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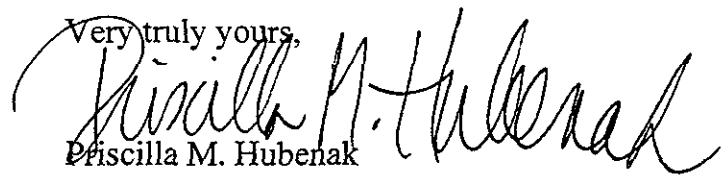
Mr. Gary E. Smith
GRAHAM, BRIGHT & SMITH, P.C.
Two Lincoln Centre
5420 LBJ Freeway, Suite 300
Dallas, Texas 75240

Re: Cause No. 15,815; *State of Texas v. U.S. Energy Corporation of America, Inc.*,
in the 109th Judicial District Court, Andrews County, Texas

Dear Mr. Smith:

Enclosed please find the Response of Plaintiff State of Texas to Requests for
Disclosure in the above-referenced cause.

If you have any questions, please do not hesitate to call me.

Very truly yours,


Pfiscilla M. Hubenak
Assistant Attorney General
Natural Resources Division
512/475-4160
512/320-0911 (Fax)

PMH/mbi

Enclosures

cc: Nora Ochoa Evans, The University of Texas System w/o attachments

Cause No. 15,815

STATE OF TEXAS,	§	IN THE DISTRICT COURT OF
Plaintiff	§	
	§	
V.	§	ANDREWS COUNTY, TEXAS
	§	
U. S. ENERGY CORPORATION	§	
OF AMERICA, INC.,	§	
Defendant	§	109 th JUDICIAL COURT

**RESPONSE OF PLAINTIFF STATE OF TEXAS TO
REQUESTS FOR DISCLOSURE**

TO: Defendant U. S. Energy Corporation of America, Inc., by and through its attorney of record, Gary E. Smith, GRAHAM, BRIGHT & SMITH, P. C.; Two Lincoln Centre, 5420 LBJ Freeway, Suite 300, Dallas, Texas 75240.

Plaintiff State of Texas ("State") submits this its Response to Requests for Disclosure served upon the State by Defendant U. S. Energy Corporation of America, Inc. ("U.S. Energy").

RESPONSES TO REQUESTS FOR DISCLOSURE

Rule 194.2(a):

The correct names of the parties to the lawsuit:

Plaintiff: State of Texas, representing the Board of Regents of The University of Texas System on behalf of the Permanent University Fund.

Defendant: U. S. Energy Corporation of America, Inc.

Rule 194.2(b):

The name, address, and telephone number of any potential parties:

Duke Energy Field Services, LLC (formerly GPM Gas Services Company, LLC — Fullerton Measurement Group)
370 17th St., Suite 900

Denver, Colorado 80202-5609
% Duke Energy Field Services, LLC — Western Division
Fullerton Asset
HC 71, Box 5320
Andrews, Texas 79714
(915) 368-1970

Rule 194.2(c):

The legal theories and, in general, the factual bases of the responding party's claims or defenses (the responding party need not marshal all evidence that may be offered at trial):

The State is entitled to a declaration that State Leases No. 69375 and No. 72475, leases executed by the University to a predecessor-in-interest to U.S. Energy, have terminated pursuant to the terms of the two leases.

On Lease No. 69375, there was a period of 60 days in which there was no production of oil or gas from the lease. Thus, pursuant to its terms, the lease terminated. Despite the termination of the lease, U.S. Energy proceeded to resume production from the AZ Well No. 2 on the lease. Although U.S. Energy paid the University "royalties" on any gas (and associated oil) that was produced from this well, it did not pay the University for 100% of the production. Because Lease No. 69375 had terminated, at the time of the later production, the State was not a royalty owner but the owner of the minerals beneath the property that had been subject to the state lease and, therefore, was entitled to the value of 100% of any production after the termination. Additionally, the State is entitled to interest on its damages.

On Lease No. 72475, there was a period of 60 days in which there was no production

of oil or gas from the lease. Alternatively, production of oil and associated gas from Lease No. 72475 was not production in paying quantities. Thus, pursuant to its terms, the lease terminated. Despite the termination of the lease, U.S. Energy apparently claims to have resumed production of oil from the EM Well No. 1 on the lease. Although U.S. Energy paid the University "royalties" on oil that was allegedly produced from this well, it did not pay the University for 100% of such oil production. Because Lease No. 72475 had terminated, at the time of any later production, the State was not a royalty owner but the owner of the minerals beneath the property that had been subject to the state lease and, therefore, was entitled to the value of 100% of any production after the termination. Additionally, the State is entitled to interest on its damages.

Because these two State leases are no longer valid, U.S. Energy should not be producing oil or gas from the properties that were subject to the leases. Furthermore, U.S. Energy should properly shut-in and plug all wells located on the leases, and restore the properties to their original condition.

Finally, the State is entitled to its attorney's fees and expenses, and all costs of court.

Rule 194.2(d):

The amount and any method of calculating economic damages:

The State is entitled to damages equal to the value of 100% of any oil and gas produced from State Lease No. 69375 after December 14, 1999, and from State Lease No. 72475 after March 1, 1996. To compute these damages, the State has used as the value of any oil or gas produced and sold from the leases the price paid by the purchaser and received

by U.S. Energy based on the payment of royalties to the University for this same production. Through September 2001 production, the State has calculated that \$34,131.01 is due from State Lease No. 69375; additionally, the State is entitled to legal interest on these damages. On State Lease No. 74375, the State is not aware of any production; to any extent that any production may have occurred from the terminated lease, the State is entitled to the value of the hydrocarbons produced after the lease terminated, together with legal interest on the value.

The State is also entitled to reasonable attorney's fees and expenses, and court costs.

Rule 194.2(e):

The name, address, and telephone number of persons having knowledge of relevant facts, and a brief statement of each identified person's connection with the case:

1. Pamela Bacon
Attorney/former Section Manager Office of General Counsel, The University of Texas System
40 Sumac Lane
Los Alamos, NM 87544
(505) 662-8020/8007
Facts regarding termination claims on the EM Lease No. 72475.
2. Bryce Bales
Assistant Director of University Lands Accounting
University Lands-West Texas Operations
The University of Texas System
201 W. 7th Street, CLB 3.102
Austin, Texas 78701-2981
(512) 499-4700
Termination letters, calculation of damages, policy on depositing checks.

3. Jim Benson
Assistant Director of University Lands-West Texas Operations, Surface and Mineral Interests
The University of Texas System
University Lands – West Texas Operations
808 West Wall
Midland, Texas 79701
(915) 684-4404
Follow-up inspection of leases.
4. Tenzy Bradley
Marketing Coordinator – Austin
University Lands West Texas Operations
The University of Texas System
201 W. 7th Street, CLB 3.110-B
Austin, Texas 78701-2981
512-499-4751
Assisted in obtaining gas purchaser/gatherer information on AZ Lease No. 69375.
5. Richard Brantley
Lands and Oil Field Representative – Midland
The University of Texas System
University Lands – West Texas Operations
808 West Wall
Midland, Texas 79701
(915) 684-4404
Follow-up inspection of leases, obtained information from gas purchaser and gas gatherer on AZ Lease No. 69375.
6. Dave Campbell
Petroleum Engineer – Midland
The University of Texas System
University Lands – West Texas Operations
808 West Wall
Midland, Texas 79701
(915) 684-4404
Follow-up inspection of leases.
7. Stacey Cilek
Accounting Group Supervisor – Austin
University Lands West Texas Operations

The University of Texas System
201 W. 7th Street, CLB 3.112-A
Austin, Texas 78701-2981
512-499-4726
Payments of royalty, procedure for depositing checks.

8. Don Cox
Range Conservationist – Midland
The University of Texas System
University Lands – West Texas Operations
808 West Wall
Midland, Texas 79701
(915) 684-4404
Routinely inspected EM Lease No. 72475 and also gauged tanks on the EM Lease.
9. Grace Crum
Former Lease Analyst, Accounting University of Texas System
2703 Riley Street
Coleman, TX 76834
(915)625-3877
Sent out first termination letter on EM Lease No. 72475.
10. William H. Deso
3610 Andrews Hwy.
Midland, TX 79703
Former working interest owner in EM Lease No. 72475.
11. Phillip B. Dunn
Fullerton Gathering System Supervisor
Duke Energy Field Services LLC – Western Division
HC 71 Box 5320
Andrews, TX 79714
(915) 596-2705
AZ Lease No. 69375 gas purchaser, provided statement that gas sales opportunities were available for 10/15/99 – 2/28/00.

12. Mark Ehrlich
Railroad Commission of Texas Geologist
214 W. Texas, Suite 600
Midland, TX 79701-4619
(915)684-5581
Inspected leases and ordered that the AZ well be shut-in.

13. Nora Ochoa Evans
Attorney/Section Manager
Office of General Counsel
The University of Texas System
201 W. 7th Street, ASH-6th Floor
Austin, Texas 78701-2981
(512) 499-4748
Facts relating to termination claims, settlement letters.

14. Jim Evans
Lands and Oil Field Representative – Midland
The University of Texas System
University Lands – West Texas Operations
808 West Wall; Midland, Texas 79701
(915) 684-4404
Routinely inspected leases, gauged tanks on EM Lease No. 72475.

15. Jane Gill
P.O. Box 166
Montalva, TX 75853
(903) 549-2737
Former working interest owner in AZ Lease No. 69375.

16. Robert H. Hannifin
P.O. Box 2181
(may also be available at 200 N. Loraine, Suite 600)
Midland, TX 79702
(915) 684-5352
Former working interest owner in EM Lease No. 72475.

17. Don Hanvey
President
U.S. Energy Corp. of America, Inc.
P.O. Box 515894

Dallas, TX 75251-5894

(972) 661-1030

Responded to UT System's correspondence on lease termination, submitted gauge summary reports and corrected P-1s and UT-1s on the EM Lease No. 72475, and sent letter stating intent to plug EM Lease.

18. Steve Hartmann
Executive Director of University Lands-West Texas Operations-Midland and Austin
The University of Texas System
University Lands – West Texas Operations
808 West Wall
Midland, Texas 79701
(915) 684-4404
Follow-up inspection of leases, policy on depositing checks.
19. William E. Hendon, Jr.
306 W. Wall, Ste. 400
Midland, TX 79701
(915) 684-7128
Former working interest owner in AZ Lease No. 69375, with information on how U.S. Energy acquired the lease.
20. James Holtzclaw
Mineral Lease Specialist – Midland
The University of Texas System
University Lands – West Texas Operations
808 West Wall
Midland, Texas 79701
(915) 684-4404
Well operations/status, including whether drilling/reworking operations were being conducted and follow-up inspection of leases; gathered information on EM Lease No. 72475 well production, including pumper's data; coordinated with Railroad Commission staff on the status of the leases and wells.
21. Jack Huff
P. O. Box 50190
(or 4000 N. Big Spring, Suite 101)
Midland, TX 79710-0190 (79705)
(915) 683-9231
Former working interest owner in EM Lease No. 72475.

22. Margaret Ann Kidd
P.O. Box 1042
Vann, TX 75790
(903) 963-7286
Former working interest owner in AZ Lease No. 69375.
23. Joe Kuchinski
GPM Gas Corp.
P.O. Box 50020
Midland, TX 79710
Gas gatherer on AZ Lease No. 69375, received copy of the Railroad Commission order that shut in the AZ well.
24. Al G. Langford
P. O. Box 50968
(may also be available at 731 W. Wadley)
Midland, TX 79710-0968
Former working interest owner in EM Lease No. 72475.
25. Robert W. Lansford
606 ABO Drive
Hobbs, NM 88240
(505) 395-3056
Former working interest owner in EM Lease No. 72475.
26. T. L. Murphey
5720 N. Cypress Avenue
Midland, Texas 79764
(915) 530-0551
Provided pumping services for U.S. Energy on EM Lease No. 72475 and filled out pumper's gauge sheets.
27. Harm E. Musgrave
1415 Pheasant Run Ct.
Norman, OK 73072
(405) 329-3712
Former working interest owner in AZ Lease No. 69375 and EM Lease No. 72475.
28. Patsy Neidig
Land Records Supervisor – Austin
University Lands West Texas Operations

The University of Texas System
201 W. 7th Street, CLB 3.106
Austin, Texas 78701-2981
(512) 499-4714

Production dates, termination process, and termination letters.

29. Shane Posey
Administrative Assistant
U.S. Energy Corp. of America, Inc
P.O. Box 515894
Dallas, TX 75251-5894
(972) 661-1030
Submitted letters in response to UT System's lease termination letters.
30. Georgia Pruitt
Lease Analyst – Midland
The University of Texas System
University Lands – West Texas Operations
808 West Wall
Midland, Texas 79701
(915) 684-4404
Historical lease ownership, limited involvement in lease termination correspondence.
31. Ron C. Roetschke
5424 Basswood
Midland, TX 79707
(915) 697-8323
Former working interest owner in AZ Lease No. 69375.
32. Marlene Schatte
Senior Oil and Gas Analyst – Austin
University Lands West Texas Operations
The University of Texas System
201 W. 7th Street, CLB 3.112
Austin, Texas 78701-2981
(512) 499-4745
Lease production data.
33. Jan G. Singleton
1400 S. County Road 1127
Midland, TX 79706

(915) 570-9623

Former U.S. Energy employee — filled out original P-1s and UT-1s on EM Lease No. 72475 based on pumper's gauge sheets.

34. J. Dale Sump
Manager of Compliance
Office of Compliance
The University of Texas System
201 W. 7th Street, ASH-302L
Austin, Texas 78701-2981
(512) 499-4348
Termination letters, calculation of damages and preparation of schedules, policy on depositing checks.
35. J. M. Voegeli
Fullerton Asset Manager
GPM Gas Services Company
Fullerton Plant
HC 71, Box 5320
Andrews, TX 79714
(915) 596-2703
Gas gatherer on AZ Lease No. 69375, date when GPM discontinued taking gas from the AZ Lease No. 69375.
36. Jimmy R. (J. R.) White
3106 N. Big Spring--108
Midland, TX 79705
Former working interest owner in EM Lease No. 72475.

Rule 194.2(f):

For any testifying expert:

- (1) the expert's name, address, and telephone number;
- (2) the subject matter on which the expert will testify;
- (3) the general substance of the expert's mental impressions and opinions and a brief summary of the basis for them, or if the expert is not retained by, employed by, or otherwise

subject to the control of the responding party, documents reflecting such information;

(4) if the expert is retained by, employed by, or otherwise subject to the control of the responding party:

(A) all documents, tangible things, reports, models, or data compilations that have been provided to, reviewed by, or prepared by or for the expert in anticipation of the expert's testimony; and

(B) the expert's current resume and bibliography:

The State has not designated any testifying experts to date. The State will supplement this response should a testifying expert be designated.

Rule 194.2(g):

Any indemnity and insuring agreements described in Rule 192.3(f):

None.

Rule 194.2(h):

Any settlement agreements described in Rule 192.3(g):

See attached.

Rule 194.2(i):

Any witness statements described in Rule 192.3(h):

None.

Rule 194.2(j):

In a suit alleging physical or mental injury and damages from the occurrence that is the subject of the case, all medical records and bills that are reasonably related to the injuries

or damages asserted:

Not applicable.

Rule 194.2(k):

In a suit alleging physical or mental injury and damages from the occurrence that is the subject of the case, all medical records and bills obtained by the responding party by virtue of an authorization furnished by the requesting party.

Not applicable.

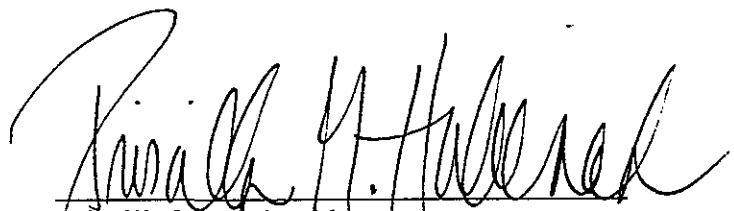
Respectfully submitted,

John Cornyn
Attorney General of Texas

Howard G. Baldwin, Jr.
First Assistant Attorney General

Jeffrey S. Boyd
Deputy Attorney General for Litigation

Karen W. Kornell
Assistant Attorney General
Chief, Natural Resources Division



Priscilla M. Hubenak
Assistant Attorney General
State Bar No. 10144690

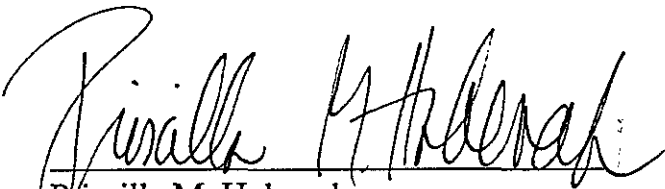
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Natural Resources Division
P. O. Box 12548, Capitol Station
Austin, Texas 78711-2548
512/463-2012
512/320-0911 (Fax)

**Attorneys for Plaintiff, State of Texas,
On behalf of the Board of Regents of
The University of Texas System**

CERTIFICATE OF SERVICE

I hereby certify that on this the 5th day of December, 2001, a true and correct copy of the foregoing Response of State of Texas to Requests for Disclosure was forwarded by U.S. Mail certified, return receipt requested, to the following counsel of record:

Gary E. Smith
GRAHAM, BRIGHT & SMITH, P. C.
Two Lincoln Centre
5420 LBJ Freeway, Suite 300
Dallas, Texas 75240
FAX: (972) 770-2156


Priscilla M. Hubenak