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August 21, 2003

AUG 22 2003

Mr. David Brooks
Assistant General Counsel
Oil Conservation Commission/Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Amended Application of El Paso Energy Raton, L.L.C.-New Mexico Oil Conservation Division
Case No 13097

Dear Mr. Brooks:

As you know, we represent El Paso Energy Raton, L.L.C. (El Paso) in the above referenced case. As you also know, El Paso seeks the OCD's approval in this case of non-standard/irregular spacing units resulting from the irregular boundary line with the United States and non-standard setbacks on all outer boundaries (except for the boundary with the U.S. on which standard 660' setbacks would apply) for unorthodox well locations for drilling its wells for coalbed methane gas (CBM) on its side of the boundary line. The BLM filed an objection to El Paso's original Application, in which it stated, *inter alia*, it plans to present methods to El Paso to attempt to resolve its objection regarding its unleased minerals.

Although El Paso does not believe that its proposed locations will result in drainage of the U.S.'s unleased gas and instead its Amended Application sets forth its positions, *inter alia*, that the U.S.'s correlative rights will be protected with El Paso's locations, it has entertained a form of drainage agreement presented by the BLM, whereby assuming *arguendo* drainage of the U.S.'s gas, El Paso would pay a royalty to compensate for claimed drainage. In the proposed drainage agreement, El Paso would not admit drainage or other effect on the U.S.'s correlative rights. The U.S. is authorized to enter a drainage agreement on mineral resources not leased pursuant to 43 CFR §3162.2-2(b).

A BLM representative recently communicated that he contacted you and explained his position that El Paso does not need a hearing because spacing and setbacks will be standard. He also communicated that you agreed and instead suggested a hearing for compulsory pooling.

With all due respect to these reported positions, El Paso views its Amended Application as requiring a hearing for the OCD's order approving 21 spacing units which are non-standard/irregular because of the irregular boundary line between El Paso and the U.S. intersecting the otherwise projected 160-acre quarter sections and because El Paso must drill on its side of this line with certain non-standard setbacks.

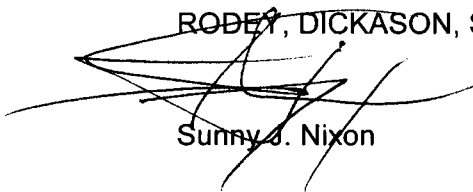
The U.S. is not leasing its interest. El Paso is and would not seek to pool or communitize with the U.S. because El Paso is not combining tracts or acreage to form a standard unit to operate. Also, compulsory pooling with the U.S. raises unnecessary jurisdictional issues. Instead, El Paso is entitled to its hearing on its irregular spacing units with certain non-standard setbacks within which it must drill with or without a drainage agreement (which may assume 160-acre units for royalty calculation purposes).

We trust this explanation will clarify El Paso's entitlement to a hearing. We welcome discussion with you if helpful.

RODEY, DICKASON, SLOAN, AKIN & ROBB, P. A.
David Brooks, Esq.
August 21, 2003
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Very truly yours,

RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.

A handwritten signature in black ink, appearing to read "Sunny J. Nixon", is written over the typed name. The signature is stylized with several loops and a long horizontal stroke extending to the left.

Sunny J. Nixon

SJN/tc

CC: Carsten Goff, BLM
Jay Spielman, BLM
Kevin Cunningham, Esq.
Paul Dowden