

**Testimony before the Senate Utilities Committee**  
**Senate Bill 401**  
**March 11, 2004**

Senator Clark and members of the Senate Utilities Committee:

Statement of: Jim & Claudia Glass, d.b.a. Laird Properties, L.L.C.  
1805 West Illinois Avenue, Hutchinson, KS  
[glasss2001@hotmail.com](mailto:glasss2001@hotmail.com)

We have concluded that, in addition to the other items of concern, the information on the Senate Bill No. 401 needs to be further addressed as to the valuation of Personal Property Tax. Considering that the equation of value is obtained by the total yearly production of natural gas multiplied by the average price obtained there from, it seems strange that the renditions produced and sent out by Oxy USA, Inc. and Pioneer Natural Resources, Inc. each month are completely different for the same gas wells, that being the Laird B-1 and the Laird B-2 gas wells that we have an interest in on Section 30-28-33 in Haskell County, Kansas. That section of land is unitized as a 640 acre parcel that has only two gas wells, one of which is on the north half (Laird B-1) and the other on the south half (Laird B-2). Both Oxy and Pioneer are operators, and this is apparently a split-stream operation. However, as shown on the Haskell County Appraiser's rendition, Oxy USA, Inc. is the operator. According to our phone conversations with Julie Montgomery, the Royalty Owner's Representative from Pioneer, she does not have the authority to offer any assistance with our questions with regard to Pioneer's monthly payment renditions to Laird Properties, L.L.C. Ms. Montgomery insists that Oxy USA, Inc. is responsible for any errors or omissions since they (Oxy) are the operators.

When we discuss this issue with Ramona Myers of Oxy USA, Inc., the company's land technician, Ms. Myers has been somewhat helpful, but will not indicate any so-called "rules" of how we are treated by Pioneer Natural Resources, Inc. Ms. Myers has indicated to us several times that we need to speak to Pioneer representatives in regards to how they arrive at a total MCF volume from these gas wells which apparently do not match the MCF volume of Oxy USA, Inc. Even though all of the products taken from the two gas wells run through one meter that is electronically operated for each well that will indicate how many MCF are taken, and at what pounds of gauge pressure that gas is producing at the well head. The only way we could find out how many MCF of gas crosses the meter was by operating 'out of context,' that is, by going through non-traditional sources, and speaking to field supervisory personnel (people who read the meter on a daily or monthly basis) by phone conversations. That person was Bill Boone at phone number 620-356-3032. He indicated that the Laird B-1 shows 250 MCF per day, and the Laird B-2 shows 100 MCF per day, both of which had 8 to 9 pounds of gauge pressure on January 2, 2004. If these electronic meter readings are then correct, we should expect somewhere around 10,500 MCF per 30-day period, since he indicated that these were average production readings for a 24 hour period.

Then, as a result of our efforts over the past 3 years, and according to the Oxy USA, Inc. renditions sent to us each month, and the Pioneer Natural Resources, Inc. renditions, these anticipated volumes should be reflected on our royalty owner's check stub payment records. Sounds good, right? It has taken 3 years of off-and-on phone conversations with Oxy USA, Inc. for them to finally admit that they indicate twice as much MCF as what they actually receive and sell on our monthly renditions, but they only pay us 50% of the normal royalty in the declaration of the decimal interest.

Through these unofficial 'out-of-context' channels, we finally got hold of someone at the Pioneer Natural Resources, Inc. plant who indicated that he will have someone help him gather information about our gas wells, Laird B-1 and Laird B-2 in Section 30-28-33 in Haskell County, Kansas. Four days later, he called back and told us that it has been a long drawn-out experience obtaining information, even though he had help with this endeavor. Apparently Pioneer Natural Resources, Inc. obtains the gas from these wells through a pipeline system connected to a number of wells and then processes the wet gas to obtain liquid natural gas and helium, and then the dry gas and other products that remain is sold after that process of gathering and compression. The companies then double up the dry gas MCF, the liquid natural gas, and the helium that is extracted through this process, and then they only pay the royalty owner half of the value of the royalty interest in the decimal equation. Does this mean that a "one plus one" addition equation no longer results in two?

Now that we finally got all that figured out, we have finally come to the conclusion that "no wonder the land technicians and the royalty owner's representatives keep pointing fingers at each other" on how to answer our questions. After following through with the field representatives, then an Oxy USA supervisor contacted us from Houston to visit with us about this problem, and he finally admitted to us that he doesn't know why they do their accounting this way, either. When this is all over with and we finally run out of the Hugoton gas field production, the operators will pull up stakes and we will get the shafts. We believe that if the laws were changed so that the operators themselves also become educated, this will become a great provision in our law books for a long time, and then the operators of a split-stream gas production effort will have both oars in the water.

We urge your favorable consideration of SB 401.

Respectfully submitted,

/s/ Jim Glass

Jim Glass

Jim & Claudia Glass  
1803 West Illinois Avenue  
Hutchinson, KS 67501-7827  
1-877-669-5006; 1-800-613-3178