



ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping



7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9834

February 21, 2002

Ms. Lori Wrotenbery
New Mexico Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, NM 87504

Re: Application for Surface Commingling
Pendragon Energy Partners
Ruby #1 and Designated Hitter #2
Section 27 and 34, T26N, R12W
San Juan County, New Mexico



Dear Ms. Wrotenbery,

This is a request on behalf of Pendragon Energy Partners for approval to surface commingle the gas production from the above mentioned wells.

1. **Proposed System** The wells will be commingled upstream of a CDP meter so that they can reduce compression costs. The Ruby #1 will have an allocation meter and the allocation formula is described below. Both wells have pumping units and separators. The gas flows into El Paso Field Services' gathering system and they will maintain the CDP meter. Neither well produces liquid hydrocarbons. The actual commercial value of the commingled production will not be less than the sum of the values of the production from each well.

2. **Location Map** Exhibit 1 is a topo map showing the location of the two wells.

3. **Wells, Locations, and Lease Numbers** Exhibit 2 is a C-102 for each well. The Ruby #1 is a Basin Fruitland Coal well on Navajo Allotted lease NOO-C-14-20-7470. The Designated Hitter #2 is a WAW Fruitland Sand - Pictured Cliffs well and is on a Federal Lease, NM 26354. Exhibit 3 is a list of the royalty, overriding royalty, and working interests in both wells.

4. **Schematic Diagram** Exhibit 4 is a schematic diagram of the facilities.

5. **Fuel Gas** Each well has a separator that uses approximately 0.5 MCFD of fuel gas and a pump jack which uses 5 MCFD. The two wells will share a compressor that burns approximately 20 MCFD of fuel gas.

6. **Mechanical Integrity** The flow line from the Ruby #1 to the CDP is 2" SDR-7 poly pipe with a pressure rating of 267 psig. This line and all of the connections were tested to wellhead pressure which was approximately 100 psig. The MAOP of El Paso's gathering system is 150 psig.



7. **Production - Gravity/BTU** Actual production from the Ruby #1 and Designated Hitter #2 is attached as Exhibit 5. Gas Analysis for each well are attached as Exhibit #6.

8. **Allocation Formula** The production assigned to the Ruby #1 will be the integrated volume from the allocation meter plus pump jack and separator fuel gas and one-half of the compressor fuel. The production assigned to the Designated Hitter #2 will be the CPD volume plus the one-half of the compressor fuel minus the volume from the Ruby #1 allocation meter plus pump jack and separator fuel.

9. **Line Purging** We do not anticipate purging the system very often, but if it is purged, the lost gas will be allocated equally to each of the two wells.

10. **Purged Fluids** Any fluids purged will be natural gas, and condensed water vapor.

11. **Meter Calibration Schedule** El Paso Field Services will maintain the CDP meter and Walsh Engineering will maintain the allocation meter. The CDP meter will be calibrated once each quarter and the allocation meter will be calibrated annually.

12. **Gas Analysis Schedule** El Paso Field Service will analyze the gas from the commingled stream twice a year. Walsh will have a sample of the gas from the Ruby analyzed annually.

13. **Effective Date** The system will be placed in service as soon as this application is approved.

Sincerely,


Paul C. Thompson, P.E.

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
 [A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD
- Check One Only for [B] or [C]
 [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☒ PLC ☐ PC ☐ OLS ☐ OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or ☐ Does Not Apply
 [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☐ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

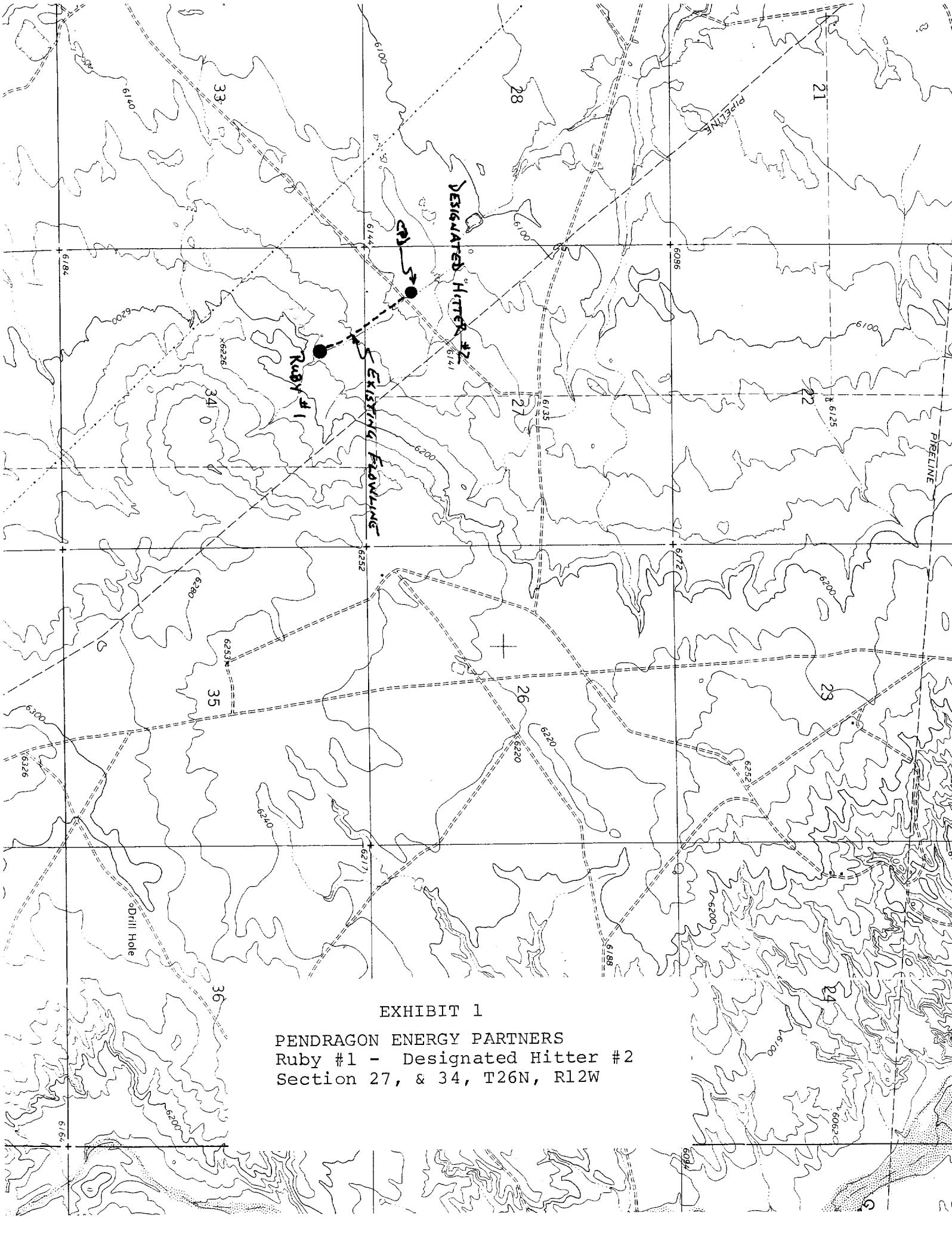
[3] **INFORMATION / DATA SUBMITTED IS COMPLETE** - Certification

I hereby certify that I, or personnel under my supervision, have reviewed the applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common.

I understand that any omission of data (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

<u>PAUL C. THOMPSON</u>	<u>Paul C. Thompson</u>	<u>AGENT</u>	<u>2/12/02</u>
Print or Type Name	Signature	Title	Date
		<u>WALSH @ CYBERPIRT.COM</u>	
		e-mail Address	



District I
1625 N. French Dr., Hobbs, NM 88240

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 15, 2000

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code		³ Pool Name	
				Basin Fruitland Coal	
⁴ Property Code		⁵ Property Name			⁶ Well Number
		Ruby			
⁷ OGRID No.		⁸ Operator Name			⁹ Elevation
		PENDRAGON ENERGY PARTNERS			

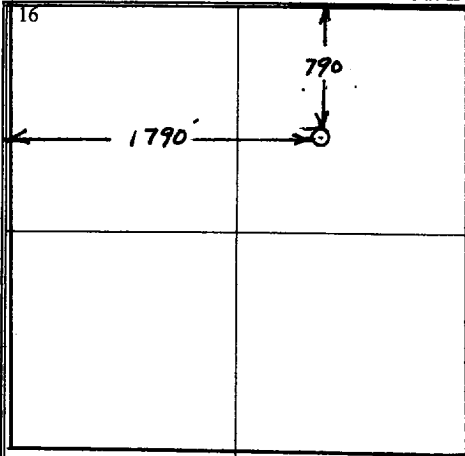
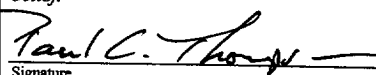
¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	34	26N	12W		790	North	1790	West	SJ

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres		¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.			
160		N							

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

¹⁶ 	¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i>  Signature Paul C. Thompson Printed Name Agent Title 2/20/02 Date			
	¹⁸ SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i> ORIGINAL ON FILE Date of Survey Signature and Seal of Professional Surveyor:			
	Certificate Number			

District I
1625 N. French Dr., Hobbs, NM 88240

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

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Form C-102
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1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to Appropriate District Office
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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code	³ Pool Name
		WAW Fruitland Sand - Pictured Cliffs
⁴ Property Code	⁵ Property Name	⁶ Well Number
	Designated Hitter	2
⁷ OGRID No.	⁸ Operator Name	⁹ Elevation
	PENDRAGON ENERGY PARTNERS	6132 GL

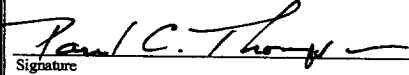
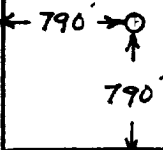
¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	27	26N	12W		790	South	790	West	SJ

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.						
160	N								

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				¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. ORIGINAL ON FILE Date of Survey Signature and Seal of Professional Surveyor: Certificate Number



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

April 3, 1989

GARREY CARRUTHERS
GOVERNOR

Robert L. Bayless
P.O. Box 168
Farmington, NM 87499

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Attention: Kevin H. McCord
Petroleum Engineer

Administrative Order NSP-1569

Dear Mr. McCord:

Reference is made to your application of January 3, 1989 and February 8, 1989, for a 160-acre non-standard gas proration unit consisting of the following acreage in the Basin-Fruitland Coal (Gas) Pool:

SAN JUAN COUNTY, NEW MEXICO
TOWNSHIP 26 NORTH, RANGE 12 WEST, NMPM
Section 34: NW/4

It is my understanding that this unit is to be dedicated to your Ruby Well No. 1, which is presently producing from the WAW Fruitland-Pictured Cliffs Sand Pool and is located at a previously authorized unorthodox coal gas well location, pursuant to Decretory Paragraph No. 4 of Division Order No. R-8768, 790 feet from the North line and 1790 feet from the West line (Unit C) of said Section 34.

By authority granted me under the provisions of Rule 6 of the Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool, as promulgated by said Order No. R-8768, the above non-standard gas proration unit is hereby approved.

Sincerely,

for William J. LeMay
Director

WJL/MES/ag

cc: Oil Conservation Division - Aztec
NM Oil and Gas Engineering Committee - Hobbs
U.S. Bureau of Land Management - Farmington

Exhibit #3

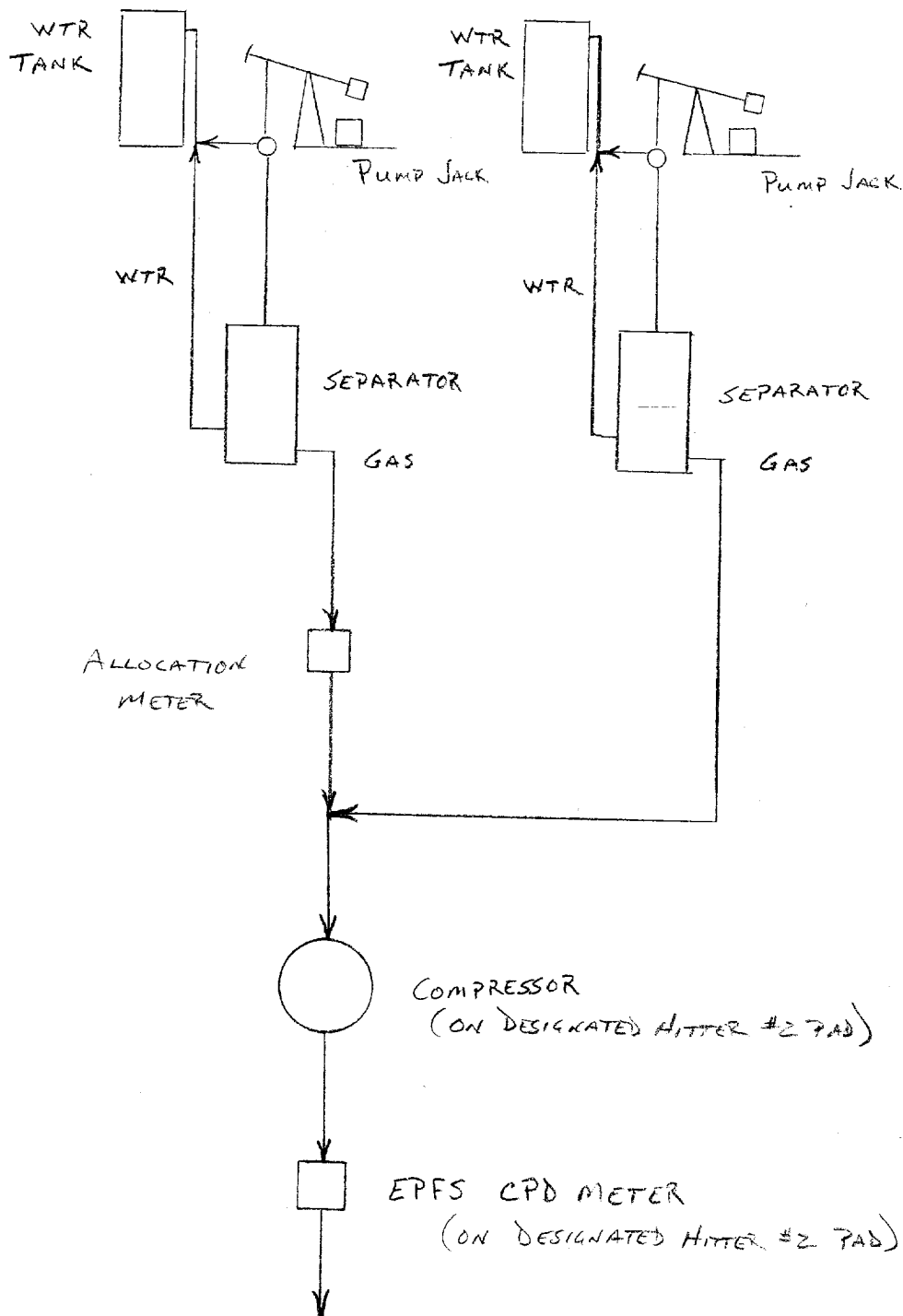
	Working Interest	Net Revenue Interest
Ruby #1		
R.W. Beck Plant Management Receiver for Edwards Energy Corp.	25.00	20.00
Pendragon Resources TI, LP	75.00	60.00
MMS - Indian		20.00
Totals	100.00	100.00

Designated Hitter #2		
R.W. Beck Plant Management Receiver for Edwards Energy Corp.	25.00	18.75
Pendragon Resources TI, LP	75.00	56.25
MMS		12.50
William Clegg		1.50
Abbie Moody Cliff		0.25
McBride Oil and Gas Corp.		2.25
Flame Royalties, Inc.		8.50
Totals	100.00	100.00

EXHIBIT 4

RUBY #1

DESIGNATED HITTER #2



22-141 50 SHEETS
22-142 100 SHEETS
22-144 200 SHEETS



EXHIBIT #5

SAN JUAN NM

DESIGNATED HITTER 2

PENDRAGON ENERGY PARTNERS INCORPORATED
ACTIVE

Production Report

Lease Name:	DESIGNATED HITTER	Well Number:	2
Lease Number:	21489	Cum Oil:	
Operator Name:	PENDRAGON ENERGY PARTNER	Cum Gas:	832,760
State:	NEW MEXICO	Cum Water:	6,368 since JUN 1998
County:	SAN JUAN	First Production Date:	AUG 1978
Field:	WAW	Last Production Date:	OCT 2001
Sec Twn Rng:	27M 26N 12W	Spot:	NE SW SW
Latitude/Longitude:		Lat/Long Source:	
Regulatory #:	21489	Completion Date:	
API:	30045226380000	Total Depth:	
Production ID:	2300430452263887190	Upper Perforation:	
Reservoir Name:	FRUITLAND PICTURED CLIFF	Lower Perforation:	
Prod Zone:	FRUITLAND-PICTURED CLIFFS	Gas Gravity:	
Prod Zone Code:	604FRPCL	Oil Gravity:	
Basin Name:	SAN JUAN BASIN	Temp Gradient:	
Gas Gatherer:	ELPS	N Factor:	
Liquid Gatherer:		GOR:	
Status:	ACTIVE		GAS

Annual Production			(24 years)
Year	Oil BBLS	Gas MCF	Water BBLS

Beginning

Cum:

1978	8,182	
1979	107,334	
1980	102,939	
1981	83,948	
1982	61,686	
1983	45,539	
1984	67,153	
1985	67,335	
1986	60,542	
1987	57,704	
1988	12,862	
1989	10,475	
1990	531	
1991	365	
1992	133	
1993	633	
1994	646	
1995	15,555	
1996	19,769	
1997	21,540	
1998	26,459	1,253
1999	24,756	3,246

2000	16,222	1,869
2001	20,452	
Totals:	<u>832,760</u>	<u>6,368</u>

=====

Monthly Production (Most recent 48 of 279 months)

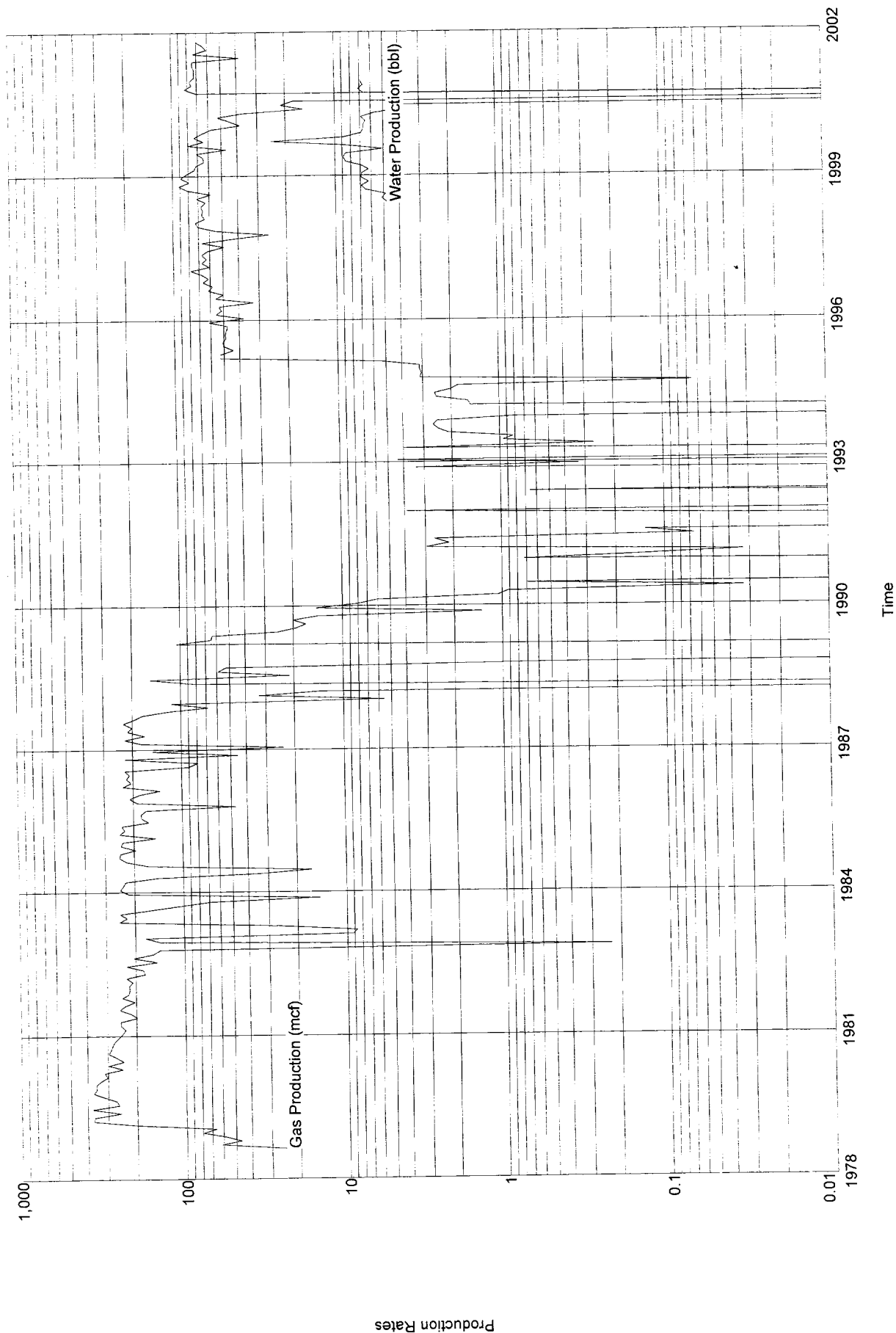
Date MO/YR	Oil BBLS	Gas MCF	Water BBLS	Cond Yld BBLS/MCF	% Water	# of Wells	Days on
OCT 1997		788				1	30
NOV 1997		1,667				1	30
DEC 1997		2,136				1	31
Totals: 1997	<u> </u>	<u>21,540</u>	<u> </u>				
JAN 1998		2,217	0			1	31
FEB 1998		1,950	0			1	27
MAR 1998		2,029	0			1	31
APR 1998		1,993	0			1	29
MAY 1998		2,051	0			1	30
JUN 1998		1,926	145			1	29
JUL 1998		2,174	156			1	26
AUG 1998		1,785	147			1	21
SEP 1998		2,450	196			1	28
OCT 1998		2,776	210			1	30
NOV 1998		2,405	189			1	27
DEC 1998		2,703	210			1	30
Totals: 1998	<u> </u>	<u>26,459</u>	<u>1,253</u>				
JAN 1999		2,486	210			1	30
FEB 1999		2,235	189			1	27
MAR 1999		2,175	210			1	30
APR 1999		1,954	261			1	29
MAY 1999		1,971	270			1	30
JUN 1999		2,160	261			1	29
JUL 1999		1,426	154			1	22
AUG 1999		2,413	261			1	29
SEP 1999		1,963	747			1	30
OCT 1999		2,222	270			1	30
NOV 1999		2,002	210			1	30
DEC 1999		1,749	203			1	29
Totals: 1999	<u> </u>	<u>24,756</u>	<u>3,246</u>				
JAN 2000		1,165	203			1	29
FEB 2000		1,351	196			1	28
MAR 2000		1,597	210			1	30
APR 2000		1,112	175			1	25
MAY 2000		474	119			1	17
JUN 2000		649	133			1	19
JUL 2000		543	0			1	0
AUG 2000		0	0			0	0
SEP 2000		2,171	203			1	29
OCT 2000		2,513	217			1	31

NOV 2000	2,291	203	1	29
DEC 2000	2,356	210	1	30
Totals:				
2000	16,222	1,869		
JAN 2001	2,206		1	27
FEB 2001	2,206		1	27
MAR 2001	2,198		1	28
APR 2001	2,261		1	30
MAY 2001	2,253		1	30
JUN 2001	1,165		1	15
JUL 2001	2,228		1	27
AUG 2001	1,846		1	23
SEP 2001	1,949		1	24
OCT 2001	2,140		1	30
Totals:				
2001	20,452			

=====

Lease Name: DESIGNATED HITTER
County, State: SAN JUAN, NM
Operator: PENDRAGON ENERGY PARTNERS INCORPORAT
Field: WAW
Reservoir: FRUITLAND PICTURED C
Location: 27 26N 12W NE SW SW

DESIGNATED HITTER - WAW



RUBY 1

ACTIVE

Monthly Production (Most recent 48 of 152 months)							
Date	Oil	Gas	Water	Cond Yld	% Water	# of	Days
MO/YR	BBLS	MCF	BBLS	BBLS/MCF		Wells	on

<hr/>					
OCT 1997	5,071		1	31	
NOV 1997	5,044		1	29	
DEC 1997	5,095		1	29	
Totals:					
1997	53,182				
JAN 1998	4,980	0	1	31	
FEB 1998	4,397	0	1	28	
MAR 1998	4,602	0	1	31	
APR 1998	4,551	0	1	29	
MAY 1998	3,411	0	1	26	
JUN 1998	4,233	145	1	29	
JUL 1998	1,338	0	1	13	
AUG 1998	1,685	0	1	13	
SEP 1998	4,832	252	1	28	
OCT 1998	4,132	270	1	30	
NOV 1998	1,458	243	1	27	
DEC 1998	1,729	270	1	30	
Totals:					
1998	41,348	1,180			
JAN 1999	2,313	270	1	30	
FEB 1999	1,585	243	1	27	
MAR 1999	2,247	270	1	30	
APR 1999	1,961	319	1	29	
MAY 1999	1,981	319	1	29	
JUN 1999	2,051	330	1	30	
JUL 1999	1,396	264	1	24	
AUG 1999	2,236	319	1	29	
SEP 1999	1,995	935	1	30	
OCT 1999	2,184	330	1	30	
NOV 1999	2,014	58	1	29	
DEC 1999	2,065	60	1	30	
Totals:					
1999	24,028	3,717			
JAN 2000	2,158	50	1	25	
FEB 2000	2,639	56	1	28	
MAR 2000	3,362	58	1	29	
APR 2000	3,394	60	1	30	
MAY 2000	3,557	62	1	31	
JUN 2000	3,189	56	1	28	
JUL 2000	2,823	52	1	26	
AUG 2000	2,814	48	1	24	
SEP 2000	3,148	56	1	28	
OCT 2000	2,806	54	1	27	
NOV 2000	2,210	52	1	26	
DEC 2000	2,914	60	1	30	
Totals:					
2000	35,014	664			
JAN 2001	2,760		1	28	
FEB 2001	2,760		1	28	
MAR 2001	2,564		1	28	
APR 2001	2,348		1	26	
MAY 2001	2,729		1	27	
JUN 2001	1,831		1	21	

JUL 2001	2,366	1	25
AUG 2001	2,499	1	25
SEP 2001	2,494	1	25
OCT 2001	3,021	1	30
Totals:			
2001	25,372		

=====

Lease Name: RUBY
County, State: SAN JUAN, NM
Operator: PENDRAGON ENERGY PARTNERS INCORPORAT
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 34 26N 12W SW NE NW

RUBY - BASIN

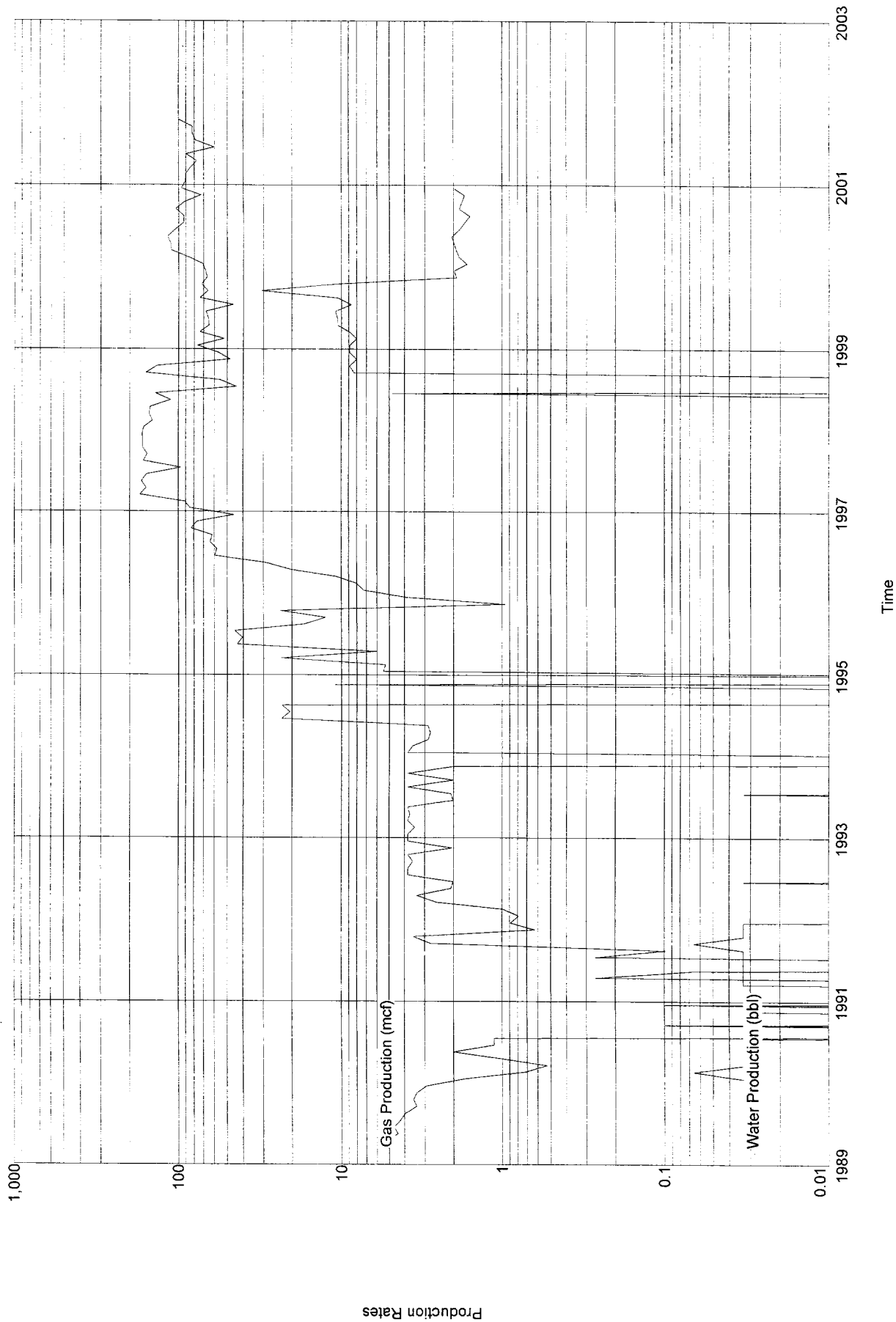


EXHIBIT #6

CORPORATE MEASUREMENT SYSTEM
GPM CERTIFICATE REPORT

02/19/2002 09:25:17

Prod Date : 07/01/2001 00:00:00

Page 1 of 1

EP FIELD SERVICES-SAN JUAN

Certificate of Gas Analysis

Sample Desc: DESIGNATED HITTER #2

Sample Id: 90163

Effective Date: 7/1/01 00:00:00

Sample Type: Spot

Sample Date: 6/14/01 00:00:00

Sampled By:

Chromatograph Id: N/A

Analyzed Date:

Analyzed By: FSLAB

Analysis Id:

Sample Frequency: SEMIANNUALLY

GPA Version: GPA 2145-97

Temperature:

Pressure Base: 14.73

Pressure:

Component	Mole %	GPM
Methane:	92.7100	
Ethane:	2.8100	0.7515
Propane:	0.4700	0.1295
Iso Butane:	0.0900	0.0294
Butane:	0.0800	0.0252
Iso Pentane:	0.0400	0.0146
Pentane:	0.0200	0.0072
Neo Pentane:	0.0000	0.0000
Hexane:	0.0300	0.0131
Heptane:	0.0000	0.0000
Nonane:	0.0000	0.0000
Octane:	0.0000	0.0000
Decane:	0.0000	0.0000
H2s:	0.0000	
Sub Total GPM:	96.2500	0.9707

Inerts	Mole %
Carbon Dioxide:	3.5500
Nitrogen:	0.2000
Hydrogen:	0.0000
Oxygen:	0.0000
Helium:	0.0000
Argon:	0.0000
Carbon Monoxide:	0.0000
Total Mole %:	100.0000

Gravity: 0.6130

BTU: 1012.0

Saturated BTU: 994.4

Remarks:

EXHIBIT #6

CORPORATE MEASUREMENT SYSTEM
GPM CERTIFICATE REPORT

02/19/2002 09:28:07

Prod Date : 07/01/2001 00:00:00

Page 1 of 1

EP FIELD SERVICES--SAN JUAN

Certificate of Gas Analysis

Sample Desc: RUBY #1 PC, FRT

Sample Id: 14378

Effective Date: 7/1/01 00:00:00

Sample Type: Spot

Sample Date: 6/14/01 00:00:00

Sampled By:

Chromatograph Id: N/A

Analyzed Date:

Analyzed By: FSLAB

Analysis Id:

Sample Frequency: SEMIANNUALLY

GPA Version: GPA 2145-97

Temperature:

Pressure Base: 14.73

Pressure:

Component	Mole %	GPM
Methane:	93.7900	
Ethane:	2.4400	0.6526
Propane:	0.0000	0.0000
Iso Butane:	0.0000	0.0000
Butane:	0.0000	0.0000
Iso Pentane:	0.0000	0.0000
Pentane:	0.0000	0.0000
Neo Pentane:	0.0000	0.0000
Hexane:	0.0000	0.0000
Heptane:	0.0000	0.0000
Nonane:	0.0000	0.0000
Octane:	0.0000	0.0000
Decane:	0.0000	0.0000
H2s:	0.0000	
Sub Total GPM:	96.2300	0.6526

Inerts	Mole %
Carbon Dioxide:	3.5200
Nitrogen:	0.2500
Hydrogen:	0.0000
Oxygen:	0.0000
Helium:	0.0000
Argon:	0.0000
Carbon Monoxide:	0.0000
Total Mole %:	100.0000

Gravity: 0.6020

BTU: 995.0

Saturated BTU: 977.6

Remarks: