

*The following is an excerpt of an article that appeared in the Odessa American on January 29, 2004.**

Jury Awards Apache Millions in "Trailblazer" Case

In its lawsuit, Apache claimed Versado and Dynegy Midstream failed to account for almost 22 billion cubic feet of gas that Apache and other producers delivered from their wells in West Texas and eastern New Mexico. Versado and Dynegy were unable to account for 400 million cubic feet of gas produced by Apache. "What happened here is that Dynegy and Versado's records and their internal balance statements were so messed up, in the words of their own experts, they simply could not account for the gas," Harrison said. "And that's not an excused reason not to pay for the gas." David Byford, a spokesman for Dynegy Midstream, declined to comment on the case but said the company will appeal the verdict. While \$3 million may seem insignificant, it still affects Dynegy and Versado's bottom line, Harrison said. Plus, the finding of willful deception means Apache can now seek punitive damages three times greater than the actual damages. And the liability may be greater still since Apache is entitled to recover its legal fees from the defendants.

Harrison said there could be similar suits filed against the two companies because Apache only accounted for 2 percent of the volumes that run through Versado's gathering and processing system. "If the other producers seek recompense, you've got to multiply that number times 50 to make up for the other 98 percent," he said, adding that he knew of now other lawsuits having been filed. The case was heard by Judge Bruce Oakley in 234th District Court, Harris County. Dynegy Midstream has a 63-percent interest and ChevronTexaco has a 37-percent interest in Versado; Dynegy Inc. has a 100-percent interest in Dynegy Midstream. ChevronTexaco was not a party to the lawsuit. Dynegy Midstream is responsible for paying damages, Harrison said. Susman Godfrey is representing several counties in West and South Texas, including Ector and Midland, in a lawsuit against Exxon Mobil, ChevronTexaco, ConocoPhillips, their transportation affiliates, if any, and numerous large independents. The lawsuits claim the oil companies defrauded the counties by underreporting the value of their oil and gas properties in order to reduce their property taxes. The case has been assigned to Judge Jay Gibson's 70th District Court. A hearing to discuss the possibility of a mediated settlement is scheduled at 10:30 a.m. Feb. 20. Given that case, the Apache lawsuit and others filed against producers, Harrison said the question of "What the hell is going on in the oil patch?" is a good one. "I don't have an explanation for why a lot of the large oil and gas processing companies seem to get it wrong when it comes to accounting, seem to get it wrong when it comes to pricing and seem to get it wrong and not properly pay their producers," Harrison said. "I don't know why that is. I do know that it is not right. And I do know when the companies don't right their wrongs outside of court, my partners and I are happy to do what we can inside the court."

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