	915.71	1.30	1,190.42	151.26	1,039.16
88/06	3,465	3,536	1379	5,155.25	1,127.71	1.30	1,433.62	157.70	1,275.93
88/07	3,584	3,656	1379	5,061.32	1,102.79	1.30	1,328.02	146.08	1,181.94
88/08	3,320	3,386	1379	4,669.97	1,021.56	1.30	1,213.22	133.45	1,079.77
88/09	3,033	3,094	1379	4,266.27	933.25	1.30	1,204.50	129.62	1,072.01
88/10	2,996	3,056	1386	4,235.62	926.54	1.30	1,178.37	128.25	1,048.75
88/11	2,931	2,990	1386	4,143.72	906.44	1.30	1,165.91	134.31	1,037.69
88/12	2,900	2,958	1386	4,099.90	896.85	1.30	1,220.99	134.31	1,086.68
89/01	3,037	3,098	1386	4,293.58	939.22	1.30	1,119.27	123.12	996.15
89/02	2,784	2,840	1386	3,935.90	860.98	1.30			

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GALLEGOS LAW FIRM P.C.

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

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION TO  
CONSIDER THE APPLICATION OF:

CASE NO. 8668 (Reopened)

ORDER NO. R-8031-A

DOYLE HARTMAN FOR COMPULSORY POOLING,  
LEA COUNTY, BEING REOPENED UPON THE  
APPLICATION OF HOWARD OLSEN TO RECONSIDER  
THE PROVISIONS OF DIVISION ORDER NO. R-8031

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 6, 1989, at Santa Fe, New Mexico before Examiner Michael E. Stogner.

NOW, on this 8th day of January, 1991, the Division Director, having considered the evidence as contained in 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) Olsen filed his application to reopen this case seeking strict compliance with Order No. R-8031 on August 17, 1987. Olsen specifically seeks enforcement of the Division's order requiring the submission by the operator of estimated well costs prior to drilling, the effect of which will enable him now to receive well costs, challenge those costs and make a decision about whether or not to join the well, knowing the productive ability and approximate current payout status of the well.

(3) The parties in this case, appearing by counsel, have submitted depositions and have stipulated to a Chronological Statement of Key Facts, and there are no factual disputes about the order of events.

Case No. 8668 (Reopened)  
Order No. R-8031-A  
Page 2

(4) Howard Olsen did not appear and enter any objection at the original compulsory pooling hearing held on July 31, 1985, nor does he challenge the validity of the order.

(5) Howard Olsen was a party force-pooled by Order R-8031 into a standard proration unit in the Langlie-Mattix Pool, being the SE/4 SE/4 of Section 23, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, upon the application of Doyle Hartman.

(6) Doyle Hartman commenced drilling the Carlson Federal No. 4 well, (the "subject well"), on said proration unit on September 10, 1985, which is after Case 8668 was heard but seventeen days prior to the entry by the Division of Order No. R-8031.

(7) Although Hartman provided Olsen with an AFE for the subject well prior to the compulsory pooling hearing, he did not do so after the order was entered and at least thirty days prior to drilling the well in accordance with the provisions of the order.

(8) The uncontroverted evidence is that Olsen was aware of Hartman's plans to drill the subject well and had entered into negotiations to sell his interest to Hartman prior to the drilling of the well, but he did not continue with those negotiations after the well was drilled. There is additional evidence that Olsen refused communications from Hartman regarding operations on this well.

(9) Olsen did not file his application to reopen until August 1987, almost two years after the well was spudded.

(10) In October and November of 1987 a certified public accountant retained by Mr. Olsen examined the financial records of Doyle Hartman relating to the costs of the subject well. Olsen has not filed any objection to the costs of said well, and the actual well costs should be determined to be reasonable.

(11) The Division will normally require strict compliance with its orders, but it must rely on affected parties to bring non-compliance to its attention.

(12) Olsen did not diligently pursue his remedy although the evidence shows that he had substantive knowledge of sufficient information to enable him to protect his interests.

Case No. 8668 (Reopened)  
Order No. R-8031-A  
Page 3

This failure on his part to seek relief makes it impossible for the Division to compel strict compliance with the terms of Order R-8031.

(13) It is the intent of compulsory pooling orders entered by the Division to give parties pooled thereunder the opportunity to pay their costs and share in the risks and benefits of drilling the well, or in the alternative to allow those parties paying the costs and taking the risk to be compensated for that risk.

(14) It is not clear from the evidence that Olsen had a reasonable opportunity to participate in drilling the well, and he should be afforded the opportunity at this time to pay his pro rata share of the well costs and receive his pro rata share of the proceeds of production, if he so elects to participate.

(15) Hartman has incurred and paid those costs attributable to Olsen's interest, and, considering the time that has passed because this matter has not been diligently pursued, if Olsen elects to pay his pro rata share of well costs, he should compensate Hartman for the use of his money with a reasonable interest charge.

(16) If Olsen elects to pay his share of the costs of the well, he should be entitled to receive his share of the proceeds of production together with reasonable interest thereon.

(17) A reasonable rate of interest is the rate provided for in New Mexico statutes for interest on judgments.

**IT IS THEREFORE ORDERED THAT:**

- (1) Order R-8031 shall remain in full force and effect.
- (2) The actual well costs incurred by Hartman are determined to be reasonable well costs.
- (3) Applicant to reopen this case, Howard Olsen, may elect to participate in the Carlson Federal No.4 well by paying to Doyle Hartman within thirty (30) days the pro rata share of drilling, completion and operating costs of said well as provided in Order R-8031 attributable to his interest, together with interest thereon from the date such costs were

Case No. 8668 (Reopened)  
Order No. R-8031-A  
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incurred to the date of this order at the rate of interest on judgments as set forth in New Mexico statutes.

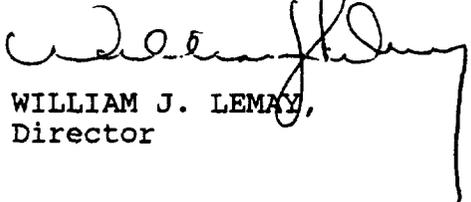
(4) If Olsen elects to join the well and pays those costs to Hartman, Hartman shall, within thirty (30) days of delivery of such payment, account for and pay to Olsen the proceeds from production attributable to Olsen's interest with interest thereon at the judgment rate from the date of receipt of such proceeds by Hartman, or from the date such proceeds were placed in suspense by Hartman or any purchaser, to the date of the delivery of payment of costs by Olsen to Hartman.

(5) If Olsen fails to pay his pro rata share of costs as provided herein, his interest shall be deemed to be non-consent pursuant to the provisions of Order R-8031.

(6) Jurisdiction of this cause is retained for 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

  
WILLIAM J. LEMAY,  
Director

S E A L

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

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION TO  
CONSIDER THE APPLICATION OF:

CASE NO. 8769 (Reopened)  
ORDER NO. R-8091-A

DOYLE HARTMAN FOR COMPULSORY POOLING,  
LEA COUNTY, BEING REOPENED UPON THE  
APPLICATION OF HOWARD OLSEN TO RECONSIDER  
THE PROVISIONS OF DIVISION ORDER NO. R-8091

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 6, 1989, at Santa Fe, New Mexico before Examiner Michael E. Stogner.

NOW, on this 8th day of January, 1991, the Division Director, having considered the evidence as contained in 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) Olsen filed his application to reopen this case seeking strict compliance with Order No. R-8091 on August 17, 1987. Olsen specifically seeks enforcement of the Division's order requiring the submission by the operator of estimated well costs prior to drilling, the effect of which will enable him now to receive well costs, challenge those costs and make a decision about whether or not to join the well, knowing the productive ability and approximate current payout status of the well.

(3) The parties in this case, appearing by counsel, have submitted depositions and have stipulated to a Chronological Statement of Key Facts, and there are no factual disputes about the order of events.

(4) Howard Olsen did not appear and enter any objection at the original compulsory pooling hearing held on November 21, 1985, nor does he challenge the validity of the order.

(5) Howard Olsen was a party force-pooled by Order R-8091 into a standard proration unit in the Langlie-Mattix Pool, being the SE/4 NE/4 of Section 26, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, upon the application of Doyle Hartman.

(6) Doyle Hartman commenced drilling the Carlson Federal No. 5 well, (the "subject well"), on said proration unit on December 10, 1985, which is four days after the entry by the Division of Order No. R-8091.

(7) Although Hartman provided Olsen with an AFE for the subject well prior to the compulsory pooling hearing, he did not do so after the order was entered and at least thirty days prior to drilling the well in accordance with the provisions of the order.

(8) The uncontroverted evidence is that Olsen was aware of Hartman's plans to drill the subject well and had entered into negotiations to sell his interest to Hartman prior to the drilling of the well, but he did not continue with those negotiations after the well was drilled. There is additional evidence that Olsen refused communications from Hartman regarding operations on this well.

(9) Olsen did not file his application to reopen until August 1987, almost two years after the well was spudded.

(10) In October and November of 1987 a certified public accountant retained by Mr. Olsen examined the financial records of Doyle Hartman relating to the costs of the subject well. Olsen has not filed any objection to the costs of said well, and the actual well costs should be determined to be reasonable.

(11) The Division will normally require strict compliance with its orders, but it must rely on affected parties to bring non-compliance to its attention.

(12) Olsen did not diligently pursue his remedy although the evidence shows that he had substantive knowledge of sufficient information to enable him to protect his interests. This failure on his part to seek relief makes it impossible

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for the Division to compel strict compliance with the terms of Order R-8091.

(13) It is the intent of compulsory pooling orders entered by the Division to give parties pooled thereunder the opportunity to pay their costs and share in the risks and benefits of drilling the well, or in the alternative to allow those parties paying the costs and taking the risk to be compensated for that risk.

(14) It is not clear from the evidence that Olsen had a reasonable opportunity to participate in drilling the well, and he should be afforded the opportunity at this time to pay his pro rata share of the well costs and receive his pro rata share of the proceeds of production, if he so elects to participate.

(15) Hartman has incurred and paid those costs attributable to Olsen's interest, and, considering the time that has passed because this matter has not been diligently pursued, if Olsen elects to pay his pro rata share of well costs, he should compensate Hartman for the use of his money with a reasonable interest charge.

(16) If Olsen elects to pay his share of the costs of the well, he should be entitled to receive his share of the proceeds of production together with reasonable interest thereon.

(17) A reasonable rate of interest is the rate provided for in New Mexico statutes for interest on judgments.

IT IS THEREFORE ORDERED THAT:

(1) Order R-8091 shall remain in full force and effect.

(2) The actual well costs incurred by Hartman are determined to be reasonable well costs.

(3) Applicant to reopen this case, Howard Olsen, may elect to participate in the Carlson Federal No. 5 well by paying to Doyle Hartman within thirty (30) days the pro rata share of drilling, completion and operating costs of said well as provided in Order R-8091 attributable to his interest, together with interest thereon from the date such costs were incurred to the date of this order at the rate of interest on

Case No. 8769 (reopened)  
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Page 4

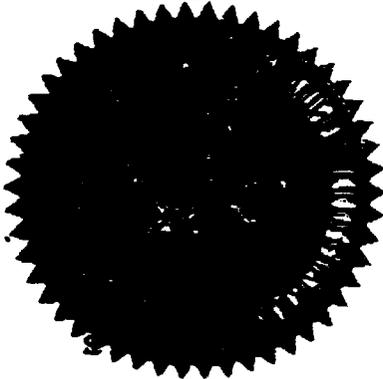
judgments as set forth in New Mexico statutes.

(4) If Olsen elects to join the well and pays those costs to Hartman, Hartman shall, within thirty (30) days of delivery of such payment, account for and pay to Olsen the proceeds from production attributable to Olsen's interest with interest thereon at the judgment rate from the date of receipt of such proceeds by Hartman, or from the date such proceeds were placed in suspense by Hartman or any purchaser, to the date of the delivery of payment of costs by Olsen to Hartman.

(5) If Olsen fails to pay his pro rata share of costs as provided herein, his interest shall be deemed to be non-consent pursuant to the provisions of Order R-8091.

(6) Jurisdiction of this cause is retained for 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

*William J. Lemay*  
WILLIAM J. LEMAY,  
Director