

APPRAISING OIL & GAS PROPERTIES

A Newsletter for Appraisal Professionals

Richard J. Miller & Associates, Inc.

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Topics for Discussion

This is the inaugural issue of what is planned to be a bimonthly newsletter of the Appraisal of Oil and Gas Properties. Practitioners in this field recognize that this is no small subject or task. The appraisal of oil and gas properties requires a confluence of the science (and art) of petroleum engineering with the uncertainty of economics, the restrictions of real business finance, and the arcane methods and procedures of real estate appraisal. This newsletter will attempt to address the appraisal of oil properties with each of these viewpoints and the common result in mind. Our purpose is to explore, discuss, and illuminate various topics within the appraisal process that are important in the determination of fair appraisal values; timely to the marketplace and the appraisal environment; and quite possibly, subjects of controversy among appraisers. Each issue will emphasize on a particular topic, however, the broader intent is to stimulate a public discussion about the various aspects of the appraisal process that often lead to disputes regarding fair value. While our emphasis will often be on appraisal for ad valorem tax, the discussion could apply just as well to any other use for which Fair Market Value appraisal is needed such as estate taxes, financing, sale and acquisition, or adjudication.

The primary objectives of the newsletter are to:

1. Communicate information and analysis regarding market sales of oil and gas properties.
2. Communicate information and analysis regarding cost-of-capital and other capital market discount rates.
3. Review and provide analysis of relevant studies and publications.
4. Review and comment on appraisal and valuation issues as expressed by professional groups, appraisal authorities, courts, and tax review boards.

Another of the goals of the newsletter is to encourage and solicit responses from readers that could be published. It is not our intent to advocate or criticize but to present a point of view from the perspective of this firm with regard to appraisal and to provide a forum for other views. We also plan to include guest columns, comments and letters, and excerpts from relevant and timely reports and studies.

Some of the topics that we expect to discuss in the future include:

- The Income Approach to Value in Oil Property Appraisal
- The Comparative Sales Approach in Oil Property Appraisal
- Interpreting Rule 8 and Rule 468

- Just what is Generally Accepted Appraisals Practice
- Product Price and Cost Projections: Relations and Practice
- The Function of the Cash Flow in Appraising Oil Properties
- Rules of Thumb in Oil Property Valuation
- Market Sales Discount Rates: Derivation, Adjustment, and Statistical Analysis
- The Risk Component in the Market DCR
- The Role of Income and Other Taxes in Appraisal
- The Cost of Capital Discount Rate: Sources and Derivation
- Relation of Market and Cost of Capital Discount Rates
- The Economic Limit
- Abandonment and Environmental Cleanup Costs in Property Appraisal
- Entrepreneurial Profit in Property Value

Oil and Gas Mineral Rights as Real Estate

As our inaugural topic, we thought we might open the floor to discussion of the context of oil and gas property appraisal; how oil property appraisal relates to general appraisal practice; and the evolution of oil and gas appraisal. A clear understanding of the relation of oil property appraisal to real estate appraisal is necessary in order to properly apply the terms and procedures of appraisal practice. Likewise, an understanding of the purpose and context of oil property valuation practices within industry is needed in order to properly interpret market sales and other appraisal data.

Oil and gas mineral rights are real estate. Some surface equipment may be personal property but the leasehold interest and the right to produce oil and/or gas (hereafter "oil" includes gas unless specifically stated) constitutes an interest in real estate. Therefore, oil properties, whether leasehold or fee interest, should be and generally are appraised as real estate. There is often a temptation to want to treat oil properties differently - to fence off oil property appraisal and to imply that somehow the rules that apply to real estate appraisal are inappropriate to oil properties. Conversely, there is often a tendency to say that the evaluation of oil properties, with the necessary reliance on geology and engineering, is much too complex to be appraised in the same manner as other real estate. The temptations and tendencies are understandable since oil properties are very different in many respects from residential and commercial real estate, however, the differences are of degree and complexity only.

Unlike residential and commercial real estate and other conventional land uses, oil properties are valued and taxed on the basis of a presumed volume of fluid under a specific piece of property and/or the income that results from the future production and sale of that volume of fluid. This volume of fluid cannot be seen or felt in place; there is no way to measure the volume as one measures a plot of ground or the floor space of a house. The appraiser must rely on indirect measurements, estimates based on limited data, and information obtained largely, if not entirely, from third parties or sources even farther removed from the appraisal process. Further, the oil has no market value in the ground but must be produced and sold. It has no particular intrinsic value except as a raw material for the creation of refined products. Finally, no two properties are identical and oil tends to migrate. The oil produced from contiguous properties cannot be identified as coming from one property or the other and the actual producible volume (as compared to the total volume

actually in the ground) will not be known until production ceases and the property is abandoned.

Oil properties have two other characteristics that are not unique but which greatly complicate oil property appraisal. First, the value of the property depends on production of commodities (oil and gas) which are subject to all the vagaries of supply and demand for economically scarce resources with the added complication that this commodity is highly susceptible to government regulation and taxation. The primary sources of oil are controlled or heavily influenced by governments and organizations that act to manage markets rather than allow full and free markets in oil to occur. This extra-market control can and does result in unpredictable conditions of supply and demand

Second, oil is a wasting asset. The value of an oil property is based on an asset that is being irreplaceably depleted over time and which leaves no residual value. Unlike surface land or developed real estate, which may be altered but not necessarily destroyed, the depletion of an oil property leaves no residual value. This characteristic directly affects the returns to be expected on an oil property and complicates the appraisal.

An attempt to determine the value of an asset that cannot be directly measured, which is being diminished even as it is produced, and which requires the sale of a product in an volatile commodity market is a process fraught with difficulty, frustration, and peril. Given that oil valuation is not a subject of common knowledge among appraisers, the tendency to regard oil appraisal as a strange and unique case is very strong. However, as noted earlier, oil properties are real estate and are subject to the same concepts and rules of appraisal as do other real estate assets. Oil property appraisal simply requires more information, more analysis, more technical evaluation, and more dexterity in the application of the rules. It does not require special techniques; only patience and discrimination in the application of standard appraisal methods.

If it is accepted that oil properties are simply real estate with a few quirky attributes then we can discuss how the appraisal of oil properties relates to the general appraisal environment and practice. In many jurisdictions oil properties comprise a large share of the ad valorem tax base. In some counties and tax districts, oil properties account for over 50% of the tax base; in other jurisdictions, oil properties make only a minor contribution. In any case, it is necessary to appraise oil properties correctly in order to capture an appropriate value while minimizing the risk of overvaluing or undervaluing the property.

So, how does an appraiser, whether experienced in oil property appraisal or not, determine an oil property value that fits within the basic rules of real estate appraisal and yet accommodates the distinct attributes of oil properties? How does he or she determine the "appropriate" value mentioned above? Without getting into the details of an appraisal, which will be discussed at a later date, the task is not that difficult if we do not lose sight of the trees in the forest.

Appraisal Methods for Oil and Gas Properties

It would seem that the use of an appropriate appraisal methodology would lead to an appropriate value and that such a method and value could be tested against four sets of criteria.

These are:

1. Generally Accepted Appraisal Practice (GAAP)
2. Appraisal Practice in the (Oil) Industry
3. Jurisdictional Rules, Regulations. and Laws
4. Common (Business) Sense

These categories are not exclusionary and are, in fact, complementary often blending into each other with little or no transition.

Generally Accepted Appraisal Practice - Oil property valuation fits very well within the context of GAAP. As noted above, oil properties are real estate and GAAP is mostly concerned with real estate. While GAAP is not necessarily a rigid, codified set of rules, there are sets of relatively specific guidelines published by various appraisal groups (most notably the American Society of Appraisers and the Appraisal Institute). GAAP defines three basic methods or approaches for real estate appraisal.

1. The value indicated by recent sales of comparable properties in the market -the Sales Comparison Approach. The ultimate extension of this method is the sale of the property itself, but it more commonly involves using sales of other properties, adjusted for their attributes, to estimate a value for a subject property.
2. The current cost of reproducing or replacing the depreciated improvements plus land value - the Cost Approach.
3. The value of the future income producing potential of a property discounted to a present value - the Income Approach.

Each of the methods could be used for oil property appraisal. The question would be one of applicability and the usefulness of the method to determine an appropriate value. As we shall see, the Income Approach is much more applicable to oil appraisal than either of the other two methods. The point made here is that there are standard, defined accepted methods of real estate appraisal that could be used to value oil properties. There is, however, a corollary to the acceptance of one or more of these methods; one must follow all the rules and guidelines of the method under GAAP and not simply proclaim the use of the method while failing to actually do the required analysis. GAAP, as related in the Appraisal of Real Estate (American Institute of Real Estate Appraisers, 9th Edition, 1987) incorporates rather specific procedures to be used in estimating market value using the three approaches. While it is not always possible to fulfill all the requirements of a method there is usually more than enough room within the method to accommodate most properties without the need for circumscription or invention.

Industry Practice- An appropriate method of appraisal should conform to, or at least embody, the major principles of the practice of, in this case, the oil industry in valuing properties. This assumes an identity of objective in the appraisal process, but, where the objective is Fair Market Value, the prevailing industry practice for determining FMV should be accepted as a

powerful framework for developing appraisal practices and for determining property value for tax purposes. The marketplace is the best indicator of value for an oil property and the methods and reasoning used by participants in the marketplace to determine value should be the most appropriate to appraisal of oil properties. This conclusion is the basis for SBE Rule 468 (California Administrative Code, Title 18, Rule 468).

Jurisdictional Rules, Regulations; and Laws - The reliance on GAAP and industry practice are often mirrored in the rules and regulations governing appraisal of (oil) properties within a State, county, or other taxing jurisdiction. The depth and scope of such rules vary considerably. In Texas, appraisers are charged to determine fair market value based on generally accepted appraisal practice. There are no other guidelines except as may have become a routine among appraisers and/or within certain taxing jurisdictions. Further, valuations are not generally done by assessors, but by third party consultants. The Property Tax Division of the office of the Comptroller of Public Accounts has certain oversight functions and makes recommendations for appraisal methods and specific evaluation parameters but does not currently institute specific rules.

At the other end of the spectrum, the California State Board of Equalization has promulgated several Rules for the appraisal of (all) properties of which three (Rules 4, 6, and 8) directly address the methods described above as GAAP. These rules go into considerable detail regarding the application of each of the methods to ad valorem tax appraisal. The rules are sufficiently well drawn that they describe not only the use of the rule but also the reasons and circumstances for not using the rule. All three rules are sufficiently defined to allow the appraiser to accept or reject the rule for appraising oil properties. Further, the rules - in particular Rule 8 - are consistent with industry practice while allowing for broad interpretation and changes with time. In addition, SBE Rule 468 goes specifically to the evaluation of oil properties and directs that an appraiser conform to both GAAP and industry practice in valuing properties for ad valorem tax.

While the examples of Texas and California may be at the extremes of a spectrum that includes other jurisdictions, they are not that far apart. Both recognize and incorporate GAAP - California just goes into more detail. Nor are they exclusive, an appraiser in Texas contemplating evaluation of an oil property would do well to look to the California rules for definition and combine that with the recommendations of the Property Tax Division and experience with industry practice. This is not to say that what applies in California necessarily applies in Texas or elsewhere. That is generally a hard sell. However, the relative importance of ad valorem tax in California (roughly equivalent in economic impact on industry to the severance tax in Texas) has resulted in a considerable body of judicial and administrative case results which do provide precedents that are transferable to other jurisdictions and, by extension, give weight to the use of the California rules as guidelines in areas where rules are less specific or case results are more sparse. Likewise, rulings and other results obtained in Texas, such as the recent *Amerada-Hess v. Gaines County* arbitration, could be of interest and use in California.

Finally, there is ***Common Sense*** which must be the ultimate reference point for any appraisal regardless of what the other three criteria might dictate. The appraiser has an obligation to use informed judgement and experience to reach a creditable solution and not simply conform to a set of procedures or practices. Fortunately there is very little conflict among the categories because

common sense was the original rule and the others evolved to codify judgement and experience.

Common Sense

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Industry Practice

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Generally Accepted Appraisal Practice

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Law and Regulations

Common Sense should tell an appraiser that if a value or the means to a value is not logical in the economic and financial context of the effective date then the value should be reconsidered. The components of the economy and marketplace have a built-in logic that may sometimes be difficult to see clearly or may be temporarily disrupted by outside forces but the logic is there. Appraisal methods that defy that logic should not be accepted regardless of the rationale offered by the appraiser. An example would be valuing oil property by the income approach using a capitalization rate that is less than the cost of capital and which approximates the capitalization rates for risk free investments. While such an event might occur under certain circumstances it is not likely to occur in common market circumstances and should not be expected to apply to all properties. This was the essence of the Amerada Hess decision. Since the appraiser for property tax is valuing all properties on a common basis the use of a unique discount rate would not be logical or conform to common business sense, and may not be legal.

Ideally, the appraisal method and the resulting value should fit comfortably within all four of the above categories and, given their broad nature, there is no real reason for any significant deviation. This is particularly true of the appraisal of complex and somewhat unique properties such as oil properties which often tempts appraisers into using methods and reaching values that are, at best, imaginative and often wrong.

Evolution of Oil and Gas Appraisal Practice

It might be worthwhile then to review the development or evolution of oil property appraisal methods in the context of Common Sense, Industry Practice, GAAP, and Tax Regulation. Since all trade and commerce pre-date modern financial and economic theory and since the oil industry got on quite well before the concepts of return on investment and risk were cloaked in academic fogginess, it must be assumed that, in the beginning, common sense prevailed.

The development and increasing sophistication of the oil business gave rise to industry appraisal practice that draws from both common sense roots and academic branching and foliation. The oil industry moved very early into technical evaluation of future income streams from oil properties based on the work of Hoskold in the 1870's. The exhaustive review and compilation by Glanville (1989, unpublished) of published works on oil property evaluation methods indicated a very early adherence to the income approach to value in both in a discounted and undiscounted form. This approach achieved real prominence in the 1950's when commercial bank lending practices expanded to include the production loan which by its nature required a projection of the future

production and revenue necessary to service the loan and a determination of the market value of the property as collateral. This gave immediate importance to consideration of such things as the price- and cost-escalation rates, if any, and appropriate discount rates. The process was given a further boost in the 1960's and 1970's by the spread of computers in the larger companies, consulting firms, and banks and by the sudden volatility in oil prices and property values resulting from the OPEC price increases. Finally in the 1980's, the advent of the personal computer has allowed virtually any company or individual to do complex and sophisticated cash flow analysis on a regular basis virtually to the exclusion of any other method. In 1992, a survey of oil and gas producers indicates that discounted and undiscounted cash flow methods are used as the primary evaluation method by over 90% of companies with no mention of rule-of-thumb or other methods. The vast majority of oil property acquisitions reported in California are based on a discounted cash flow approach with a considerably smaller group using undiscounted cash flow (payout) methods.

Appraisal practice by assessors and others outside the oil industry has generally kept pace during this period - basically by borrowing and employing industry methods to evaluate oil properties. A major event occurred in GAAP and Tax Regulation with the adoption in California of Rule 8 (amended) in 1972. The language of Rule 8 was sufficiently well crafted that it has stood for 20 years basically unchanged and, except for the occurrence of some parochial terms, describes perfectly well the application of common sense and industry practice within broad GAAP guidelines. A second major event occurred with the adoption again in California of Rule 468 (amended) in 1979 which requires appraisers of oil properties to use the marketplace as the model for tax appraisals. A third major event occurred with the Gulf v. Roberts decision (147 C.A. 3d 770; Cal. Rptr. 393 (5th DCA, 10/4/83)) which, putting aside certain libertarian issues, allowed an advance in the appraisal of California properties by providing timely data to assessors for use in deriving market valuation parameters.

Currently, California is the only jurisdiction where the confluence of relatively specific appraisal rules and timely source data occurs. One would think, that being the case, that ad valorem tax appraisal in the several counties would occur in a harmony of assessor and taxpayer. Alas, that is not the case and therein lie the issues - and the subjects of future newsletters.

Richard J. Miller & Associates is a petroleum engineering and economic evaluation firm specializing in the appraisal of oil, gas, and geothermal properties. The firm provides traditional reservoir and production engineering evaluation services for operators and investors, financial institutions, and for forensic purposes. RJM&A provides clients with evaluation and appraisal services for project planning and development, financing, trust and estate management and taxes, and other purposes throughout the United States and Canada. Clients includes major oil companies, financial institutions, and individuals. The firm does not do appraisals for acquisition of properties. RJM&A is a division of Pacific Resources Management, Inc., a California corporation founded in 1977.

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News and Comment

Austin, TX (Feb., 93) - The Property Tax Division of the Office of the State Comptroller issued their 1993 Oil and Gas parameters for ad valorem tax appraisal. PTD escalates oil price from \$19.75 (WTI) for 1993 at 4.3% to a maximum of \$28.85 in 2002. The \$28.85 price is held constant thereafter. Gas Price for 1993 is 97.7% of the 1992 price; then escalated at 5.4% to 2002; the price is then held constant.

Operating costs start from historical cost, then escalate 3% for 1993, 3.5% for 1994, and 4% thereafter to 2002; costs are then held constant. If the operating cost escalator is used as a surrogate for inflation, PTD expects no real growth in oil price in 1993; 0.8% real growth in 1994, and only 0.3% real growth thereafter. This is consistent with the historical performance of oil prices, with minor exceptions, since 1926. Even more to the point, it is consistent with real oil price performance since the early 1980's which, except for brief periods, has demonstrated a decline which continues in 1993. (See graph, page 11.)

Source: Mr. John Adair, Property Tax Division
4301 Westbank Drive, B100 Austin, TX 78746

Sacramento, CA (Feb., 1993) - The State Board of Equalization has taken the first steps in a process that could lead to SBE recommending certain economic parameters for use by Assessor's in appraising oil properties. SBE staff issued a preliminary report that recommended oil price escalation rates and discount rates for lien date 1993 valuations. The price projection was based on a relation of California crude price to WTI price and a future escalation derived from staff estimates.

The analysis of WTI price by SBE staff provides some interesting information. The following are paraphrased from the preliminary report.

- Since 1946, the annual change in WTI price has averaged 4.56%; real growth in WTI price was 4.86%.
- Since 1974 annual WTI price changes have averaged 6.51%; inflation averaged 5.83%; real growth has averaged 0.64%
- Linear regression of WTI price since 1/86 suggests a nominal growth rate of 4.322% per year. The report notes economists projections of 3.6% inflation "over the next 10 years" suggesting a potential real growth rate of only 0.722% per year on average.

This latter estimate compares very well to the Texas PTD projection of WTI at 0.3% real after 1994 and to price projections from actual market sales (see WSPA report - next section). SBE staff then projected WTI to increase from \$19.50 at 3/1/93 to \$25.50 in year 2000 an average nominal increase of 4.4%; assuming inflation at 3.6%, the real increase is 0.8%. SBE projects a price of \$62.00 in 2017, but that is long after we all retire so work with near term. The staff report then projects various California prices at different ratios of WTI to field price.

The staff recommendation for a base discount rate was particularly interesting. The discount rate is derived from a weighted average cost of capital (WACC) analysis of 23 public oil and gas companies comprised of 6 majors and 17 independents. The analysis found an average BFIT cost of debt of 7.95%, cost of equity of 19.4%, and a capital structure of 40% debt and 60% equity. This gives an average WACC of 14.86% or about 15%.

The preliminary report states, "Since the goal of any investor is to increase net worth, it can be expected that investors would not value properties at this rate, but at some rate higher than this to provide the necessary incentive to make the investment, i.e., to grow the corporation. The rate recommended to be used as the minimum discount rate for the appraisal of petroleum properties is 17%. This allows a two percent growth rate ... Additions to this rate will be necessary to reflect the specific risk of the property and the local property tax component." (emphasis added)

The staff analysis, by Mr. James McCarthy, was well done and conformed to current SBE rules for Income Approach appraisal and for derivation of the discount rate. The staff work is consistent with cost of capital analysis done by this firm and others over the past several years.

The SBE had proposed to issue a set of recommended parameters each year through the Advisory Letter approach which does not require the procedural effort that would be necessary if the parameters were to be included in a rule context. Both the idea of an advisory letter and the parameters included in the preliminary report were opposed by representatives from assessors. After two days of hearings, during which industry and assessors representatives discussed the pros and cons of the SBE plan and provided additional data and criticism of the staff report, the Board decided not to issue economic parameters for lien date 1993, which had already past, but to continue the staff review with a view toward issuing parameters for next year.

Bakersfield, CA (March, 1993) - The Kern County Assessor's office issued parameters for appraisal of oil and gas properties for the 1993-94 tax year which begins March 1, 1993. The KCA escalates oil price at 0% for 1993; 6% for 1994-2000; 5% through 2005 and 4% thereafter. Operating costs are escalated a 4% starting in 1993. The initial price of \$13.50 for 13/ API crude would increase to \$19.85 (nominal) in year 2000. The actual posted price at lien date was \$12.25.

The KCA parameters include a range of discount rate from 12% for "low risk, good quality" to 20% for "high risk, poor quality." Determination of property risk and quality is based on four ratios derived from the cash flow calculated by KCA. This is an approach to trying to assign discount rates to properties in an objective rather than subjective fashion.

The approach makes two large assumptions; (1) that the ratios that calculated are actually measures of risk and "quality," and (2) that the discount rate is truly related to the ratios and/or the factors that comprise the ratios. All published analysis to date suggests that the ratios do not necessarily describe risk or "quality" and are not a significant function of the discount rate. Given that the cost of capital in 1992 was about 16% before tax, the so-called low risk, high quality properties would be valued at a rate 4% below the cost of capital.

Source: Kern County Assessor, 1415 Truxton Ave.
Bakersfield, CA

Salt Lake City, UT (Feb., 1993) - The state of Utah has begun using an income approach to value for oil and gas properties for ad valorem tax. The information that we received did not indicate price or cost projections but did include calculation of a discount rate. Using a weighted average cost of capital approach, the Property Tax Division calculated a BFIT discount rate of 13.75%. A 1.10% property tax adjustment is added to reach a discount rate of 14.85%. This is presumed to be a base rate with allowances for risk and other factors related to specific properties.

Source: Utah State Tax Commission, Property Tax Division 160 East Third South, Salt Lake City, UT 84134

Reports and Studies

The annual Richard J. Miller & Associates market sales study, sponsored by Western States Petroleum Assn. (WSPA) and California Independent Petroleum Assn. (CIPA) was presented to industry and assessors at a meeting in Modesto, California on March 8, 1993. This study is performed annually to provide information to assessors and industry regarding the economic and evaluation parameters being used in the marketplace to determine the fair market value of oil and gas properties. The data for the study is provided by buyers and sellers in actual transactions. The primary concerns of the study are the price/cost escalation rates and discount rates used by buyers, the cost of capital for acquisitions, and the changing conditions of the marketplace. Current study is the ninth of a series started in 1985.

The study found that the cost of capital for industry in 1991 was about 16% before income tax. This is based on the WACC analysis of 48 public companies including 14 major and 34 independents. This analysis found an average cost of debt of 8.55%, an average cost of equity of 19.76%, and a capital structure consisting of 35% debt and 65% equity on average. The 15.6% WACC is a marginal decrease from the 1990 cost of capital due largely to the reduction in interest rates. Market sales of properties in California in 1992 continue to indicate a market level fair market value discount rate of about 25% for a range of properties.

A total of 18 fair market value sales in calendar years 1991 and 1992 has an average discount rates of 24.5%. The minimum rate for both years in 17% reflecting a difference of 1.4% above cost of capital. These sales are considered to be representative of the marketplace for properties over a two year time period for a wide range of both properties and buyers. Further, the results are consistent with prior years. The database for the study includes 157 sales from 1/1/84 to 12/31/92. These sales have an average DCR of 25.2% over the nine year period. While the average discount rate varies from year to year, the data shows no correlation to the date of transaction. The 157 sales indicate a relatively strong relation between the discount rate and reserves class with 100% Proved Producing properties having a base discount rate of 19-20% and with higher discount rates for higher risk reserves. The relation of discount rate to reserves risk is a logical result since the income approach explicitly includes most other variables among properties. A base low risk discount rate of 19-20% allows a 3.4-4.4% margin above the cost of capital to account for the risk in

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acquiring producing properties

Oil price projections used to value properties for acquisition indicate real price growth of only about 0.5% per year over inflation. Nominal oil price escalation averages 4.86% while operating costs average about 4.42% for an average real growth rate of 0.5% over 24 years starting in 1992. As in the past only about 60% of sales use escalated prices and costs.

Copies of the study are available from WSPA, CIPA, or Richard J. Miller & Associates.

Strevig and Associates, Inc. report (4/30/93) that nation-wide sales of oil properties in the First Quarter, 1993 average \$4.14/BOE for primarily proved producing reserves (BOE @ 6:1). Strevig reports that sales per unit reserves work out to about 30% of the oil price at the time of the sale.

Strevig and Associates, Inc., Houston, TX (713) 952-0186.

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