

This package of statements illustrates the same discrepancies as those in the other package, except they cover a different time period---July of 2002. Those discrepancies are the difference in price of irrigation gas reported to the royalty owner and charged to the irrigator, the use of the royalty interest to report the irrigation gas sold and the non-reporting of that royalty interest in the winter months, and the difference in reports between two companies sharing the production.

**BP America Production Company**

P.O. Box 591, Tulsa, OK 74102  
(918) 925-6005

3022  
002762

Check Date: 09-20-02

**Statement of Oil and Gas Purchased/Sold**

(Federal  
Detach a

Owner's Name  
Tax ID#:

Property Number	DOI Number	Purchased/Sold Mo Yr	Product Code	LC*	Quantity	Unit Price	Total Value	Production Taxes	Total Value After Tax	Decimal	Type Interest	Your Interest (- Indicates Deduction)		
												Gross	Net	
ATZLAFF	D UNIT 'A'													
7855700	00001	0702	201		968	24416	236343	11117	225226	009375000	OR	22157	21115	
7855700	00001	0702	201		968	24416	236343	11117	225226	002343740	RI	5539	5278	
ATZLAFF	D UNIT 'A'													
7855701	00002	0702	201		2693	24390	656822	30899	625923	004687569	OR	30789	29341	
7855701	00002	0702	201		2693	24390	656822	30899	625923	001171888	RI	7697	7335	
ATZLAFF	D UNIT 'B'													
7855800	00001	0702	201		5432	24110	1309632	52410	1257222	009375000	OR	122779	117865	
7855800	00001	0702	201		905	23618	213744	826	212918	002343750	RI	5010	4991	
<b>CONTROL NO. 04115808</b>														
<b>TOTAL</b>													<b>193971</b>	<b>185925</b>

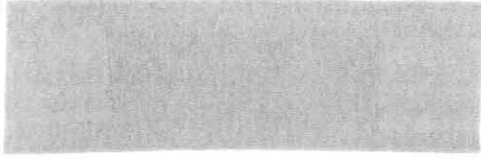
LC: 1 - Non-Resident Alien 2 - Ad Valorem Direct Recovery 4 - Utah State Tax 5 - Colorado State Tax 6 - Interest Paid 8 - OK - NR IT 9 - Oklahoma Alien Tax 10 - Backup Withholding Tax  
 13 - Cost and Charges 16 - Legal Expense 17 - Settlement Differences A1 - Contract Buy Out/Buy Down A2 - Lawsuit Settlement PR - Production Taxes EX - Extraction Taxes  
 PRODUCT CODES: 1XX - Oil (Bbls) 2XX - GAS (MCF) 3XX - Condensate (Bbls) 4XX - Plant Products (Bbls/Gals) 40D - Sulfur (Tons) 9XX - Injectants (Bbls)



**BP America Production Company  
Ulysses Operations Center**

2225 West Oklahoma Avenue  
Ulysses, Kansas 67880  
620-356-1237

**IRRIGATION GAS STATEMENT**



Accounting for 1 well.

Account 000900

BP America Production Company

P. O. Box 848113

Dallas, Tx 75284-8113

Statement Date: August 21, 2002

Billing from 06/25/2002 to 07/25/2002 at a gas price of \$2.44. Payment is due by 9/20/2002.

Previous Statement Balance	\$772.72
Payment received – Thank You	\$772.72
Balance after payments and adjustments	\$0.00

<u>Meter</u>	<u>Invoice</u>	<u>Wellname</u>	<u>Auto WHP</u>	<u>PF</u>	<u>BTU</u>	<u>Volume</u>	<u>Misc</u>	<u>Amount</u>
2000	02072000	RATZLAFF B 1	---	1.481	0.968	905		2,137.54
Current Month Total								\$2,137.54

Grand Total

Please pay this amount => \$2,137.54

**PLEASE NOTE: OUR NEW CHANGE OF ADDRESS FOR REMITTING ALL PAYMENTS**

**BP America Production Company**

**P.O. Box 848113**

**Dallas, Tx 75284-8113**

Form 5143B Mar-93

**BP America Production Company**

P.O. Box 591, Tulsa, Oklahoma 74102  
(918) 925-6005

**Statement of Oil and Gas Purchased/Sold**

(Federal and  
Detach and

WHEN THIS STATEMENT IS FILED, CHECK

Check Date: **01-20-03**

Owner's Name:  
Tax ID#:

**3691**

Property Number	DOI Number	Purchased/Sold Mo Yr	Product Code	LC*	Quantity	Unit Price	Total Value	Production Taxes	Total Value After Tax	Decimal	Type Interest	Your Interest (- Indicates Deduction)	
												Gross	Net
ZLAFF	D UNIT 'A'					KEARNY	KS						
55700	00001	1102	201		893	33286	297243	13686	283557	009375000	OR	27867	26584
55700	00001	1102	201		893	33286	297243	13686	283557	002343740	RI	6967	6646
ZLAFF	D UNIT 'A'					KEARNY	KS						
55701	00002	1102	201		2635	33347	878681	40453	838228	004687569	OR	41189	39293
55701	00002	1102	201		2635	33347	878681	40453	838228	001171888	RI	10297	9823
ZLAFF	D UNIT 'B'					KEARNY	KS						
55800	00001	1102	201		4666	33064	1542775	71062	1471713	009375000	OR	144636	137975
	CONTROL NO.				06255536					TOTAL		230956	220321

1 - Non-Resident Alien 2 - Ad Valorem Direct Recovery 4 - Utah State Tax 5 - Colorado State Tax 6 - Interest Paid 8 - OK - NR IT 9 - Oklahoma Alien Tax 10 - Backup Withholding Tax  
 13 - Cost and Charges 16 - Legal Expense 17 - Settlement Differences A1 - Contract Buy Out/Buy Down A2 - Lawsuit Settlement PR - Production Taxes EX - Extraction Taxes  
 PRODUCT CODES: 1XX - Oil (Bbls) 2XX - GAS (MCF) 3XX - Condensate (Bbls) 4XX - Plant Products (Bbls/Gals) 40D - Sulfur (Tons) 9XX - Injectants (Bbls)

LA JOLLA PROPERTIES ROYALTY DISTRIBUTION CALCULATIONS

LEASE NAME: D. RATZLAFF "B" #1

OWNER NAME: [REDACTED]

OWNER SHARE: 0.1406250

	MMBTU	PRICE/MMBTU	GROSS VALUE	PRODUCTION TAXES	NET AMOUNT DUE	YOUR SHARE
JULY, 2002	455	\$2.7600	\$1,096.23	\$58.57	\$1,037.66	\$145.92
AUGUST, 2002	425	\$2.4840	\$913.06	\$49.63	\$863.43	\$121.42
SEPTEMBER, 2002	635	\$2.7324	\$1,513.33	\$80.98	\$1,432.35	\$201.42
	1515		\$3,522.62	\$189.18	\$3,333.44	\$468.76

PROPERTIES ROYALTY DISTRIBUTION CALCULATIONS

DE: D. RATZI AFF "B" #2

NAME: [REDACTED]

SHARE: 0.1406250

MMBTU	PRICE/MMBTU	GROSS VALUE	PRODUCTION TAXES	NET AMOUNT DUE	YOUR SHARE
1252	\$2.7600	\$3,016.45	\$161.19	\$2,855.26	\$401.52
284	\$2.4840	\$610.14	\$33.18	\$576.96	\$81.14
569	\$2.7324	\$1,356.05	\$72.57	\$1,283.48	\$180.49
2105		\$4,982.64	\$266.94	\$4,715.70	\$663.15

02  
R, 2002

LA JOLLA PROPERTIES ROYALTY DISTRIBUTION CALCULATIONS

LEASE NAME: D. RATZLAFF "B" #3

OWNER NAME: [REDACTED]

OWNER SHARE: 0.1406250

	MMBTU	PRICE/MMBTU	GROSS VALUE	PRODUCTION TAXES	NET AMOUNT DUE	YOUR SHARE
JULY, 2002	2597	\$2.7600	\$6,256.96	\$334.63	\$5,922.33	\$832.83
AUGUST, 2002	2239	\$2.4840	\$4,810.21	\$261.75	\$4,548.46	\$639.63
SEPTEMBER, 2002	2005	\$2.7324	\$4,778.34	\$255.95	\$4,522.39	\$635.96
	6841		\$15,845.51	\$852.33	\$14,993.18	\$2,108.42

This package of statements illustrates some of the problems faced by royalty owners in attempts to verify the accuracy of information reported by producing companies.

Page 1 is a statement from BP America dated September 22, 2003. It reports, under Ratzlaff, D Unit B, that in July of 2003, 166 mcf of gas was sold to the irrigator who farms the land where Ratzlaff B is located and that the price received for that gas was \$5.0143 per mcf. However, page 2 of this package is an invoice from BP America to that irrigator showing that he was charged \$5.17 per mcf, a difference of 16 cents. What is the explanation for that difference; the gas is taken at the well head, it is not processed in any way, and is transported to the irrigation engines through lines installed by the landowner at no expense to the producer.

The royalty owner owns a royalty interest and an overriding royalty interest in the gas produced from this lease. Both interests are calculated from the total production for Ratzlaff A, as shown on page 1, but for Ratzlaff B the total production is calculated only for the overriding interest, while the irrigation gas volume only is used for the calculation of the royalty interest. What happened to the rest of the gas produced by Ratzlaff B (the difference between 3959 mcf and the 166 mcf sold to the irrigator)??

It is also to be noted that in the winter when no gas is sold to the irrigator, the royalty interest disappears altogether (see page 3, which reports gas taken in December 2002). This royalty owner contacted BP America and asked why royalty interest was not being paid on this portion of the lease. The royalty owner is still waiting for a response.

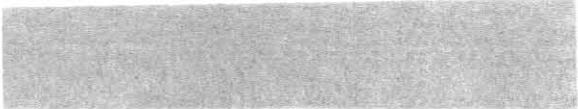
In the conversation with BP America, the royalty owner was told that property number on the statement covers three wells--Ratzlaff B-1, B-2, and B-3. When the royalty owner asked to have those properties reported separately, the reply was that it would not be possible. However, this is a split-stream property--that is, the gas taken is divided between two companies: BP America and LJP, Inc. The latter company reports its share of the production to the royalty owner on the three wells separately (see pages 4, 5, and 6). However, it is not possible to compare the production of the three wells, even by totaling the three together, because BP America reports mcf and LJP, Inc. reports by using mmbtu. It will also be noted that the decimals used to calculate the royalty owner's share are not the same.



BP America Production Company  
 509 South Boston  
 Tulsa, OK 74103

Statement of Oil and Gas Purchased/Sold

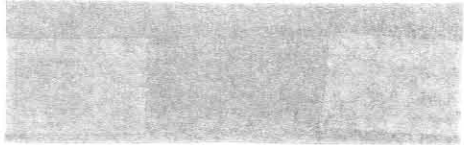
(Federal and State Taxes have been deducted where required)  
 Detach and keep for tax purposes. Duplicates cannot be furnished.



Check Date: 09/22/03

4383 67860

PG 1 OF 1



PROPERTY NUMBER	DOI NUMBER	PURCHASED/SOLD		PRODUCT CODE	LC*	QUANTITY	UNIT PRICE \$	TOTAL VALUE \$	PRODUCTION TAXES \$	TOTAL VALUE AFTER TAX \$	DECIMAL	TYPE INTEREST	YOUR INTEREST (- INDICATES DEDUCTION)	
		Mo	Yr										GROSS VALUE \$	NET VALUE \$
RATZLAFF	D UNIT	'A'				KEARNY								
00104694	00001	07	03	203		799.00	4.2908	\$ 3,428.36	\$ 156.74	\$ 3,272.62	0.09375000	OR	\$ 321.41	\$ 306.81
00104694	00001	07	03	203		799.00	4.2908	\$ 3,428.36	\$ 156.74	\$ 3,272.62	0.02343740	RI	\$ 80.36	\$ 76.70
RATZLAFF	D UNIT	'A'		#3/APG		KEARNY								
00104694	00003	07	03	203		2,501.00	4.2441	\$ 10,614.43	\$ 482.43	\$ 10,132.00	0.04687669	OR	\$ 497.56	\$ 474.96
00104694	00003	07	03	203		2,501.00	4.2441	\$ 10,614.43	\$ 482.43	\$ 10,132.00	0.01171888	RI	\$ 124.39	\$ 118.73
RATZLAFF	D UNIT	'B'				KEARNY								
00104696	00001	07	03	203		3,959.00	4.6988	\$ 18,206.49	\$ 824.48	\$ 17,382.01	0.09375000	OR	\$ 1,706.86	\$ 1,629.67
00104696	00001	07	03	203		166.00	5.0143	\$ 832.37	\$ 37.56	\$ 794.81	0.02343750	RI	\$ 19.51	\$ 18.63
TOTALS												\$2,760.07	\$2,626.39	

01 - NON-RESIDENT ALIEN 02 - AD VALOREM DIRECT RECOVERY 04 - UTAH STATE TAX 05 - COLORADO STATE TAX 06 - INTEREST PAID 08 - MISC. 09 - OKLAHOMA ALIEN TAX 10 - BACKUP WITHHOLDING TAX  
 12 - OK-NR IT 13 - COST AND CHARGES 16 - LEGAL EXPENSES 17 - SETTLEMENT DIFFERENCES A1 - CONTRACT BUY OUT/BUY DOWN A2 - LAWSUIT SETTLEMENT PR - PRODUCTION TAXES EX - EXTRACTION TAXES  
 PRODUCT CODES: 1XX - OIL (BBLs) 2XX - GAS (MCF) 3XX - CONDENSATE (BBLs) 4XX - PLANT PRODUCTS (BBLs/GALS) 40D - SULFUR (TONS) 9XX - INJECTANTS (BBLs)

DETACH AND RETAIN THIS STUB FOR YOUR RECORDS

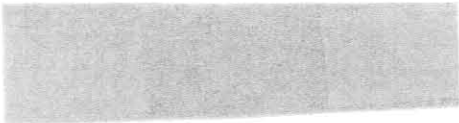
CHECK # 0006539737 ATTACHED BELOW



**BP America Production Company  
Ulysses Operations Center**

2225 West Oklahoma Avenue  
Ulysses, Kansas 67880  
620-356-1237

**IRRIGATION GAS STATEMENT**



Accounting for 1 well.

Account 000900

BP America Production Company  
P. O. Box 848113  
Dallas, Tx 75284-8113

Statement Date: August 21, 2003

Billing from 06/25/2003 to 07/25/2003 at a gas price of \$5.17 . Payment is due by 9/20/2003.

Previous Statement Balance \$0.00

Balance after payments and adjustments \$0.00

Meter	Invoice	Wellname	Auto WHP	PF	BTU	Volume	Misc	Amount
2000	03072000	RATZLAFF B 1	—	1.104	0.968	166		830.76
								\$830.76
Current Month Total								

Grand Total

Please pay this amount => \$830.76

**GAS PRICE HOTLINE PHONE NUMBER 620-356-7000**

BP America Production Company  
 509 South Boston  
 Tulsa, OK 74103

Statement of Oil and Gas Purchased/Sold

(Federal and State Taxes have been deducted where required)  
 furnished.

Check Date: 02/20/03

PG 1 OF 1



PROPERTY NUMBER	DOI NUMBER	PURCHASED/ SOLD	PRODUCT CODE	LC*	QUANTITY	UNIT PRICE \$	TOTAL VALUE \$	PRODUCTION TAXES \$	TOTAL VALUE AFTER TAX \$	DECIMAL	TYPE INTEREST	YOUR INTEREST (- INDICATES DEDUCTION)	
												GROSS VALUE \$	NET VALUE \$
RATZLAFF	D UNIT 'A'				KEARNY		KS						
00104694	00001	12 02	203		896.00	3.2663	\$ 2,926.61	\$ 134.90	\$ 2,791.71	0.09376000	OR	\$ 274.37	\$ 261.72
00104694	00001	12 02	203		896.00	3.2663	\$ 2,926.61	\$ 134.90	\$ 2,791.71	0.02343740	RI	\$ 68.69	\$ 66.43
RATZLAFF	D UNIT 'A' #3/AP0				KEARNY		KS						
00104694	00003	12 02	203		2,787.00	3.2646	\$ 9,098.43	\$ 419.41	\$ 8,679.02	0.04687689	OR	\$ 426.50	\$ 406.84
00104694	00003	12 02	203		2,787.00	3.2646	\$ 9,098.43	\$ 419.41	\$ 8,679.02	0.01171888	RI	\$ 106.62	\$ 101.70
RATZLAFF	D UNIT 'B'				KEARNY		KS						
00104696	00001	12 02	203		4,310.00	3.2307	\$ 13,924.41	\$ 642.27	\$ 13,282.14	0.09376000	OR	\$ 1,306.41	\$ 1,246.20
TOTALS												\$2,181.49	\$2,080.89

LC: 01 - NON-RESIDENT ALIEN 02 - AD VALOREM DIRECT RECOVERY 04 - UTAH STATE TAX 05 - COLORADO STATE TAX 06 - INTEREST PAID 08 - MISC. 09 - OKLAHOMA ALIEN TAX 10 - BACKUP WITHHOLDING TAX  
 12 - OK-NR IT 13 - COST AND CHARGES 16 - LEGAL EXPENSES 17 - SETTLEMENT DIFFERENCES A1 - CONTRACT BUY OUT/BUY DOWN A2 - LAWSUIT SETTLEMENT PR - PRODUCTION TAXES EX - EXTRACTION TAXES  
 PRODUCT CODES: 10X - OIL (BBL) 20X - GAS (MCF) 30X - CONDENSATE (BBL) 40X - PLANT PRODUCTS (BBL/GALS) 400 - SULFUR (TONS) 90X - INJECTANTS (BBL)

DETACH AND RETAIN THIS STUB FOR YOUR RECORDS

CHECK # 0006308488 ATTACHED BELOW

LJP, INC. ROYALTY DISTRIBUTION CALCULATIONS

LEASE NAME: D. RATZLAFF "B" #1

OWNER NAME:

OWNER SHARE: 0.1406250

	MMBTU	PRICE/MMBTU	GROSS VALUE	PRODUCTION TAXES	NET AMOUNT DUE	YOUR SHARE
JULY, 2003	530	\$4.7656	\$2,281.86	\$103.50	\$2,178.36	\$306.33
AUGUST, 2003	707	\$4.1860	\$2,654.64	\$121.23	\$2,533.41	\$356.26
SEPTEMBER, 2003	746	\$4.4436	\$3,155.08	\$143.62	\$3,011.46	\$423.49
	1983		\$8,091.58	\$368.35	\$7,723.23	\$1,086.08



LJP, INC. ROYALTY DISTRIBUTION CALCULATIONS

LEASE NAME: D. PATZLAFF "B" #2  
 OWNER NAME: [REDACTED]  
 OWNER SHARE: 0.1406250

	MMBTU	PRICE/MMBTU	GROSS VALUE	PRODUCTION TAXES	NET AMOUNT DUE	YOUR SHARE
JULY, 2003	668	\$4.7656	\$2,876.01	\$130.87	\$2,745.14	\$386.04
AUGUST, 2003	843	\$4.1860	\$3,165.65	\$145.06	\$3,020.59	\$424.77
SEPTEMBER, 2003	920	\$4.4436	\$3,894.99	\$177.91	\$3,717.08	\$522.71
	2431		\$9,936.65	\$453.84	\$9,482.81	\$1,333.52

