

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

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

SUMMARY OF THE DEPOSITION OF
HOWARD OLSEN
TAKEN AUGUST 25, 1989, 10:30 P.M.

RECEIVED

SEP - 5 1989

OIL CONSERVATION DIV.
SANTA FE

APPEARANCES FOR HOWARD OLSEN: HAROLD L. HENSLEY; T. CALDER EZZELL
APPEARANCES FOR DOYLE HARTMAN: J.E. GALLEGOS
ALSO APPEARING: OLE OLSEN; HOWARD OLSEN; DOYLE HARTMAN

EXAMINATION BY J.E. GALLEGOS

- 4 Howard Olsen resides in Phoenix, AZ. His office is located at 4636 East Foothill Drive, Paradise Valley, AZ, mailing address P.O. Box 32279, Paradise Valley, AZ 85064. Olsen has been at same address since 1981.

Olsen deals in investments, ranching, cattle and the oil business. He deals with commodities, operates two ranch properties in Dickens County, TX; maintains mineral interests, some leasing and a general independent oil practice.

Olsen is not an operator but has been one in the past. Olsen was an operator in Midland from 1957 to about 1964 as president of Jal Oil Company. Prior to that time, Olsen was a drilling contractor that drilled and completed a number of wells in Lea County, NM. He was in business with his father, R. Olsen, who was an oil and gas man. R. Olsen had no interest in Jal Oil Company. Olsen believes that between he and his father they developed or operated at least 300 wells.

The lineage of interest (25%) in the Carlson lease came to Olsen though his father, R. Olsen at the time of his death in 1967. Olsen does not know about his father's acquisition of the Carlson lease.

- 7-8 Olsen ceased to be active as an operator shortly after his father's death when he was involved in managing estate affairs. From 1967 to present Olsen has maintained a couple of corporations but did not have the engineering staff available in Dallas that he had in Midland. In 09/85 moved to Dallas but still active in oil and gas business. In 1981 moved his office to Arizona but still considers himself domiciled in TX where his permanent home remains. His office is in Arizona as well as his winter home. Spends half the year in Arizona.

- 9-10 Carol A. Murphy was Olsen's secretary between 1985 - 1986. Donna Mariner was employed by Mr. Olsen as a bookkeeper and accountant. Olsen not sure of the whereabouts of Carol Murphy. He discharged her because she was not satisfactory and undependable. Believes she left town due to bad debts. Olsen

does not have an office or any employees in Dallas. Phoenix office constitutes place that Olsen does business year round.

- 10-12 The Carlson lease was productive since 1967. Olsen does not remember which wells; however, production was very consistent. Wells operated by Sun. Revenue dropped off after Hartman took operation. Olsen did not keep close tabs on what the runs were but remembered that the wells held their own as far as revenue. Olsen had an interest in about 100 wells in late '70s early '80s.

Olsen has not participated to any degree in OCD hearings in NM. He has been at hearings but has never testified. He has been represented at those hearing by Dub Girand, deceased as well as Robinson, Ship, Robertson & Barnes out of Oklahoma City who he believes are also dead and firm was dissolved.

- 12-14 Olsen does not remember when Sun's status as operator had been transferred to Hartman. When Olsen's accounting department notified him of ceased revenues on the Carlson lease, he phoned Hartman. Hartman did not return his calls. Olsen still owns a 25% working interest and testified no one had approached him on trying to buy his interest.

- 15-16 Olsen not aware that in April 1989 proceedings before NMOCD were postponed by Ezzell because of negotiations with MOI. He does not take negotiations seriously or pay much attention until someone sends draft check.

Olsen attended WIO's meeting at the invitation of MOI. Felt MOI was introducing themselves, coffee social, trying to keep everybody reasonably assured or content that MOI was going to look after their interest.

- 17 MOI representatives did not express an interest in acquiring Olsen's properties.

- 18-20 Olsen attempted to reach Hartman but was unsuccessful, talked to Mr. Burr in accounting. Olsen was told that revenue in suspense and once files straightened out Hartman's office would get back to him.

Exhibit No. 1 -- 01/24/85 ltr. from Hartman to Olsen re production volume, pricing, operational costs and sale of Olsen's interest on Carlson Federal Nos. 2 & 3. Informed Olsen of what was happening as far as production and revenue and indicates buying a specific 40 acres for a price of \$22,500. Olsen considering sell one 40-acre tract for \$50,000.

Regarding the drilling of an infill well, Olsen was of the opinion that there was so many cubic feet of gas in reserve and that the price that he was discussing was not adequate to recover the number of feet that were in place. Olsen had no serious thoughts regarding drilling infill wells. Too hard for Olsen to crank up operations and get back into operating business. Felt AFE submitted by operator to drill infill wells was high and he didn't feel it was a reasonable price, therefore disregarded.

21-23 Olsen did not want to jeopardize his revenue, infill well would pull capacity out of other wells and wanted to be compensated for his loss. Felt gas is a store of value and did not entertain first idea that came along for an infill well. The personal opinion of Olsen regarding an infill well is that it is a considerable gamble as to what that well would do compared with what the stable production of what the other wells had been in the past.

Olsen felt, initially, AFE of \$390,000 was rather substantial for one of the wells. May have been interested in AFE had been less; however, did not have figures of his own. Instinct was 1/3 too high and felt an infill well should have been drilled for less than \$300,000.00. Based his opinion on present drilling costs in the area. No research was collected.

24 Olsen had experience with other AFE in close areas and has participated in working interests with other operators in 1985 through present.

25-26 Olsen would have reviewed an AFE of a lesser amount more seriously.

Olsen believes he responded to Hartman's 01/24/85 ltr. but not sure. Made file available to counsel but has not looked for response to Hartman's ltr. Counsel agrees to provide ltr. and file.

27-30 Exhibit No. 2 -- 01/31/85 Ltr. from Donna M. Mariner, Accountant, to Hartman re Carlson Federal No. 3. Response to 01/24/85 saying Hartman's offer insufficient. Olsen not aware of exact figures regarding production of No. 3 -- was informed about the condition of the lease.

Olsen's primary interest was the revenue. Hartman was an unknown value to Olsen and Olsen had no knowledge of Hartman's efficiency and if his money would be well spent with an unknown.

30-33 Exhibit No. 3 entered -- 07/10/85 ltr. from Hartman to Olsen re Proposed Infill Well on Carlson Federal No. 4. Olsen is not interested in participating in infill well; was interested in cash sale of his interest and counter offered with a figure of \$50,000.00; Olsen not interested in farm out at this time. Alternatively, Olsen knew the fourth alternative would be a compulsorily force pool action by the OCD. Olsen had been involved in such proceedings before.

34-36 Regarding counter offer of \$50,000.00, Olsen had geologist in Oklahoma City, James P. Foraker, do deal evaluation. Foraker also handled negotiations and contacted Ruth Sutton of Hartman's office. Olsen was not concerned with details and was not willing to negotiate price. Time frame of October 1 on offer expired and Olsen dropped issue. Foraker was used for his geological skills & knowledge and paid cash for his hourly services. Foraker was not to receive a percentage of deal. Olsen thought Foraker was keeping him informed.

37-39 Exhibit No. 4 entered -- 07/22/85 certified ltr. from Carr to Olsen re 07/31/85 OCD hearing. Exhibit No. 5 entered -- 07/30/85 ltr. from Sutton to Olsen re farmout terms as opposed to a cash buyout of Olsen's interest. Olsen not interested and believes he did not attend hearing because he probably did not receive notice from his office until it was too late. Olsen feels he probably would have sent a lawyer so that his interest would have been represented properly. Olsen felt it was vital to be present at hearing.

40-43 Olsen believes that Donna Mariner was keeping him informed of her conversations and dealings with Hartman's office. Donna Mariner had the official capacity to represent Olsen in his lease files and negotiations. Carol Murphy was the messenger in Donna's absence.

Exhibit No. 6 entered -- 09/20/85 - ltr. from Sutton to Foraker enclosing Partial Assignment and Bill of Sale. Olsen not sure if he received said documents. Ltr. indicates Hartman's office was dealing with two 40-acre tracts. Olsen's position with Foraker was only one 40-acre tract. Exhibit No. 7 entered -- 10/04/85 from Foraker to Olsen enclosing original Assignment prepared by Hartman's office.

44-45 In Exhibit No. 7 Foraker states he has ceased work on Carlson project. Olsen believes this due to the fact that the time frame has expired and the deal was off. Olsen was not pleased with Foraker's representation or the way the deal was going.

In early October, Olsen knew there would be an unopposed forced pooling application before the OCD on 07/3/85. In early October, Olsen knew negotiations to sell his interest in the lease had terminated.

46 Olsen knew that a well was being drilled at a cost that he thought was too high. Before end of 1985 had fired his only oil and gas man -- Olsen's files reviewed -- nothing found.

47-48 Exhibit No. 8 entered -- 10/01/85 certified ltr. from Sutton to Olsen re Carlson Federal No. 4 and the bad negotiations of the past. At the time of this letter, Olsen remembers trying to contract Hartman directly with no success. Olsen did not attempt to contact Ruth Sutton. Exhibit No. 9 entered -- 10/04/85 certified ltr. from Hartman to Olsen re purchase of Carlson Lease and action by an attorney if no response.

49-50 Olsen made no attempt to contact Hartman regarding the 10/04/85 ltr. (Exhibit 9). The 10/01/85 ltr. and 10/04/85 ltr. from Hartman's office was a clear indication that Hartman thought he had a deal with Olsen. Olsen felt parties were getting further apart and there was no need to communicate with Hartman regarding the misunderstanding of the acreage involved in the sale. Olsen feels that no deal was made because no money was exchanged.

51-53 Olsen did not respond because he felt it would not accomplish anything. Called; however, never received a return phone call therefore stopped calling.

53-55 Olsen aware that the OCD employs a penalty factor or risk factor in compulsory pooling cases. Force pooled participants in a well frequently are assessed a factor of that nature that may vary from 100 to 300 percent.

Exhibit No. 10 entered -- 11/11/85 certified ltr. from Carr to Olsen re Case 8769 enclosing docket of OCD hearing scheduled for 11/21/85. Olsen did not participate. He did not have a representative participate. Olsen's interest at the hearing would have been to oppose the pooling of his interest or at least oppose the drilling cost for the prospect well. Olsen was directed by counsel in Oklahoma City, Sid Groom, not to worry about the forced pooling at the time of ltr.

56-58 During the period of November 1985, Olsen was represented by Sid Groom on the matters of the Carlson Federal lease because Olsen wanted revenue from that lease on the same basis that he had been getting revenue for it in the past. Also consulting with Groom as to the regulatory proceedings involved in the forced pooling. Consulted with Mr. Groom on the proceedings regarding the No. 5 but at a later date.

From a geological standpoint, Olsen felt well was close to EPNG's gas storage which was a bonus. Additionally, there was a substantial water encroachment in the area and he felt it took a good engineer to go in and get the gas without getting the water.

Olsen felt that the Nos. 2 & 3 had a reasonable ratio of return without knowing the intent and the program of the new operator. Olsen satisfied with the runs on these wells rather than spending a lot of money and not knowing if he would get it back.

Olsen aware that No. 2 had been non-productive and that it was so weak it couldn't buck the line pressure. Olsen felt this was a normal decline situation and one had to do something to keep the well on production. Felt there were ways to handle the situation -- offset compressor or rework or squeeze job or packer.

58-59 Exhibit No. 11 entered -- 01/06/86 certified ltr. from Sutton to Olsen. On third notice, ltr. returned -- not picked up. Olsen refused the ltr. because he knew Hartman was trying to stimulate a sale.

Regarding Carlson Federal No. 5, Olsen did not take any steps to ascertain what the costs had been on that well.

60 Olsen had auditors and lawyers go to Hartman's office in fall of 1987 to see what the expenses were.

In August of 1987, a petition was filed before the NMOCD on Olsen's behalf to reopen Cases 8668 and 8769. Olsen prompted such action because he wanted to be back on a pay status.

61-65 Olsen had not been on a pay status since Hartman took over the operation of the wells. He received a few checks but things started dropping off a few months after January of 1985.

Olsen retained the Hinkle firm and provided the firm with existing records which, he felt, were rather marginal. Olsen is only concerned with the money, maintaining the production.

Olsen had a Gas Purchase Agreement with the pipeline purchaser (EPNG) of the gas from the Carlson lease. Olsen was paid by EPNG directly for a short period of time as well as by Hartman. Olsen retained both checks. Revenues were then put in suspense. Olsen then retained the Hinkle law firm; however, as of this date does not know where he stands with EPNG and has not been put back on the pay status. Olsen would like to see matters straightened out.

Olsen remembers getting a 02/86 notice to sellers from EPNG. Aware that EPNG shut in all the production in Lea County; however, did not pay much attention to things of this nature. Olsen not aware of Hartman obtaining an injunction against EPNG effective 04/87 requiring EPNG to produce the wells and pay contract prices.

66-70 Garold Bowlby is Olsen's CPA who lives in Norman, Oklahoma. Bowlby audits, recommends and advises Olsen and was doing so in 1985.

Mr. Olsen feels there is a void in his files during the period when Carol Murphy was employed. Records not available on the lease. Didn't ask Bowlby to do a joint interest audit in 1985 or 1986. Aware that WIOs have right to make joint interest billing audit of the operator's records, but feels it is easier said than done. Olsen, instead, sent Bowlby and an assistant to EPNG in fall of 1987. Olsen felt EPNG "scared to death to say anything." Olsen did not ascertain any information. Olsen sent same group to Hartman's office to find out where he stood. Believes Bowlby wrote him a letter in the form of a report. **(Gallegos asked Ezzell to pull the the document as well as a ltr. engaging Mr. Bowlby and provide same).**

71-72 Exhibit No. 12 -- 10/06/87 ltr. from Wilcox to Bowlby responding to telephone call and enclosing Joint Interest Account Analysis and Payout Status on Carlson Federal Nos. 4 & 5. Olsen remembers receiving ltr. and remembers Hartman's office being very cooperative in providing information.

Exhibit No. 13 -- 11/09/87 ltr. from Bowlby to Olsen re various items that Olsen may want to challenge Hartman on regarding Carlson Nos. 4 & 5. Olsen

received said ltr. and was aware that audit team was provided with C-115's for proof production with the expenses from the well files as well as settlement statements to show all the revenues and the pay-out files.

73-76 Olsen takes all audits with a grain of salt. Thinks there might be other things that are left out or need to be included. Feels might find something later on that may contradict figures.

Based on past experience with Hartman, Olsen was not enthusiastic about becoming a partner with him as operator. Olsen did not take any steps after receiving audit report in November of 1987 to participate with Hartman.

Olsen did not want to be a voluntary participant because at one time he had to go through considerable lengths to get in to Hartman's office and get the information on the wells. (Mr. Ezzell went on the record to say: "We did not get a court order. They were very cooperative.")

Olsen felt Hartman's office postponed dates, dragged their feet and it was not that easy even despite Ben Wilcox' ltr. of 10/06/87 (Exhibit 12).

The fact that the No. 4 was drilled for a cost of some \$16,000.00 less than the AFE and the No. 5 for some \$75,000.00 less than the AFE makes no difference to Olsen. He still did not want to be a voluntary partner.

EXAMINATION BY HENSLEY:

76-77 Referring to Exhibits Nos. 12 & 13, Olsen confirmed that he did not want to be a voluntary partner and participate in the cost of drilling the wells with Hartman. Olsen states that there had been a discrepancy in the well cost information which he received out of Hartman's office. There had been a report that indicated that the well cost was over \$600,000.00. There was a communication which showed that Olsen's share of the well cost was over \$140,000.00 on a dollar per dollar share. Gallegos feels Hensley misreading something. Well cost with a 200 percent penalty on it is going to look different than a dollar per dollar cost.

78-79 Exhibit No. 14 entered -- Summary of Olsen's Interest: 06/31/88. Exhibit 14 furnished to Olsen's audit team by Mr. Hodge of Hartman's office. Olsen not able to interpret figures. Olsen did receive other information that stated total well costs were below \$400,000.00. Olsen concerned with what the real cost of the two wells really was. As a consequence of these suspicions, authorized attorneys to proceed with the filing of the application to reopen. Purpose of petitions was to get all the outstanding matters clarified and to see if there had been compliance with the OCD order by Hartman.

79-80 If noncompliance of the Order was found and if given the opportunity by the OCD to participate in the cost of the wells, Olsen would favorably consider the opportunity.

With reference to Exhibit No. 3 (07/10/85 ltr. from Hartman to Olsen), Olsen feels it related to a 40-acre parcel where Hartman is offering \$22,500.00.

Referring to Exhibit No. 7 (10/04/85 ltr. from Foraker to Olsen), Olsen received said letter. Olsen feels ltr. clearly states 40-acres. It was Olsen's understanding that Hartman's proposal for \$50,000.00 was for 40-acres.

FURTHER EXAMINATION BY J.E. GALLEGOS:

- 81 Olsen wanted Bowlby and assistant to audit the Hartman records so he could find out what the actual costs had been for the drilling of the No. 4 and No. 5 wells.
- 82 Olsen now states that he would have liked to have been a partner with Hartman if they could have gotten together on the figures and had a meeting.
- 83 Olsen wanted to participate in the well to reserve and protect his 25% interest, but he had run up against obstacles back in the early stages of dealing with Hartman.
- 84-86 Olsen not sure if there was a correct accounting with his share after the 11/87 audit. Additionally, he was concerned that he and Hartman would not get along as partners even if he had come forward at that point.

Hartman did not approach Olsen and ask him to participate. Olsen did not take the audit seriously. Olsen not sure numbers correct.

Olsen answers regarding the No. 5 well are not the same, because well is different and circumstances different. Olsen does not have knowledge regarding the reserves of the No. 5. Does not know how many cubic feet would be bankable under the 40-acres in question and has not paid much attention to the issue because it is a stored value and will be there for a long time or it will get out whenever somebody drills for it. Olsen knows how to find out about reserves but does not take answers seriously because vary with each engineer asked.

Olsen makes decisions very slowly and was not ready to make a decision in November of 1987 nor is he ready now.

RE-EXAMINATION BY HENSLEY:

- 87-88 Exhibit 15 entered -- 02/15/85 ltr. from Burr to Tuchenhagen (EPNG) re Olsen's ltr. dated 02/07/85 re Carlson No. 3 and suspension of Olsen's runs.

EPNG suspended all Olsen's runs from his properties in summer of 1985. Impression of Olsen is that Hartman put the accounts in suspension. Hartman

filed an operator's lien which resulted in suspension of all runs. Olsen has not received any runs since.

FURTHER EXAMINATION BY J.E. GALLEGOS:

88-89 Exhibit 16 entered -- 02/26/85 ltr. from Wise (EPNG) to Burr (Hartman's office) re Burr's ltr. dated 02/15/85 re suspension of runs. Olsen does not remember seeing ltr.

Off the record counsel had a discussion and came to the conclusion that Exhibits 15 & 16 are not relevant to the Carlson Federal Ncs. 4 & 5 as well as the question as to why EPNG really suspended the money and why EPNG has got the money. Counsel agreed that Hartman does not have the money for the Nos. 2 & 3.

WITNESS EXCUSED

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

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

CASE NO. 8769 & 8668

ORAL DEPOSITION OF HOWARD OLSEN
Taken August 25, 1939

A P P E A R A N C E S

FOR HOWARD OLSEN: HON. HAROLD L. HENSLEY, JR.
 HON. T. CALDER EZZELL, JR.
 Hinkle, Cox, Eaton,
 Coffield & Hensley
 400 N. Pennsylvania
 United Bank Plaza, Suite 700
 Roswell, New Mexico 88201

FOR DOYLE HARTMAN: HON. J. E. GALLEGOS
 Attorney at Law
 141 E. Palace Avenue
 Santa Fe, New Mexico 87501

ALSO APPEARING: MR. OLE OLSEN
 MR. DOYLE HARTMAN
 MR. GAROLD BOWLBY

1 ORAL ANSWERS AND DEPOSITION OF HOWARD OLSEN,
2 taken August 25, 1989, at 10:30 a.m., at the offices
3 of Hinkle, Cox, Eaton, Coffield & Hensley, ClayDesta
4 National Bank, Suite 2800, 6 Desta Drive, Midland,
5 Texas, before Todd Anderson, Certified Shorthand
6 Reporter for the State of Texas, in accordance with
7 the Rules of Civil Procedure.

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E X H I B I T S

No.	Marked	No.	Marked
1-----	14	9-----	47
2-----	28	10-----	53
3-----	31	11-----	59
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HOWARD OLSEN

the witness, was duly sworn on oath by the Court Reporter to tell the truth, the whole truth, and nothing but the truth, whereupon the witness testified as follows in answer to the questions propounded by Counsel:

EXAMINATION

BY MR. GALLEGOS:

Q. State your name, please.

A. My name is Howard Olsen, spelled O-l-s-e-n.

Q. Where do you live, Mr. Olsen?

A. I live in Phoenix, Arizona.

Q. Do you have an office in Phoenix?

A. I do.

Q. At what address?

A. The address is 4636 East Foothill Drive in Paradise Valley.

Q. How long have you had that office?

A. Since 1981.

Q. And what is the mailing address of that office?

A. It's Post Office Box 32279. And the zip code on the P. O. box is 85064.

Q. Is this your card?

1 A. You may have it if you like.

2 Q. Thank you. What is your occupation?

3 A. I'm in investments, ranching, and cattle
4 business and oil business.

5 Q. Okay. Those are three different
6 businesses?

7 A. Yes. The investments, I deal in
8 commodities. And I operate two ranch properties.

9 Q. Where are the ranch properties?

10 A. The ranch properties are in Dickens
11 County, Texas.

12 Q. And what does the oil business consist
13 of?

14 A. Well, the oil business consists of
15 maintaining mineral interest, some leasing, and
16 general independent oil practices.

17 Q. Are you an operator?

18 A. No, sir.

19 Q. Have you ever been an operator of wells?

20 A. Yes.

21 Q. And tell me about the time period that
22 you were an operator and in what local.

23 A. Well, I was an operator in Midland,
24 Texas, from 1957 to about 1964 as president of
25 Jal Oil Company. Prior to that, I was a drilling

1 contractor that drilled and completed a number of
2 wells in Lea County, New Mexico.

3 Q. Was your father in the oil and gas
4 business in Lea County, New Mexico?

5 A. Yes, that's correct.

6 Q. And he was known as simply R. Olsen?

7 A. R. Olsen, that's correct.

8 Q. Were you in business with him?

9 A. Yes.

10 Q. And was Jal Oil Company a business that
11 he was also --

12 A. No. He had no interest in Jal Oil
13 Company. That was a thing that I put together and
14 bought properties from him. That's where title to
15 the Carlson came about.

16 Q. Okay. Approximately how many wells in
17 New Mexico would you say you and your father
18 developed or operated?

19 A. I would say at least 300.

20 Q. And the lineage of interest in the
21 Carlson lease came to you through your father?

22 A. That's correct.

23 Q. Do you know anything about his
24 acquisition of that lease?

25 A. No, I really don't.

1 Q. When did you obtain your interest?

2 A. I think at the time -- I'm not certain
3 of this, but I believe at the time of his death in
4 1967.

5 Q. What was the nature of the interest that
6 you acquired?

7 A. 25 percent working interest.

8 Q. About when was it that you ceased to be
9 active as an operator?

10 A. Approximately a short period of time
11 after his death, because I was involved in managing
12 estate affairs, and it was not practical to try to
13 give attention to both.

14 Q. Okay. So from that time forward,
15 roughly 1967 or thereabouts, your involvement in the
16 oil and gas business has been what? How would you
17 describe it?

18 A. It diminished to a considerable degree.
19 I maintained a couple of corporations that were in a
20 position to be operator, but I tried to avoid the
21 operation because I didn't have the engineering
22 staff available as conveniently as I did when I
23 lived in Midland. At this period of time, I'm
24 living in Dallas that we are talking about.

25 Q. Okay. Let me try and clarify that then.

1 A. All right.

2 Q. You discontinued living in Midland when?

3 A. 1965. September, '65.

4 Q. And moved to where?

5 A. Moved to Dallas, Texas.

6 Q. But you were still active in the oil and
7 gas business as an operator/driller?

8 A. Yes.

9 Q. And when did you remove your residence
10 from Dallas to some other place?

11 A. In 1981, I moved my office. I still
12 have a residence in Dallas, Texas. In fact, I
13 consider myself domiciled in Texas.

14 Q. So your home is actually in Dallas?

15 A. Yes, sir.

16 Q. And what you have on Foothill Drive in
17 Phoenix then is an office?

18 A. I have an office. That is considered an
19 office and a winter home.

20 Q. I see. About what time of the year do
21 you spend there?

22 A. About half of the year, beginning late
23 September, and then coming back to Texas in the
24 latter part of May.

25 Q. Who is Carol A. Murphy?

1 A. She was a secretary for me for a number
2 of years, either two or three years, something like
3 that.

4 Q. During 1985 and 1986, she was in that
5 position?

6 A. I think so, yes.

7 Q. Was there anybody else employed in your
8 Phoenix office?

9 A. Yes. I had a lady that did the
10 bookkeeping and accounting, and her name was Carol
11 Mariner. Wait a minute. Donna Mariner.

12 Q. Any other employees in your office
13 during 1985 and '86?

14 A. No.

15 Q. What is the whereabouts of Carol Murphy
16 now?

17 A. I haven't any idea. She left a couple
18 of years ago with a conflict with her husband and
19 her credit, and she left under -- and nobody can
20 find her. There are a lot of people that would like
21 to know where she is for car payments and things
22 like that.

23 Q. Did she leave your employ on good
24 standing?

25 A. No. I had to discharge her. She was

1 not satisfactory. She wasn't working out. She was
2 undependable.

3 Q. In what respect?

4 A. Well, she would not show up for work for
5 a day or two at a time.

6 Q. Do you have an office and employees in
7 Dallas?

8 A. No.

9 Q. So year-round, even though you are not
10 there, the Phoenix office constitutes the place that
11 you do business?

12 A. Yes.

13 Q. And have you continued to conduct the
14 business out of that office by the employment of a
15 secretary and a bookkeeper?

16 A. Yes.

17 Q. In other words, somebody has replaced
18 Carol Murphy in the same position?

19 A. Yes.

20 Q. Okay. Going back to this Carlson lease,
21 when you obtained it in 1967, was it productive?

22 A. Yes.

23 Q. From what wells?

24 A. Wells 3 and 4 -- 2 and 3. I don't
25 remember.

1 Q. Who was operating it?

2 A. Sun.

3 Q. And was everything satisfactory as far
4 as you were concerned, the production, revenue?

5 A. The production was very consistent.

6 Q. Both wells?

7 A. Yes.

8 Q. Did it remain that way up through the
9 time that Mr. Hartman became operator?

10 A. The revenue dropped off after Mr.
11 Hartman took operation.

12 Q. Okay. And so your testimony is up to
13 the time Mr. Hartman took operation, production was
14 consistent from both wells, the 2 and the 3?

15 A. To my knowledge. I didn't keep that
16 close of a tab on what the runs were. They seemed
17 to be holding their own as far as revenue.

18 Q. Well, how many wells would you say you
19 had an interest in, in this period of time we are
20 talking about, the '70s and the early '80s?

21 A. It would just be an estimate, but I
22 would say around 100 wells.

23 Q. In your experience, have you ever
24 participated in the Oil Conservation Commission or
25 Oil Conservation Division hearings in New Mexico?

1 A. No, not to any great degree.

2 Q. Have you ever been in any of those
3 proceedings as a party, whether you personally
4 appeared at the hearing?

5 A. Oh, I have had representation. I have
6 been at the hearings, but I have not testified at
7 those hearings.

8 Q. And who has represented you in those
9 proceedings from time to time in the past?

10 A. Dub Girand. Of course, he is dead now.
11 Robinson, Ship, Robertson & Barnes out of Oklahoma
12 City. I think that they are the firm that is
13 dissolved. And I believe they are dead now also.

14 Q. Anybody else?

15 A. Not that I can recall off the top of my
16 head.

17 Q. When did it come to your attention that
18 Sun's status as operator had been transferred to
19 Doyle Hartman?

20 A. I don't remember that precisely.

21 Q. Did you do anything as a result of that
22 under Doyle Hartman's operation, make any kind of
23 inquiries or communicate with either Sun or Doyle
24 Hartman?

25 A. At a date when I noticed the production

1 had -- or the revenue had ceased, it was called to
2 my attention by my accounting department. And I
3 tried to contact the Hartman office. In fact, I
4 made a phone call to Doyle Hartman on several
5 occasions. In fact, two or three phone calls. And
6 I didn't get a response. He didn't return my call.
7 Now, the precise dates on that I can't give you.

8 Q. On this 25 percent working interest in
9 these Carlson leases, do you still have that
10 interest?

11 A. Yes, sir.

12 Q. Have you had any discussions with
13 anybody about transfer of that interest, sale of it?

14 A. No. No one has approached me on trying
15 to buy the interest.

16 Q. You have had no negotiations with
17 Meridian Oil Company or Meridian Oil, Inc.?

18 A. No, sir.

19 Q. Any negotiations with El Paso Natural
20 Gas Company?

21 A. No.

22 Q. So the 25 percent working interest that
23 you have had since 1967 you continue to have, and it
24 has not been diminished, or assigned, or made any
25 kind of transaction concerning it?

1 A. No, sir.

2 (Deposition Exhibit No. 1 was
3 marked for identification)

4 Q. Were you aware that in April of this
5 year that postponement of the proceedings before the
6 New Mexico Oil Conservation Division was asked by
7 your attorney, Mr. Ezzell, and the reason was stated
8 that there were negotiations going on with Meridian?

9 A. I'm not -- there had been some mention
10 of it, but I didn't pay that much attention to it.

11 Q. Mention of what? Negotiations with
12 Meridian?

13 A. Yeah. But the negotiations with
14 Meridian and El Paso were in the works at the time,
15 and I thought it would be quite a period of time
16 before things settled down and that was cleared out.

17 Q. Okay. Well, tell me about the
18 negotiations with Meridian and El Paso. What was
19 the subject?

20 A. Well, my basic understanding was that
21 Meridian or El Paso, whichever, however they relate
22 to each other, had bought Hartman's properties.

23 Q. I'm talking about negotiations as far as
24 your interest are concerned.

25 MR. HENSLEY: Can we get off the

1 record?

2 MR. GALLEGOS: Yeah.

3 (DISCUSSION OFF THE RECORD)

4 A. I didn't mean to be evasive. My idea,
5 the way I interpreted the negotiations, if somebody
6 sends me a draft for a dollar amount that is in the
7 form of a lease, offer to purchase, then that is the
8 only thing I really take seriously. Then I will get
9 back to them personally by phone and try to
10 negotiate and bring it up to something that we can
11 either agree on or reject. And that has not
12 happened on this lease. So I want to make sure my
13 answer is correct with you.

14 Q. Well, I think there is some mis-
15 understanding, and we will need to pursue it a
16 little bit.

17 A. Okay.

18 Q. You say you only consider it
19 negotiations if somebody sends you a check?

20 A. Or a draft with an offer, because I hear
21 so many things that are just unfounded, and really
22 they are trying to evaluate or test the area to some
23 degree. And I don't consider it a valid offer
24 unless I get a letter with a check.

25 Q. Well, let's use the term "negotiations"

1 a little more broadly then to include talking about
2 acquiring your interest or settling with you as to
3 any rights you might have to sale of gas under gas
4 purchase agreements, those kinds of things, even if
5 there was not actually a draft or a check sent to
6 you.

7 A. No, sir. I have no conversation as to a
8 dollar amount of the gas that represents my 25
9 percent interest with anybody.

10 Q. Have you had any conversation that
11 doesn't represent a dollar amount that expressed an
12 interest?

13 A. No, sir.

14 Q. Did you attend the working interest
15 owners' meeting at the invitation of Meridian?

16 A. Yes, sir.

17 Q. About when did that take place?

18 A. I don't remember. It was several months
19 ago. My interpretation of that meeting was that
20 they were trying to introduce themselves as the new
21 administration of the properties and were trying to
22 keep everybody reasonably assured or content that
23 they were going to look after their interest. And
24 it was almost like an introduction, a coffee social
25 or something of that affair.

1 Q. Well, did the Meridian representatives
2 express an interest in acquiring the properties?

3 A. No, sir, they did not.

4 Q. Let's go back to your testimony, Mr.
5 Olsen, about your calling Mr. Hartman concerning the
6 revenue drop-off, dissatisfaction with the
7 operation. You say you spoke to Mr. Hartman himself
8 on some occasions?

9 A. No, sir. I tried. Now, at some point
10 during the July 10 -- I'm sorry, I'm not as up on
11 the files, as good with the figures as he was by
12 quite a ways, because I haven't paid that much
13 attention to it.

14 But, anyway, during the course of our
15 position on the Carlson lease, I tried on two and
16 possibly three occasions to call him personally, and
17 he never did return my call.

18 Q. Well, did you talk to somebody in the
19 Hartman office?

20 A. Yes. I think I talked to someone in the
21 accounting department.

22 Q. Mr. Burr?

23 A. I think that was it, yes.

24 Q. And what was the general message or
25 communication you were making?

1 A. The only real reason I would have to
2 call him was to ask why the revenue had dropped off.
3 And his position was at that time, "We have recently
4 acquired the property, and we have put the revenue
5 in suspense. And as soon as we have our files
6 straightened out, we will get back to you."

7 Q. Okay. Let me show you Deposition
8 Exhibit Number 1 to the Olsen deposition. Take your
9 time to read that to yourself.

10 MR. HENSLEY: Off the record.

11 (DISCUSSION OFF THE RECORD)

12 Q. Have you had an opportunity to read the
13 exhibit?

14 A. No, not really.

15 Q. Well, do you recognize it as a letter
16 from and signed by Doyle Hartman?

17 A. Yes.

18 Q. Dated January 24, 1985?

19 A. Uh-huh.

20 Q. And it did provide you with an
21 explanation of what was happening as far as
22 production and revenue and that sort of thing, true?

23 A. Yes.

24 Q. Did you receive that letter?

25 A. Yes.

1 Q. Did that letter also express some
2 interest in additional drilling or buying your
3 property?

4 A. It indicates buying a specific 40 acres
5 for a price of \$22,500.00.

6 Q. Well, a specific 40 acres? There is a
7 reference to the Southeast of the Southeast of
8 Section 23 and the Southeast of the Northeast of
9 Section 26. That's two 40-acre tracts.

10 A. That was a mistake. I wouldn't consider
11 selling two 40-acre tracts for that price.

12 Q. So you were considering selling one 40-
13 acre tract for \$22,500.00?

14 A. No, no. I was considering selling one
15 40-acre tract for \$50,000.00.

16 Q. Well, we will talk about that. Was
17 there some good reason in your mind to enhance the
18 recovery of the reserves from these properties by
19 drilling one or more infill wells?

20 A. Well, I had the opinion that there was
21 so many cubic feet of gas in reserve and that the
22 price that we were discussing was not adequate to
23 recover the number of feet that were in place.

24 Q. You are talking about what you would
25 sell your interest for?

1 A. Yes.

2 Q. But I'm asking you about the
3 indications, if you had any thoughts on it, of
4 drilling infill wells.

5 A. Myself?

6 Q. Yes.

7 A. Not seriously.

8 Q. Why not?

9 A. Because it's too hard for me to crank up
10 operations to go back into the operating business.

11 Q. Well, how about infill wells being
12 drilled by the operator?

13 A. Well, the present operator, I haven't
14 gotten into it to the extent to evaluate it that
15 closely.

16 Q. No. I'm talking about -- here we are in
17 1985, and what I'm asking you about is your thinking
18 about having the operator, Doyle Hartman, enhance
19 the recovery of reserves from these Carlson leases
20 by drilling infill wells.

21 A. Well, the AFE that was submitted on an
22 infill well, I thought the cost was rather high, and
23 I didn't feel that it was a reasonable price.

24 Q. Well, we will get to that, too. My
25 question is whether you wanted to see or thought,

1 for reasons that anybody in the oil and gas business
2 would be motivated, that there ought to be infill
3 wells drilled.

4 A. Well, to me, gas is a store of value
5 that is in place and you don't always get the
6 benefit of it as quickly as you would like. And the
7 fact that it is a store of value, if it were maybe
8 developed by somebody else at a later date at a
9 different price, it might even be more efficient
10 than trying to jump in and do it right at this
11 moment. And that is why I was not entertaining the
12 first idea that came along for an infill well.

13 Q. Okay. So you are saying that your
14 position was just let the existing Number 2 and
15 Number 3 wells go along and do not drill infill
16 wells?

17 A. Well, I would like to go along with an
18 infill well if it would not eliminate my income from
19 2 and 3, which had been pretty good for the past
20 years. And then an infill well is going to pull a
21 lot of reserves out. It's going to pull the
22 capacity out of the other wells, and I needed to be
23 compensated for that loss.

24 Q. If an infill well was drilled on either
25 of those 40's, you were going to have a 25 percent

1 interest in that production, were you not?

2 A. But it's a considerable gamble as to
3 what that well would do compared with what the
4 stable production of what the other wells had been
5 in the past.

6 Q. And what do you base that on? Tell me
7 about --

8 A. Well, that's just my personal opinion.
9 I don't have an engineering reserve background to
10 substantiate that. So it's just my personal
11 opinion.

12 Q. So essentially you were not interested
13 in participation in the drilling of infill wells on
14 this Carlson lease?

15 MR. HENSLEY: I don't think he said
16 that, but go ahead and answer the question.

17 A. Well, I intended to convey that if it
18 was a reasonable -- I figured the \$390,000.00 on the
19 AFE which I received was rather substantial for one
20 of those wells. And I would have been interested in
21 maintaining my participation or paying my working
22 interest part had the AFE been of a lesser figure.

23 Q. So you did receive an AFE?

24 A. Yes, sir.

25 Q. And it showed a total through completion

1 of \$390,000.00?

2 A. Yes, sir.

3 Q. And that included a 15 percent
4 contingency factor, correct?

5 A. As far as I remember, I think that's
6 correct.

7 Q. And what amount of money would have been
8 appropriate for you, that you would have wanted to
9 participate in the well? What well cost?

10 A. Really, I don't know. I would have to
11 have compared that with what other wells in the area
12 were being drilled at the time. I didn't know if
13 that was a reasonable figure or a high figure. But
14 off the top of -- it seemed a little high to me.

15 Q. Well, in order to conclude the
16 \$390,000.00 was too high, you had to have some idea
17 of what was a reasonable figure, did you not?

18 A. I felt generally that it was about a
19 third high. If it was a third to 40 percent less,
20 it would have been more reasonable.

21 Q. So you thought a well, infill well,
22 should have been drilled --

23 A. For less than \$300,000.00.

24 Q. -- for less than \$300,000.00?

25 A. Yes.

1 Q. And what did you base that on?

2 A. I was basing that on present drilling
3 costs in that area.

4 Q. And what experience were you having with
5 present drilling costs at that time?

6 A. Deals that were submitted, submitted
7 AFE's, not precisely in that corner of Lea County,
8 but there were some in a close enough area that it
9 was similar. I have participated in working
10 interests with other operators.

11 Q. In 1985 and around that period of time,
12 1986?

13 A. Yes. Even today, yes.

14 Q. Tell me what operators you participated
15 with in Lea County in '85 and '86.

16 A. I would just have to go back and check
17 my records. I couldn't pull them off the top of my
18 head.

19 Q. Well, I don't expect you to be total or
20 comprehensive. But just what comes to your mind?

21 A. I just can't come up with one right now.
22 I can't think of one.

23 Q. Okay. But based on that, you are able
24 to say that an AFE reflecting a well completion cost
25 of \$300,000.00 would have been one that you would

1 have participated in?

2 A. I would have looked at it more
3 seriously.

4 Q. Well, if it were \$275,000.00, that's
5 when you would have participated?

6 A. I would have looked at it very
7 seriously.

8 Q. And \$250,000.00 --

9 A. I would be delighted to go and meet at
10 the office, yes.

11 Q. Did you respond to Mr. Hartman's letter
12 to you? He says in his letter he would like to buy
13 your interest and please let us hear from you as
14 soon as is conveniently possible. This is the
15 January 24, 1985 letter.

16 A. If I did -- I'm sure that I did, but I
17 don't have a copy of it with me.

18 Q. You are sure that you did?

19 A. Well, I believe that I did, because I
20 usually answer my correspondence.

21 Q. And that is usually done in an answer in
22 writing signed by you?

23 A. Yes. Or if I should be out of town, I
24 have it signed by either my secretary or whoever
25 handles the matter, and then initial it down there

1 to show a source of my signature.

2 Q. It would be accurate to say that you
3 have a file in your office on the Carlson Federal
4 lease, don't you?

5 A. Yes, sir.

6 Q. Have you made that available to your
7 counsel?

8 A. Yes.

9 Q. You are sure of that?

10 A. I think so.

11 Q. Well, have you looked through that file
12 to find this letter which constituted your response
13 to Mr. Hartman's January 24, 1985 letter to you?

14 A. No, sir. I have not searched it out to
15 find the answer to that letter. I have not done
16 that. Now, that does not mean that I cannot make a
17 strong effort to try to produce it.

18 But I recently found the original files
19 that go back to file 1, file 2, file 3. A period of
20 time during our move from Dallas to Phoenix and
21 dealing with a series of non-oil personnel have had
22 a great deal of difficulty in keeping the oil and
23 gas department alive without a little extra effort.

24 So I think that I can produce it if you
25 would like to see it.

1 MR. HENSLEY: Let me interrupt just a
2 minute, because I'm sure you don't want to, and I
3 don't want to play any games in this thing, because
4 I don't do that. If you want a copy of the
5 response, I will give it to you right now, and we
6 can get on with it.

7 MR. GALLEGOS: Yeah. That's where
8 I'm going. I was going to ask you.

9 MR. HENSLEY: Sure. We are delighted
10 to do that.

11 MR. GALLEGOS: In fact, if Mr.
12 Olsen's file is available just as we provide ours,
13 if you would like to see his.

14 MR. HENSLEY: Sure. We'll have to
15 Xerox it, but I'll give it to you. But I will tell
16 you whatever we've got.

17 MR. EZZELL: We got most of it from
18 Mr. Hartman's file, because we didn't get very much
19 from Mr. Olsen. But we built most of what we had
20 from the files when they were presented to us.

21 MR. GALLEGOS: Well, let's try to
22 keep that straight so we know what we got from Mr.
23 Olsen.

24 (DISCUSSION OFF THE RECORD)

25 Q. By way of clarification, Mr. Olsen, you

1 mentioned something about files 1, 2, 3.

2 A. Those are the original files when the
3 lease was put together. And they are quite old.
4 And I found them. And they possibly should have
5 been done away with years ago. But I found them
6 stored in dead storage at the ranch by accident.
7 They go back to the '40s and '50s. They are quite
8 old.

9 Q. But as to current files, it would show
10 the period we are interested in, in the '80s?

11 A. For a period of time, whether it was
12 through our -- well, it was misguidance. We
13 couldn't find this file. And then we started
14 putting things together and finally came up with
15 one. But as to this correspondence, we have that
16 available.

17 Q. Okay. Let me just have a moment here.

18 A. Sure.

19 (PAUSE)

20 (Deposition Exhibit No. 2 was
21 marked for identification)

22 Q. Would you identify that for the record?
23 It's been marked as Exhibit 2 to your deposition,
24 Mr. Olsen.

25 A. Yes, sir.

1 Q. And what is it?

2 A. It's a letter from my office to Doyle
3 Hartman in regard to the Carlson Federal Number 3.
4 And it's signed by my employee, Donna Mariner, under
5 my instructions.

6 Q. And as far as the offer to purchase your
7 interest in the lease, the first one-sentence
8 paragraph covers that, where you say the offer is
9 insufficient?

10 A. Yes, sir, that's correct.

11 Q. Okay. How much was the Number 3
12 producing at that time per day?

13 A. Sir, I couldn't begin to tell you. I
14 don't remember.

15 Q. But it was a satisfactory amount as far
16 as you were concerned?

17 A. At this particular time, I'm not -- I
18 just don't know what it was. At one point it was
19 satisfactory, and at a point later on I felt that it
20 was not commercial.

21 Q. Do you remember when that was?

22 A. No, sir, I don't know. I would have to
23 have some figures in front of me.

24 Q. And with that being the case, what would
25 be the indication as to what should be done with the

1 well?

2 A. Well, possibly a workover, participate,
3 a reasonable additional well -- I really was
4 concerned about how much water the well was making,
5 if the water encroachment was going to be sufficient
6 to -- I just wasn't informed about what the
7 condition of the lease was.

8 Q. And did you seek to obtain information
9 from Hartman?

10 A. Yes, sir, about the revenue. I was
11 concerned about that.

12 Q. About the revenue?

13 A. Right. That's the primary interest, why
14 I'm in the oil business.

15 Q. But as to ways in which the revenue
16 might be enhanced by, say, a workover, did you
17 inquire about that and suggest that be done, for
18 example?

19 A. No, I really didn't.

20 Q. You understood that any expenditures on
21 that Carlson lease were going to be paid 75 percent
22 by Hartman, didn't you?

23 A. Yes.

24 Q. You didn't think that Hartman was going
25 to be spending a dollar on that lease for workover

1 infill well of which he paid 75 cents that wasn't
2 necessary to spend, did you?

3 A. Well, in all due respect, Mr. Hartman
4 was an unknown value to me at the time, and I didn't
5 know his efficiency in -- and not to cast any
6 aspersions on him at this date. But I had no
7 knowledge of his efficiency and whether this would
8 be money well spent with an unknown. And I mean no
9 disrespect in what I said. It's just the way I
10 looked at it as I look back in hindsight.

11 (Deposition Exhibit No. 3 was
12 marked for identification)

13 Q. Let me hand you what has been marked as
14 Exhibit 3 to your deposition, and ask you to look
15 that over and see if you recognize it.

16 A. Yes, sir.

17 Q. Do you remember receiving that letter?

18 A. Yes, I think so.

19 Q. And that letter basically says to you
20 that the operator, that is, Doyle Hartman, thinks an
21 infill well should be drilled. And here is the
22 attached authorization for expenditure and detail
23 estimate, correct?

24 A. I don't precisely remember it, but I'm
25 certain that it was attached and I got it.

1 Q. Okay.

2 A. But this is a breakdown of the cost of
3 the \$390,000.00. Yes, I do remember seeing it.

4 Q. Okay. And from your prior testimony,
5 without having to rehash that, your reaction was you
6 didn't want to participate based on these kinds of
7 costs?

8 A. That wasn't something I was bound to do
9 it.

10 Q. Well, you didn't want to?

11 A. I didn't want to, that's correct.

12 Q. So instead, were you interested in the
13 other alternatives that were provided by this
14 letter?

15 A. A farmout or a sale.

16 Q. Okay. The alternatives here are
17 basically -- first of all, you can participate.
18 Here is the AFE, and you can pay up and participate?

19 A. Right.

20 Q. You didn't want to do that?

21 A. Right.

22 Q. The next alternative was a cash sale of
23 your interest?

24 A. Yes.

25 Q. Did you want to do that?

1 A. Yes.

2 Q. I'm not saying the \$2,500.00 was
3 satisfactory.

4 A. I wanted to do that. But I considered
5 that an offer of negotiation like I described
6 earlier. Even though a draft wasn't submitted, I
7 considered that an offer. And I countered with the
8 \$50,000.00.

9 Q. Okay. And I will follow up on that.
10 But the other alternatives were a farmout. You
11 weren't interested in that, at that point?

12 A. Not really, no.

13 Q. And then the fourth alternative would be
14 that you would be compulsorily force pooled, as they
15 say, by the action of the OCD?

16 A. Uh-huh.

17 Q. You understood what that meant?

18 A. Sure.

19 Q. And you had been through those kind of
20 proceedings?

21 A. Yes.

22 Q. Both probably as the forcer and the
23 forcee?

24 A. Yes, sir.

25 Q. Okay. Now, tell me about your

1 countering for \$50,000.00. How was that
2 communicated?

3 A. Well, to the best of my knowledge, I had
4 a geologist in Oklahoma City that was doing deal
5 evaluation, and he was rather interested in handling
6 the negotiations on this. And he was in touch with
7 a Mrs. Sutton or Miss Sutton, or whatever it is, in
8 Doyle's office.

9 And we finally -- he almost became the
10 capacity of trying to broker it. "Well, I can get
11 you \$50,000.00." I said, "I don't want to be -- I
12 don't want to keep hearing these deals." I said,
13 "If you get me a check, cashier's check, for
14 \$50,000.00, I'll sell that 40 acres for the infill
15 well."

16 He said, "Okay. I think we can do
17 that." So I said, "Well, let's put a time frame
18 around it so it doesn't go on indefinitely." The
19 time frame came and went, and I said, "I don't want
20 to hear about it anymore."

21 Q. Who was the geologist?

22 A. Foraker.

23 Q. James P. Foraker?

24 A. That's correct.

25 Q. F-o-r-a-k-e-r?

1 A. Yes.

2 Q. These communications up through
3 Exhibit 3 have been between Hartman or Hartman's
4 office and you, Mr. Olsen, correct?

5 A. That's correct.

6 Q. Why was Mr. Foraker needed?

7 A. Because he's representing me on the
8 evaluation of it, and I'm forwarding these letters
9 to him and letting him handle the deal so that I'm
10 not involved in it really personally, pretty much
11 like he has Mrs. Sutton do it for him.

12 Q. I see. So you were utilizing his
13 geological skills?

14 A. Knowledge, yes.

15 Q. To evaluate the lease?

16 A. Yes.

17 Q. To see whether \$50,000.00 or \$22,000.00
18 or whatever was a proper value?

19 A. Yes, sir.

20 Q. And then since he had done the
21 evaluation, you let him go ahead and step in as your
22 representative on the negotiations?

23 A. Yes.

24 Q. How was he going to be paid?

25 A. Well, he had been evaluating all the

1 various things that come in, the drilling
2 opportunities. He's paid when he submits a bill, in
3 cash.

4 Q. Just for his time?

5 A. Yes.

6 Q. Not a percent of the amount that he
7 would get?

8 A. No, no.

9 Q. Now, did he keep you informed of the
10 various communications he had with Ruth Sutton of
11 the Doyle Hartman office?

12 A. Yes, he did.

13 Q. And did he tell you that around July
14 30th he had come to an agreement that \$50,000.00
15 would be an acceptable amount for the lease?

16 A. Yes, he did. Right.

17 Q. And then there were some conditions, I
18 think. He wanted a cashier's check?

19 A. Yes. That's correct.

20 Q. And a cashier's check had to be
21 delivered during banking hours and by October 1?

22 A. Yes, sir. I believe that's correct.

23 Q. And that was the time frame?

24 A. Yes, sir.

25 Q. October 1?

1 A. Yes, sir.

2 Q. And then did he tell you that, in fact,
3 he was sent a proposed assignment and bill of sale,
4 the paperwork for making the transaction?

5 A. I think that he did say that, yes.

6 (Deposition Exhibit No. 4 was
7 marked for identification)

8 Q. Just to keep things sort of in order,
9 I'm going to show you Exhibit 4 and ask you if you
10 received that.

11 A. Yes.

12 Q. Okay. So following the July 10, 1985
13 letter from Mr. Hartman, Exhibit Number 4, the
14 letter from Mr. Carr, July 22, 1985, informed you
15 that Hartman was going ahead with the compulsory
16 pooling case on the Number 4?

17 A. Yes, sir.

18 (Deposition Exhibit No. 5 was
19 marked for identification)

20 Q. Let me show you Exhibit Number 5 to your
21 deposition, Mr. Olsen. That's a letter of July 30,
22 1985, from Ruth Sutton to you?

23 A. Uh-huh.

24 Q. Did you receive that letter?

25 A. Yes, I'm sure I did. I don't remember

1 it precisely, but I think that I received it.

2 Q. Ms. Sutton, in that letter, is
3 discussing farmout terms as opposed to a cash buyout
4 of your property interest. Was that appealing to
5 you?

6 A. No, it was not.

7 Q. You wanted to go the cash-out route?

8 A. Yes, sir.

9 Q. Now, you knew that there was a case
10 filed before the Commission. And by Mr. Carr's
11 letter, which is Exhibit 4, you also knew the date
12 that the hearing was to be held, correct, July 31,
13 1985?

14 A. Uh-huh.

15 Q. Isn't that true?

16 A. Yes, sir.

17 Q. Why didn't you attend that hearing?

18 A. Well, first of all, this letter was
19 received and was signed for by my office. But July
20 is a very hot month, and I probably wasn't in my
21 office, and they read it to me on the phone maybe a
22 couple weeks later.

23 So I'm assuming that based on this being
24 July that I just wasn't notified of it by my own
25 people. Be whose fault that it may, it's my

1 responsibility, but I didn't get it.

2 Q. Had your office advised you concurrently
3 with receipt of the letter --

4 A. I still probably wouldn't have gone.

5 Q. Would you have sent a lawyer?

6 A. Yes, I probably would have done that,
7 yes.

8 Q. Why would you have done that?

9 A. Well, I want to represent my interest.
10 I think it should be handled properly.

11 Q. And with your experience in the business
12 and in OCD proceedings, you knew it was most
13 probable that if you were not there to oppose the
14 application, the application was going to be
15 granted?

16 A. It's vital to be there.

17 Q. Otherwise, the application would be --

18 A. I understand that. Yes, sir.

19 Q. And this letter, Exhibit 5, by Ms.
20 Sutton again says that the pooling hearing has
21 already been scheduled. So do you know whether your
22 office told you about that?

23 A. I can just assume that it's part of the
24 same -- handled in the same manner.

25 Q. Okay. In July, around this period that

1 we are talking about, late July, was Carol Murphy in
2 your office keeping you informed of the
3 conversations that she was having with Ruth Sutton
4 about a farmout agreement?

5 A. Donna Mariner was supposed to be doing
6 that. Carol was primarily a secretary, and she ran
7 the word processor. But she was not -- Donna
8 Mariner was supposed to be doing that.

9 Q. Well, let me ask you this. If Carol
10 Murphy informed Ruth Sutton that the farmout
11 agreement was acceptable to you, that was false. Is
12 that --

13 A. Well, not necessarily, because Donna
14 Mariner was supposed to be handling the lease files.
15 Carol Murphy, if she was involved in what we are
16 talking about, simply acted on the instructions of
17 Donna Mariner and said, "Well, call Ruth Sutton and
18 tell her so and so."

19 Q. I see. But Donna Mariner then would
20 have been in the position to make those kinds of --

21 A. The official capacity to represent me in
22 my lease files, yes, and negotiations.

23 Q. And to make decisions of that sort?

24 A. Yes, yes.

25 Q. So Donna Mariner would have been in the

1 position to represent you and make the decisions.
2 Carol Murphy would simply have been the messenger?

3 A. Now you've got it. That's it.

4 Q. Okay. And I suppose at some point Donna
5 Mariner would keep you advised of what she was
6 doing?

7 A. Yes.

8 Q. All right.

9 (Deposition Exhibit No. 6 was
10 marked for identification)

11 Q. This is Exhibit 6 to your deposition,
12 Mr. Olsen.

13 A. Okay.

14 Q. Take a look at that.

15 (DISCUSSION OFF THE RECORD)

16 Q. Have you been able to get through that,
17 Mr. Olsen?

18 A. Yes, I have. And I cannot say for sure
19 that I ever received this or the assignment. And I
20 will also add -- whether I should or not, I will add
21 an explanation that I rather suspect that Foraker
22 was acting now, instead of evaluation, is turning
23 himself into a partial broker and wants to submit
24 it. And I don't think I have a copy of that one. I
25 don't remember seeing it.

1 Q. Well, you should have, wouldn't you
2 agree?

3 A. Sure, I should have. Yeah. But I'm not
4 sure that I did.

5 MR. HENSLEY: Can we get off the
6 record and clear it up?

7 (DISCUSSION OFF THE RECORD)

8 (Deposition Exhibit No. 7 was
9 marked for identification)

10 Q. Exhibit 6 we have identified as a letter
11 from Ruth Sutton to James P. Foraker, September
12 20th. That was kind of small print that took awhile
13 to read that one over?

14 A. Yes, sir.

15 Q. Now, it is quite clear from that letter
16 that the subject in terms of what Hartman's office
17 was dealing with was two 40-acre tracts, correct?

18 A. That is what this letter says. The
19 position I had with Foraker was I did not have in
20 mind two 40-acre tracts.

21 Q. Okay. So evidently Mr. Foraker got off
22 on the wrong track, spelled t-r-a-c-k?

23 A. Yeah. We are saying things different.

24 Q. And Exhibit Number 7, would you identify
25 that, Mr. Olsen?

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(PAUSE)

A. Yes. I think I received that letter. I believe I have. Yeah.

Q. Do you recall that for good reason he had expected to see you soon after September 20th so that he could have gone over this matter with you?

A. I possibly implied I was going to be in Oklahoma City and that I would drop by and we would have lunch or have a meeting. That was the only -- I did not schedule him to come to Phoenix. I often go to Oklahoma City. So I think that possibly during the course of our conversation on this -- he is looking at four, five deals for me at the same time. This is just one of several. And I said, "Well, I will be up there, and I will talk to you later." So he puts that in his letter that we are going to get together. Now, that is an assumption. I don't want to swear to that.

Q. This time of the year, that is, October of 1985, you would have gone from living in Dallas to Phoenix?

A. Uh-huh.

Q. I'm interested in the sentence here that says -- and I quote -- "Pursuant to your instructions I have ceased work on the Carlson

1 project." Do you remember the conversation on that
2 subject?

3 A. It related to the time frame that we put
4 around it, that if I didn't have payment for it by
5 October the 1st, then cease work on it because the
6 deal was off.

7 Q. And here he received the letter on the
8 20th and --

9 A. Well, I didn't get this letter.

10 Q. No. In fact, by his October 4th letter,
11 he is only sending you the assignment and not the
12 letter. I mean, that's the way I interpreted it.

13 A. Yes, I think that's correct.

14 Q. But evidently there had been some
15 conversation between you and Mr. Foraker before his
16 October 4th letter, and that is what I'm asking.

17 A. I'm certain there had. I'm certain I
18 told him, "If you don't have a cashier's check
19 here" -- and I didn't want -- I'm getting a little
20 edgy about things going to him, because I sense that
21 there is too much going to him, and I'm not
22 getting -- being kept informed. I said, "I want the
23 assignment and cashier's check here." So I'm sure
24 that I fired him about this time.

25 Q. Okay. I take it you weren't pleased

1 with the way he was handling this transaction?

2 A. Not at all. And others to boot.

3 Q. So now what we have in early October is
4 you knew there would be an unopposed forced pooling
5 application before the OCD on July 31, 1985, in
6 Santa Fe, correct?

7 A. Yes.

8 Q. So you knew that it was about 99.5
9 percent sure that forced pooling would come about?

10 A. Yeah.

11 Q. And in early October, you also knew that
12 these negotiations to sell your interest in the
13 lease had come to an end?

14 A. Uh-huh.

15 Q. Okay. So your interest was force pooled
16 and --

17 A. Yeah, that's it. Force pooled.

18 Q. And what did you do to find out what was
19 going on as far as drilling that well into that
20 forced pooling proceeding?

21 A. I'm sure a period of time went by and
22 I'm not -- I really don't remember what I did at
23 this moment. I would have to refresh my memory to
24 correctly answer that question. And I just don't
25 have anything in front of me to stimulate it.

1 Q. Well, you knew that a well was being or
2 would be drilled at a cost that you thought was too
3 high?

4 A. Yes, sir, that's correct.

5 Q. Okay. Can you tell us any steps you
6 took in regard to asserting that position or
7 grievance in this period of time, let's say before
8 the end of 1985?

9 A. Well, I just fired my only oil and
10 gas man, so I'm just not loaded with technical
11 people to see what I'm doing. But I had -- I just
12 don't know. I'd have to search my files.

13 Q. Well, let's take a look in case your
14 files reflect any action like that.

15 A. Okay.

16 Q. Because they are here. And Mr. Ezzell
17 can tell us if they show us anything. If it's
18 nothing, it's nothing.

19 MR. EZZELL: Any objection or any
20 correspondence relative to the drilling of the well
21 after the well --

22 MR. GALLEGOS: Inquiry to Hartman,
23 hiring an attorney, doing anything.

24 MR. EZZELL: I have seen nothing
25 until Mr. Olsen hired the attorney who subsequently

1 referred him to us, which did not occur in 1985.

2 (Deposition Exhibit Nos. 8 - 9
3 marked for identification)

4 Q. Mr. Olsen, I'm going to hand you an
5 exhibit marked Number 8 to your deposition. It's
6 dated October 1, 1985. It appears to be a letter
7 from Ruth Sutton to you in Phoenix. Would you look
8 that over, please?

9 (PAUSE)

10 A. I definitely remember receiving this
11 one, yes.

12 Q. Okay. And it informs you that, in fact,
13 there was a hearing held on the application?

14 A. Uh-huh.

15 Q. And it also informed you what had gone
16 on in Hartman's offices, the perception of their
17 negotiations with Mr. Foraker that they had made a
18 deal, correct?

19 A. Yes.

20 Q. And would it be fair to say from your
21 testimony that Mr. Foraker had been off doing things
22 that --

23 A. In a different way, yes. I think it was
24 about this time that I had called Mr. Hartman. And
25 he was either out of town or unavailable or

1 something. And whether he got the call or not, I
2 don't know. But I remember in this period of
3 negotiation, I tried to talked to him myself.

4 Q. Okay. How about Ruth Sutton? Did you
5 try and talk to her?

6 A. No, I never tried and talked to Ruth
7 Sutton. Well, I may have now. I may have. I'm not
8 too sure. No, I didn't talk to Ruth Sutton. I was
9 going to talk to Doyle.

10 Q. Let me hand you Exhibit 9.

11 A. Okay.

12 Q. And that appears to be a letter of
13 October 4th, not from Ms. Sutton, but from Mr.
14 Hartman to you about this same subject of thinking
15 that a deal had been made to sell this Carlson
16 Federal lease?

17 A. I precisely remember receiving this
18 letter. And it further drove a wedge between us.
19 It included two 40's for \$50,000.00 rather than a
20 single 40 for an infill well for \$50,000.00.

21 Q. It says that Hartman had proceeded with
22 the drilling of the well. There was no question
23 about that?

24 A. Yes. But the \$50,000.00 he was talking
25 about in his letter included two 40 acres. And I

1 only wanted to sell one 40 acres for \$50,000.00.

2 Q. Why didn't you write Mr. Hartman at
3 least and say that, "I will sell you 40 acres for
4 \$50,000.00"?

5 A. Well, I really didn't think that there
6 would be much need, because I had tried to have
7 Foraker to express that we only had the one 40 for
8 sale, and I didn't want two 40's to go at that
9 price.

10 Q. But we know Mr. Foraker didn't express
11 that. And for that, you became dissatisfied with
12 him, correct?

13 A. Well, I --

14 MR. HENSLEY: Excuse me. I don't
15 understand that question. I think it's misleading.
16 Would you please restate it?

17 MR. GALLEGOS: Well, we --

18 MR. HENSLEY: I think Mr. Foraker
19 made it clear he did understand it was only 40 and
20 not 80. Exhibit Number 7, I think, shows that.

21 MR. GALLEGOS: Well, I don't think
22 it's clear that it does show that. But let's just
23 deal with my line of inquiry.

24 Q. The October 1 letter from the Hartman
25 office and the October 4 letter, 1985, were clear

1 statements that Hartman thought a deal had been made
2 for the lease for \$50,000.00, correct?

3 A. Uh-huh.

4 Q. Whether you agreed with it or not, you
5 understood that that was what was being said to you?

6 A. Yes. But I also felt that we were
7 getting further apart in that he was encompassing
8 more acreage than I had intended to put up for sale,
9 plus I felt that it would be a waste of time to
10 write a letter to answer this particular one. Since
11 he is setting out his side of it so clearly, I don't
12 think that there is anything I could have added in
13 writing or a telephone conversation that would have
14 brought us any closer together to buying that single
15 40 acres. He wanted \$22,000.00. I wanted to sell
16 that 40 acres for \$50,000.00.

17 Q. Well, the letters that we are talking
18 about here, Exhibits 8 and 9, are not simply saying,
19 "We would like to buy such and such land for so
20 much." They are saying, "We believe a deal was
21 made." That was communicating to you the position
22 that might raise some legal implications, wasn't it?

23 A. That was a great misunderstanding
24 because I never got any money. How can you make a
25 deal with no money?

1 Q. That's your answer, that a deal could
2 only be made with money?

3 A. Yes, sir.

4 Q. Not by agreement otherwise?

5 A. No, sir.

6 Q. Let me have then, if I may, the answer
7 to my question, which is why did you not respond to
8 these two letters, October 1 and October 4 of 1985?

9 A. The basic reason I did not respond is I
10 didn't think that we would be close enough together
11 by letter response to accomplish anything.
12 Someplace during this point I tried to call. And my
13 call -- and I'll call a couple of times. But if my
14 call is not returned, I don't call anymore.

15 So I had tried to call, or I'll come by.
16 I come to Midland pretty often. I'd come by his
17 office and see if we could negotiate. But I really
18 considered these letters not really sincere valid
19 offers.

20 Q. So --

21 A. I didn't respond to it.

22 Q. Now, there is something else you just
23 said that I want to follow up here. Are you saying
24 that you came by Mr. Hartman's office in Midland?

25 A. No, sir, I did not. I said I would be

1 available to.

2 Q. But you had to make that known to him
3 someway, did you not?

4 A. Well, I tried to by telephone a couple
5 of times.

6 Q. When did you try and phone him?

7 A. Well, I'm not precise, but I think it
8 was during the latter part of September or sometime
9 around October, because I did get both of these
10 letters, and I wanted to talk to him.

11 Q. What did you want to tell him?

12 A. I wanted to see if we could negotiate
13 and include both of them and bring the price up or
14 cut the acreage down.

15 Q. And what did you want to bring the price
16 up to?

17 A. I wanted \$50,000.00 each.

18 Q. That's what you would have liked to have
19 made a deal?

20 A. Yeah.

21 Q. And that was something that you could
22 have put in a letter of one paragraph and sent to
23 him?

24 A. Yes, but I didn't.

25 Q. You are acquainted with the mechanism

1 that the OCD employs in compulsory pooling cases
2 that is sometimes referred to as a penalty factor or
3 risk factor, are you not?

4 A. Yes, sir.

5 Q. And you know that force pooled
6 participants in a well quite frequently are assessed
7 a factor of that nature that may vary from 100 to
8 300 percent?

9 A. Yes, sir.

10 Q. You are acquainted with that. So
11 knowing what had gone on -- and I don't have to
12 review it all for this question -- we are aware
13 there was a well drilled and that you were certainly
14 being assessed some sort of penalty factor on those
15 costs?

16 A. Yes, sir.

17 (Deposition Exhibit No. 10 was
18 marked for identification)

19 Q. Would you mind identifying for us, Mr.
20 Olsen, Exhibit Number 10?

21 (PAUSE)

22 Q. Would you state what it is, please?

23 A. It's a letter from Campbell & Black of
24 Santa Fe, regarding case number -- addressed to me,
25 certified, Case Number 8769, application of Doyle

1 Hartman for compulsory pooling. Do you want me to
2 read the letter?

3 Q. No. November, 1985, would find you in
4 Phoenix, correct?

5 A. Yes, sir.

6 Q. And you received this?

7 A. Yes, I received it, yes.

8 Q. The notice is not only of the proceeding
9 but that there will be a hearing on this case on
10 November 21, 1985. You were informed of that?

11 A. Yes, sir.

12 Q. Okay. And what did you do to make
13 yourself a participant in that proceeding?

14 A. I did not participate. I did not have a
15 representative.

16 Q. Now, on the July 31 hearing, if I recall
17 your testimony, you think maybe you didn't hear from
18 your office on that until possibly the hearing was
19 already held. But in this instance, you had the
20 notice?

21 A. I think I had an opportunity to attend
22 that one if I had elected to.

23 Q. And even if you hadn't opted to attend
24 yourself, you could have obtained a lawyer to
25 represent your interest?

1 A. Sure.

2 Q. And your interest at that hearing would
3 have been to oppose the pooling of your interest or
4 at least oppose the drilling cost for the prospect
5 well, correct?

6 A. That's correct.

7 Q. Not attending and opposing the hearing,
8 you knew what the very probable results would be on
9 the application of Hartman; that is, the compulsory
10 pooling would be allowed?

11 A. Not necessarily. I had counsel in
12 Oklahoma City. It was Dames, Dougherty and -- what
13 is that lawyer's name that represented me? Sid
14 Groom. Sid Groom had some doubt as to whether the
15 forced pooling is the way it was being -- that it
16 was necessary to proceed with it at that time. Now,
17 I don't have correspondence. But in generality, he
18 indicated some doubt that the forced pooling was
19 that much of a problem. Now, for what reason, I
20 don't know.

21 Q. All right. I'm afraid I don't follow
22 you, what you are trying to say that he said.

23 A. I had Sid Groom representing me on this.
24 And he put it to one side that, "Don't worry about
25 the forced pooling at this time."

1 Q. Sid Groom is an attorney in Oklahoma
2 City?

3 A. Yes.

4 Q. And he does oil and gas work?

5 A. Yes.

6 Q. And by November of 1985, he was
7 representing you on the matters of the Carlson
8 Federal lease?

9 A. Yes.

10 Q. Okay. Why had you consulted with him?

11 A. Basically because I wanted revenue from
12 that lease on the same basis that I had been getting
13 revenue from it in the past. And by now my revenue
14 is dropping off.

15 Q. Okay. But I take it you were also
16 consulting with him as to the regulatory proceedings
17 involving the forced pooling?

18 A. That's correct.

19 Q. Had you consulted with Mr. Groom on or
20 about the time of the July proceedings involving the
21 Number 4 well?

22 A. I really doubt it. I don't think that I
23 had.

24 Q. But you did consult with him on the
25 proceedings involving the Number 5 well?

1 A. At a later date, yes.

2 Q. Did he advise you not to participate,
3 not to be an intervenor in the hearing in Case 8769?

4 A. No, he didn't, that I remember.

5 Q. So the answer to my original question is
6 that you knew what the very likely outcome would be
7 in this second case on the Number 5 well?

8 A. Yes.

9 Q. Geologically speaking, did you have any
10 reason to oppose the drilling of these wells? We
11 know your position on the cost. But I'm talking
12 about from a geology standpoint.

13 A. Well, it's somewhat of a tossup. That's
14 pretty close to El Paso's gas storage over there,
15 which is somewhat of a bonus. The other thing is
16 there is also a substantial water encroachment in
17 that area. And it takes some pretty good
18 engineering to go in and get the gas without getting
19 the water.

20 Q. What consideration had you given to
21 drainage of your reserves by offsetting wells where
22 you were only relying on these old wells, the 2 and
23 3 for production?

24 A. Well, the 2 and 3 seemed to have a very
25 reasonable ratio of return without knowing the

1 intent and the program of the new operator. I was
2 rather satisfied with the runs to date rather than
3 spending a lot of money and not knowing whether he
4 would ever get it back, with \$390,000.00 back.

5 Q. Would it surprise you if the data showed
6 that the Number 2 well had, for some period of time,
7 many months, been non-productive, that it was so
8 weak it couldn't buck the line pressure?

9 A. Well, there are ways to offset that with
10 compressor or rework or squeeze job or packer.
11 There's ways to handle that.

12 Q. Well, answer my question first.

13 A. Was I aware it was going down? Yes.
14 But I didn't necessarily -- that's a normal decline
15 situation, because you have got to do something to
16 keep the wells on production.

17 Q. Okay. So what you would have done was
18 to put on compression?

19 A. Well, you could have done that. There's
20 a lot of different avenues that all have different
21 ratios of return. But they need to be explored and
22 evaluated quite carefully.

23 (Deposition Exhibit No. 11 was
24 marked for identification)

25 Q. I'm handing you Exhibit 11, Mr. Olsen.

1 Would you mind identifying that? Just for the
2 record, state what it is.

3 A. Well, it's a letter from Ruth Sutton of
4 Doyle Hartman's office regarding the Carlson lease.

5 Q. All right. This letter was sent
6 certified mail and was on the third notice returned,
7 not picked up.

8 A. Okay. Well, this again involves more
9 acreage for the same amount of money. This would be
10 the equivalent of selling the other acreage for
11 \$22,000.00.

12 Q. How did you know what the letter said if
13 you never --

14 A. I didn't. I only surmise from his other
15 two letters that he was going to try to stimulate a
16 sale.

17 Q. So you refused the letter?

18 A. So I refused the letter.

19 Q. Let me ask you as a follow-up to this
20 Case 8769 for forced pooling, in order to drill the
21 Carlson Federal Number 5, did you take any steps to
22 ascertain what the costs had been on that well?

23 A. Not that I recall.

24 Q. And I'm talking about in 1985 or early
25 '86.

1 A. I didn't, no.

2 Q. You have since then, of course?

3 A. Not really, no.

4 Q. Didn't you have your auditors and lawyer
5 come to Hartman's office in the fall of 1987?

6 A. That's just to see what the expenses
7 were. Maybe I misunderstood your question.

8 Q. Well, first I was asking you about
9 whether you did that kind of thing in '85 or early
10 '86. You said no. But then I said, at a later time
11 you did examine into those costs?

12 A. You bet.

13 Q. Okay. In August of 1987, a petition was
14 filed before the New Mexico Oil Conservation
15 Division on your behalf to reopen Cases 8668 and
16 8769. Are you aware of that?

17 A. Yes, sir.

18 Q. Okay. Tell me what happened preceding
19 that in order for you to employ the Hinkle firm to
20 make that filing in your behalf?

21 A. I really don't understand the question.

22 Q. What did you do to --

23 A. That motivated me?

24 Q. Yes.

25 A. I wanted to get back on a pay status.

1 So I hired this firm to get me back on a pay status.

2 Q. Now, how long had you not been on a pay
3 status?

4 A. Since Doyle Hartman took over the
5 operation.

6 Q. And that was when?

7 A. I don't know. '84 or '85, whatever the
8 records indicate.

9 Q. January, 1985, when he took over from
10 Sun?

11 A. Yes, sir. If that's when he took over,
12 yes.

13 Q. And you haven't been on a pay status
14 since January of 1985?

15 A. No. I got some checks from Doyle. I
16 was on a pay status. But the production -- things
17 started dropping off shortly thereafter.

18 Q. Within, what, a few months after January
19 of '85?

20 A. Yes.

21 Q. So what did you provide to the Hinkle
22 firm so they could see about getting you back on a
23 pay status?

24 A. I provided them to the best of my
25 ability with the existing records that I had at that

1 time, which were rather marginal.

2 Q. The application filed in the OCD in
3 August of 1987 describes Case 8668 and the order in
4 that case. And it also describes Case 8769 and the
5 order entered in that case. Did you have those
6 orders?

7 A. Sir, I'm sure I did, but I don't know.
8 I didn't specifically note them in my own mind and
9 make a record of them.

10 Q. They were obtainable by you at any time
11 from the OCD, correct?

12 A. Yes.

13 Q. And there is no other explanation as to
14 motivating circumstance so that you surfaced in this
15 matter in August of 1987, except you decide you want
16 to get back on a pay status?

17 A. The money is the only thing I'm
18 interested in, getting this thing cooking,
19 maintaining the production.

20 Q. And it had been since the spring of 1985
21 that you hadn't been on a pay status?

22 A. Yes, that's correct.

23 Q. Did you have a gas purchase agreement
24 with the pipeline purchaser of the gas from the
25 Carlson leases?

1 A. Yes.

2 Q. And that purchaser was who?

3 A. El Paso.

4 Q. And as a result of that purchase
5 agreement, your gas was sold by you and purchased by
6 El Paso. You were paid by El Paso, correct?

7 A. Yes.

8 Q. The checks were coming directly to you?

9 A. Yes.

10 Q. Okay. That was true whether Doyle
11 Hartman was operator or Sun was operator. Isn't
12 that true?

13 A. No. That's not necessarily correct.
14 Sun had been making payments, then Doyle had been
15 making payments. Now, in the process, Doyle and I
16 have a falling-out over the way things are being
17 handled, so I have El Paso pay me direct. And they
18 did for a short period of time.

19 Q. Does that refer to the point where
20 Hartman paid you for the gas production and El Paso
21 also paid you for the gas production?

22 A. Yes, that's correct.

23 Q. And you kept both checks?

24 A. That's right. Yes, sir.

25 Q. Okay. And then from that point forward,

1 which would have been, what, the spring of 1986, El
2 Paso was paying you directly?

3 A. Yes, but they did only for a very short
4 period of time. And then they put the revenues in
5 suspense.

6 Q. El Paso did?

7 A. Yes. They didn't continue to pay me
8 indefinitely.

9 Q. Well, what did you do about El Paso
10 holding your revenue?

11 A. Went to them about it.

12 Q. And them being the Hinkle firm?

13 A. Yes.

14 Q. And what did they do about it?

15 A. Gave it a great deal of study.

16 Q. And sent you bills. Sent a bill every
17 month?

18 A. Yes.

19 Q. Well, what happened besides that?

20 A. Well, I'm still not back on a pay status
21 with El Paso. And, frankly, I don't know how I
22 stand with El Paso. It's so mixed up and confusing,
23 I don't know how I stand with anybody. I would like
24 to get it all straightened out with everybody. I'm
25 not trying to hold anybody's revenue. But by the

1 same token, I would like to get it straightened out.

2 Q. Are you saying you are still in suspense
3 with El Paso?

4 A. I'm still in suspense with El Paso. Oh,
5 sure.

6 Q. Mr. Olsen, did you get the February,
7 1986 notice to sellers that El Paso sent out telling
8 you how rough things were for them?

9 A. Yeah.

10 Q. And were you aware in March of 1986 they
11 essentially shut in all the production in Lea
12 County?

13 A. Yes, but I'm used to that. I didn't pay
14 much attention to it. I have a lot of shut-in gas
15 wells in different places.

16 Q. It didn't bother you?

17 A. No.

18 Q. I guess then you weren't aware of Mr.
19 Hartman obtaining an injunction that went into
20 effect April of 1987, requiring El Paso to produce
21 those wells and pay the contract prices?

22 A. No, sir, I really wasn't. I didn't give
23 it that much time.

24 Q. Who is Garold Bowlby?

25 A. That's the gentleman down at the end of

1 the table. That's my CPA.

2 Q. Where does he live?

3 A. He lives in Norman, Oklahoma.

4 Q. How long has he been your CPA?

5 A. Oh, for at least 25 years.

6 Q. And does he handle the financial and
7 accounting matters pertaining to your oil and gas
8 business?

9 A. Well, he audits, recommends, and
10 advises. Yes, he does.

11 Q. Okay. And, of course, he was doing that
12 for you in 1985?

13 A. Yes, years ago.

14 Q. Any reason in 1985, after you knew you
15 were force pooled on these wells and knew they had
16 been drilled under an estimated expense that you
17 thought was too high that you didn't have Mr. Bowlby
18 go in and do a joint interest audit?

19 A. Well, the material available to us is
20 the older files. Now, whether it was an internal
21 mistake, whether the files were deliberately lost or
22 thrown away as a result of being fired, which I
23 haven't ruled that out, but that is why I have come
24 up with a void in my files during the period with
25 Carol Murphy.

1 But I sincerely wanted Carol -- I sent
2 Mr. Bowlby and an accountant, an assistant, to El
3 Paso to try to find out. El Paso is scared to death
4 to say anything because they don't know what
5 their -- if they even knew it. I'm not sure that
6 they knew what to say. But if they did, they're not
7 going to tell me doodley, anything.

8 So I sent the same group to audit Doyle
9 Hartman's office to try to find out where we stand
10 and didn't do any better there. So I still don't
11 know where we stand as to who owes who what and for
12 how much.

13 Q. With all due respect, you really lost me
14 with that answer.

15 A. I didn't intend to.

16 Q. I asked about sending somebody the joint
17 interest billing in 1985, and you talked something
18 about the files got lost and the person you fired
19 and El Paso and -- let's go back. I'm sure you were
20 trying to give an answer.

21 A. I was.

22 Q. I just wasn't following you. Let's take
23 it a step at a time. Okay. You are saying
24 something happened in your own Phoenix office as to
25 your records?

1 A. Yes.

2 Q. What happened?

3 A. They're just not available on this
4 lease.

5 Q. And you attribute that at least possibly
6 to this Carol Murphy who you had to fire?

7 A. It's possible. I don't want to pin it
8 that tight, but I have that suspicion.

9 Q. But you have been in this business a
10 long time, and you know as a working interest owner
11 that you have got the right to go in and make a
12 joint interest billing audit of the operator's
13 records?

14 A. Oh, I haven't been able to do that that
15 easy. That is easier said than done. I mean, you
16 can go in, but to put it all together just doesn't
17 work quite that easy. It sounds very easy, but it
18 doesn't work that well.

19 Q. Well, let's break that down then.

20 A. Okay.

21 Q. First of all, you recognize that you
22 have the right to go in and examine the books at any
23 time?

24 A. Oh, sure. We did that.

25 Q. But what you are saying is sometimes

1 that's not -- or that's difficult as far as what you
2 get from the examination?

3 A. Yeah.

4 Q. All right. Now, the fact remains that
5 in 1985 you did not request or instruct Mr. Bowlby
6 or anybody else to make a check of the expenses and
7 production or anything like that?

8 A. Right.

9 Q. And the fact remains in 1986 you did not
10 take such a step?

11 A. To the best of my knowledge, I didn't,
12 no.

13 Q. So is it accurate to say that it was the
14 fall of 1987 before you had anybody in your behalf
15 examine into the expenses, costs, and revenues on
16 these wells?

17 A. Yes.

18 Q. And when you did that, it was Mr. Bowlby
19 who you requested to do it?

20 A. Uh-huh.

21 Q. All right.

22 MR. EZZELL: As a matter of
23 clarification, by these wells, you are referring to
24 the 4 and 5 and not 2 and 3?

25 MR. GALLEGOS: Well, all of them. By

1 that, the Carlson lease wells, because I think
2 that's what -- he examined all four of them.

3 MR. EZZELL: Okay.

4 Q. (By Mr. Gallegos) He was asked to look
5 into all four of them, isn't that right?

6 A. Sure.

7 MR. EZZELL: But there was a lot of
8 prior correspondence with respect to the 2 and 3 and
9 not the 4 and 5.

10 MR. GALLEGOS: I don't dispute that.

11 Q. Do you have any correspondence relating
12 to the examination of the financial records or the
13 audit, as we might call it, to be done in your
14 behalf by Mr. Bowlby on the Carlson lease wells?

15 A. I'm sure he wrote me a letter in the
16 form of a report of his conclusion of what he found.
17 I couldn't begin to give you a date on it or the
18 total that he put in the material of the letter.
19 But I would have a letter from him, yes.

20 MR. GALLEGOS: Could we see any
21 correspondence, Mr. Ezzell, which would also include
22 engaging Mr. Bowlby to do this audit?

23 MR. EZZELL: I don't know that we
24 would have anything, but I'll look.

25 (DISCUSSION OFF THE RECORD)

1 (Deposition Exhibit No. 12 was
2 marked for identification)

3 Q. Let me hand you a copy of what has been
4 marked as Exhibit 12 to your deposition. It's a
5 letter from Ben Wilcox to Mr. Bowlby, dated October
6 6, 1987, and ask if you have ever seen that.

7 (PAUSE)

8 A. Yes, I have seen this.

9 Q. And how did it come to be provided to
10 you?

11 A. I would assume that I got probably two
12 copies. One would be that Mr. Bowlby would have
13 sent me a copy. And the other would be that Doyle
14 Hartman's office would send me a copy.

15 Q. Were you having any trouble getting
16 information that you wanted?

17 A. No, sir. They were very cooperative.

18 (Deposition Exhibit No. 13 was
19 marked for identification)

20 Q. And this is Exhibit 13. Would you
21 identify that, please?

22 (PAUSE)

23 A. Okay. Yes, I have seen that, and I have
24 a copy of that.

25 Q. And were you made aware by your audit

1 team visiting the Hartman offices as to Well Number
2 4 and Well Number 5, they were provided with the
3 C-115's for proof production, with the expenses from
4 the well files?

5 A. Yes.

6 Q. With settlement statements to show all
7 the revenues?

8 A. Yes.

9 Q. Okay. And the pay-out files?

10 A. Yes.

11 Q. Now, this report from Mr. Bowlby is
12 styled as being tentative and rough. But was this,
13 in fact, the only report you received from him in
14 this audit? And you might consult with him if you
15 want to.

16 A. This was it, sure.

17 MR. BOWLBY: To my knowledge, that's
18 it.

19 A. That's it. Yeah.

20 MR. BOWLBY: Unless Calder has
21 something else.

22 Q. I haven't added these items up, Mr.
23 Olsen, but even if the exceptions on the 4 and 5
24 that Mr. Bowlby alludes to are all legitimate, it
25 comes far from making the drilling of the wells at a

1 cost of \$300,000.00 or less. You agree with that,
2 don't you?

3 A. Well, let's see. I have never thought
4 of it that way.

5 Q. About how much was in question?

6 A. To try to answer that question correctly
7 and not knowing other things that might be involved,
8 it would only be an assumption that that would be
9 correct at this time, because I'm not taking all
10 factors into consideration.

11 Q. Let me ask the question this way.

12 A. Okay.

13 Q. What did you learn and conclude from the
14 audit results on the 4 and 5 well that were provided
15 you in November of 1987?

16 A. I take all audits with a grain of salt,
17 because I think there might be other things that are
18 left out or need to be included, or I'm prepared for
19 surprises. So I saw some figures there, but to me
20 they weren't struck on stone by God. I mean, I saw
21 some figures, but I wasn't that impressed with any
22 figures that I saw from anybody. No disrespect.

23 Q. Well, you weren't satisfied with the
24 work done by Mr. Bowlby?

25 A. Well, I just took them rather lightly.

1 I mean, I paid for them, but they are just figures.
2 And I did not consider them gospel, because I
3 thought we might find something later on that might
4 contradict these figures.

5 Q. Well, having this information as a
6 result of the audit that you called for, did you
7 decide that you wanted to be a participant in the
8 well, a voluntary participant in the well? I should
9 say wells, the 4 and the 5.

10 A. Well, based on the experience that I had
11 had with corresponding and getting things done with
12 Doyle Hartman, I wasn't enthusiastic about becoming
13 a partner with him as operator.

14 Q. Okay. So you took no steps after
15 receiving this audit report in November of 1987 to
16 express to Doyle Hartman that you wanted to be a
17 voluntary participant in the well?

18 A. Right. I didn't want to be a voluntary
19 participant, because I had to get a court order to
20 get in there to get an audit. And I thought, well,
21 it's going to be difficult to get along as a working
22 partner when the records are not available to you
23 freely for the first go-around.

24 Q. What are you referring to when you say
25 you had to get a court order?

1 A. Well, at one time I had to go to
2 considerable lengths to get in to get the
3 information on the wells at all.

4 MR. EZZELL: We filed the action.

5 Q. Mr. Ezell is saying that you filed a
6 lawsuit.

7 MR. GALLEGOS: Isn't that what you
8 are saying, Mr. Ezzell?

9 MR. EZZELL: We did not get a court
10 order. They were very cooperative.

11 Q. (By Mr. Gallegos) Doesn't Mr. Wilcox's
12 letter that you have already looked at, said you got
13 a copy of, say to Mr. Bowlby, "In response to your
14 telephone conversation, here are these items, and we
15 invite you to perform an audit"?

16 A. We tried to get in there before, and it
17 hadn't been quite that easy. They postponed dates.
18 There would be foot-dragging. And it was not that
19 easy. It sounds rather easy based on this letter.
20 But it was not that easy to get into Hartman's
21 office to get these figures.

22 Q. You didn't have to get a court order to
23 do it?

24 A. No, no.

25 Q. And just so the record is very clear on

1 this, once it was done -- I won't argue with you
2 about what you had to do to do it. But once it was
3 done, it was your decision that you did not want to
4 be a voluntary partner, as you put it, or joint
5 interest participant in the wells, the Number 4 and
6 the Number 5?

7 A. That's correct.

8 Q. Okay. And the fact that the Number 4
9 well was drilled for a cost of some \$16,000.00 less
10 than the AFE and the Number 5 for some \$75,000.00
11 less than the AFE makes no difference to you?

12 A. No.

13 MR. GALLEGOS: Okay. Let me just
14 have a couple of minutes here, and maybe we are
15 about finished.

16 (RECESS)

17 MR. GALLEGOS: That concludes my
18 questions for Mr. Olsen.

19 MR. HENSLEY: I have got a few
20 clarifying questions.

21

22 EXAMINATION

23 BY MR. HENSLEY:

24 Q. Mr. Olsen, we have just been talking
25 about two exhibits here, Exhibits 12 and 13. Let me

1 be sure I have got the right exhibits. And if I
2 understood exactly what the questions and answers
3 were relative to these exhibits, Mr. Gallegos was
4 asking you whether or not you wished to voluntarily
5 participate in the cost of drilling these wells
6 after your receipt of this information. Is that
7 what you understood those questions to be?

8 A. Yes.

9 Q. Let me ask you this. Has there been a
10 discrepancy in the well cost information which you
11 have received out of Mr. Hartman's office? Has
12 there been one report, for example, that indicated
13 that the well cost was like over \$600,000.00?

14 A. Yes.

15 Q. And was that a communication which
16 showed that your share of the well cost was over
17 \$140,000.00?

18 A. Yes.

19 MR. GALLEGOS: You are asking him a
20 dollar per dollar share or a risk penalty share?

21 MR. HENSLEY: Dollar per dollar, I
22 assume. I can show you where --

23 MR. GALLEGOS: I think you are
24 misreading something.

25 MR. HENSLEY: Maybe so.

1 MR. GALLEGOS: Well cost with a 200
2 percent penalty on it, of course, is going to look
3 different than a dollar per dollar cost.

4 MR. HENSLEY: Well, let's just mark
5 this.

6 (Deposition Exhibit No. 14 was
7 marked for identification)

8 Q. Let me hand you what has been marked for
9 identification as Deposition Exhibit Number 14. Is
10 this information, as far as you know, Mr. Olsen,
11 that was furnished to your audit team by Mr. Hodge
12 in Mr. Hartman's office?

13 A. Yes.

14 Q. And does this show that the well cost on
15 the Federal Number 4 -- what does it mean when it
16 says, "Well cost on Carlson Number 4 since
17 inception. Olsen's 25 percent. \$146,919.00"? What
18 does that mean to you?

19 MR. GALLEGOS: We are reserving
20 objections. I don't think he can interpret what
21 somebody else means, but --

22 MR. HENSLEY: Well, I'm asking what
23 it means to him. It was submitted to him pursuant
24 to our request for information.

25 A. Well, without reviewing it in its

1 entirety, I don't know how to answer the question.

2 Q. Let me ask you again, did you receive
3 other information which indicated that the costs
4 were below \$400,000.00, for example, total well
5 costs?

6 A. Yes.

7 Q. And based on the communications which
8 you did receive in connection with the cost of the 4
9 and 5 Carlson wells, have you been concerned about
10 what the real cost of the two wells were?

11 A. Yes.

12 Q. And as a consequence of that, did you
13 authorize your attorneys to proceed with the filing
14 of the petitions which Mr. Gallegos made reference
15 to in September of 1987 with reference to reopening
16 Cases 8668 and 8769?

17 A. Yes, sir, I did.

18 Q. And is it your understanding of the
19 purpose of those petitions to get all this matter
20 clarified and to see if there had been compliance
21 with the OCD orders by Mr. Hartman?

22 A. Yes, sir.

23 Q. And if there had not been compliance,
24 and if you are given the opportunity by the OCD to
25 participate in the cost of those wells, will you

1 favorably consider that opportunity?

2 A. Yes, sir.

3 Q. Okay. Now, let me go back and try and
4 clarify a couple of things. Let's look at Number 3.
5 There had been a number of questions which have been
6 addressed to you by Mr. Gallegos and a number of
7 responses by you concerning the so-called
8 misunderstanding, if you will, on your part
9 concerning whether it was 40 acres involved in Mr.
10 Hartman's proposal or 80. Do you recall all those
11 questions and your answers?

12 A. Yes, sir.

13 Q. Let me direct your attention, Mr. Olsen,
14 to this particular Exhibit Number 3 to your
15 deposition. Does this exhibit purport to relate
16 only to 40 acres being the Southeast quarter-
17 Southeast quarter of Section 23?

18 A. It indicates 40 acres in the regard.

19 Q. And this is where the proposal of Mr.
20 Hartman is again reiterated for \$22,500.00?

21 A. Yes, sir.

22 Q. Now, directing your attention to
23 Deposition Exhibit 7 to your deposition, this is a
24 letter of October 4, 1985, from Mr. Foraker to
25 yourself. Did you receive that?

1 A. Yes, sir.

2 Q. And is there a communication contained
3 in this letter to you indicating a mix-up with
4 respect to whether there is 40 acres or 80 acres
5 involved in Mr. Hartman's proposed offer?

6 A. It clearly states 40 acres.

7 Q. Okay. And was it your understanding at
8 all times material in connection with your
9 communications with Mr. Foraker that the proposal
10 from Mr. Hartman, when it was raised to \$50,000.00,
11 involved only 40 acres, being the Southeast-
12 Southeast quarter?

13 A. That was my intent. 40 acres only for
14 the \$50,000.00.

15 MR. HENSLEY: Okay. No further
16 questions. Thank you.

17

18 FURTHER EXAMINATION

19 BY MR. GALLEGOS:

20 Q. Mr. Olsen, you wanted Mr. Bowlby and his
21 people to audit the Hartman records so you could
22 find out what the actual costs had been for the
23 drilling of the Number 4 and the Number 5 well.
24 Isn't that right?

25 A. Yes.

1 Q. And he provided that information to you,
2 did he not?

3 A. Yes.

4 Q. And while it may not be in mind right
5 now as to those numbers, whatever they were, your
6 testimony has been that you weren't interested in
7 being a partner with Mr. Hartman. Isn't that true?

8 A. No, that's not correct. I didn't intend
9 to leave that impression. I would like to be a
10 partner with Mr. Hartman, could we get these figures
11 together and sit down and have a meeting.

12 Q. Well, unless you have a specific
13 recollection from the audit results, if you will
14 assume for me the number -- the cost, the actual
15 cost in the Number 4 well was \$374,000.00, was that
16 an acceptable amount to you?

17 A. Well, there are other figures involved.
18 I can't give you a direct answer. I'm trying to
19 figure out the total monies that had been paid to
20 date with El Paso and also some payments from Doyle.
21 And I don't know where I stand. So to give you a
22 precise -- taking that into consideration, I can't
23 give you a precise answer on that.

24 Q. Okay. Well, setting aside whether El
25 Paso has paid you or what has gone on on the Number

1 2 and 3 well, I'm just asking you about being a
2 voluntary participant in the Number 4 well, and
3 assuming that's within a thousand dollars here or
4 there, that \$374,000.00 was the cost in the Number 4
5 well. That's what was shown by the numbers. Is
6 that something that you want to voluntarily
7 participate in to the tune of 25 percent?

8 A. Yes. I wanted to participate in that
9 well to reserve and protect my 25 percent. But I
10 had run up against obstacles back in the early
11 stages of dealing with Doyle.

12 Q. Okay. Then since you wanted to do that,
13 once you had sent in Mr. Bowlby and his team and
14 they had obtained the actual costs, why did you not
15 take steps to express to Mr. Hartman that you wanted
16 to be a voluntary participant and to pay your share?

17 MR. HENSLEY: I'm just going to
18 object to the form of the question in that it
19 assumes that there is an unequivocation with respect
20 to the well costs for the 4 and 5. And I think Mr.
21 Olsen has explained that that is one problem which
22 is still up in the air, as far as he is concerned.
23 You can go on and answer the question, but it
24 assumes that there is no dispute concerning what the
25 actual well costs were.

1 A. There is no dispute about that.

2 Q. Okay. And so then being no dispute
3 about that, why did you not, when you had the audit
4 done and you had the results in November of 1987,
5 step forward and say, "Here I am. I want to pay my
6 share"?

7 A. I'm not sure that I would have had a
8 correct accounting with my share, and I'm not sure
9 we could have gotten along as partners, even had I
10 come forward at that point.

11 Q. And for that reason you didn't come
12 forward?

13 A. No, no. I wasn't solicited by him, on
14 the other hand. Why didn't he come to me and say,
15 "Well, look, you have 25 percent of this. Here is
16 the report on what we have been doing. And why
17 don't you come along and participate?" He never did
18 that.

19 Q. Well, you had the audit done to get the
20 costs, and you had those results.

21 A. But I didn't take the audit that
22 seriously.

23 Q. Okay. What you are suggesting is that
24 even with the audit done by your CPA, you still
25 don't -- you are still not comfortable that those

1 are correct numbers?

2 A. That's correct.

3 Q. And so if I ask you the same questions
4 regarding the Number 5 well, only if I represent
5 that the costs of that well would be within a few
6 thousand of \$311,000.00, the drilling of it, your
7 answers would be the same?

8 A. No, because that's a different well, and
9 there would be different reserves, and there would
10 be different things to consider.

11 Q. Okay. Then having your knowledge about
12 the reserves and having knowledge of the well costs
13 once an audit was done --

14 A. But I don't have the knowledge of the
15 reserves.

16 Q. You don't have the knowledge of the
17 reserves?

18 A. No. I don't know how many cubic feet
19 would be bankable under that 40 acres.

20 Q. I see. So what does that mean, that
21 you --

22 A. That means I don't know how many feet of
23 gas are down there.

24 Q. And so what have you done to find that
25 out?

1 A. I haven't paid much attention to it,
2 because I figured whatever it is, it's a stored
3 value, and it will be there for a long time or it
4 will get out whenever somebody drills for it.

5 Q. And as an experienced former operator
6 and a person in this business, you know how to find
7 out what those reserves are, don't you?

8 A. Yes, but you don't take them all that
9 seriously. Everybody has a different -- if you go
10 to nine engineers, you will get nine different
11 figures. If you go to nine lawyers, you will get
12 nine different solutions to your problem.

13 Q. So when do you ever make a decision?

14 A. Very slowly. Not all at once.

15 Q. And you didn't want to make a decision
16 in November of 1987?

17 A. No, not really.

18 Q. Are you ready to make a decision now?

19 A. I'm not sure. I don't think so.

20 Q. Okay. You don't think so?

21 A. No, sir.

22 MR. GALLEGOS: That's all the
23 questions.

24 MR. HENSLEY: Let me get a couple
25 more things in the record that should be on there.

1 (Deposition Exhibit No. 15 was
2 marked for identification)

3
4 FURTHER EXAMINATION

5 BY MR. HENSLEY:

6 Q. Just to clarify this matter, Mr. Olsen,
7 concerning the questions that were propounded to you
8 and your answers, relative to when Mr. Hartman took
9 over operation of the Carlson lease and whether he
10 paid you runs and the ensuing period when you got
11 some runs for a short period from El Paso, do you
12 recollect those questions and those answers that
13 dealt with that subject matter?

14 A. Yes, sir.

15 Q. As a matter of fact, El Paso ultimately,
16 in the summer of 1985, suspended all your runs from
17 those properties. Is that correct?

18 A. Yes, sir. That's correct.

19 Q. And if you will examine what I have
20 marked for identification as Deposition Exhibit
21 Number 15, can you tell me if the suspension of your
22 accounts was at the instance and request of Mr.
23 Hartman to El Paso?

24 A. It's my impression that Mr. Hartman put
25 the accounts in suspension. He requested El Paso to

1 do so.

2 Q. And is it your recollection that
3 finally, after communications between the Hartman
4 group and El Paso, he finally filed an operator's
5 lien and that resulted in a suspension of all runs?

6 A. Correct.

7 Q. You haven't received any runs since,
8 have you?

9 A. No.

10 MR. HENSLEY: That's all I have.

11 (Deposition Exhibit No. 16 was
12 marked for identification)

13

14 FURTHER EXAMINATION

15 BY MR. GALLEGOS:

16 Q. Now let me show you Exhibit 16.

17 A. Okay.

18 Q. And that's from El Paso to Hartman's
19 office, dated February 26. It copies you, Mr.
20 Olsen. It refers to Mr. Burr's letter of February
21 15th, does it not?

22 A. Yes, sir.

23 Q. And it says El Paso is not going to
24 comply with the request of Hartman to suspend your
25 payments. Isn't that right?

1 A. I'm not sure I have seen this letter.

2 Q. I'm not sure whether you have seen it
3 either, but it shows a copy to you.

4 MR. HENSLEY: Well, can we get off
5 the record a minute?

6 (DISCUSSION OFF THE RECORD)

7 A. I haven't seen that letter, for whatever
8 it's worth, whatever you want to do.

9 Q. Well, so we don't leave this dangling on
10 the record here, off the record counsel had a
11 discussion, and I think we are of the view that this
12 basically is not relevant to the Number 4 and 5
13 wells, and there is a question as to why El Paso
14 really suspended the money and El Paso has got the
15 money.

16 A. Okay.

17 Q. Hartman doesn't have it. I think we all
18 agree on that.

19 MR. EZZELL: On the 2 and 3.

20 MR. HENSLEY: That's right. We will
21 stipulate to that.

22 MR. GALLEGOS: Okay. I don't have
23 any further questions.

24 MR. HENSLEY: We don't have any more.

25 (WITNESS EXCUSED)

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

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

CASE NO. 8769 & 8668

COURT REPORTER'S CERTIFICATE
ORAL DEPOSITION OF HOWARD OLSEN
Taken August 25, 1989

I, Todd Anderson, Certified Shorthand Reporter for The State of Texas, do hereby certify that I am the deposition officer before whom this deposition was given; that the witness was duly sworn by me; that the transcript is a true record of the testimony given by the witness; that my charges for preparation of the completed original deposition transcript and any exhibits thereto are:

Original Deposition \$ 317.40
Copying of Exhibits \$ 15.75
To Be Paid by Hon. J. E. Gallegos

I further certify that the original deposition was:

Hand-delivered or sent via First Class Mail to the witness on the date shown on the bottom of this Court Reporter's Certificate, for examination and signature;

Hand-delivered or sent via First Class Mail to _____, attorney of record, on the date shown on the bottom of this Court Reporter's Certificate, for obtaining the signature of the witness;

1 [] Held in the offices of Permian Court
2 Reporters, Inc., the witness being notified on the
3 date shown on the bottom of this Court Reporter's
4 Certificate by U.S. Mail that he has 20 days to
5 appear in our offices so that he may examine and
6 sign the deposition.

7 [] I further certify that the witness failed
8 to sign and return the original deposition within 20
9 days, and that a copy of the deposition may be used
10 in lieu of the original.

11 [] I further certify that the witness signed
12 and returned the original deposition, and that the
13 original deposition, along with any corrections or
14 changes thereto, was hand-delivered or sent via
15 First Class Mail to the attorney who asked the first
16 question appearing in the transcript for safekeeping
17 and use at trial.

18 Witness my hand this 29th day of August, 1989.

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1 THE STATE OF TEXAS)
2 COUNTY OF _____)

3 I hereby certify that I have read the foregoing
4 deposition, and that this deposition is a true
5 record of my testimony given at this deposition,
6 together with any changes or corrections that I have
7 indicated in the spaces provided below and the
8 reasons for the changes. (DO NOT MAKE CHANGES ON
9 THE TRANSCRIPT. USE BACK SIDE OF PAGE IF NECESSARY)

7	PAGE	LINE	CHANGE OR CORRECTION	REASON FOR CHANGE
8	_____	_____	_____	_____
9	_____	_____	_____	_____
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19	_____	_____	_____	_____
20	_____	_____	_____	_____

21 _____
22 DEPONENT

23 SUBSCRIBED AND SWORN TO before me by the said
24 witness on this the _____ day of _____,
25 19____.

25 _____
NOTARY PUBLIC