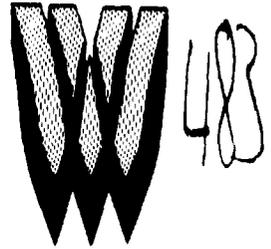


CTB 3/3/98



WALSH

ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping

7415 East Main
Farmington, New Mexico 87402
(505) 327-4892

February 9, 1999

FEB 11 1999

Mr. Mark Ashley
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, N.M. 87505

REF: Application for Surface Commingling
Pendragon Energy Partners
Cowsaround #2-7 and #2-14R
Section 2, T26N, R12W
San Juan County, New Mexico

Dear Mr. Ashley:

Enclosed are copies of notification letters sent to land owners concerning the above application.

Sincerely,

Ruth E. Rogge

rr

Enclosure



WALSH ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping

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

CERTIFIED- RETURN RECEIPT

February 8, 1999

Edwards Energy
1401 17th St., Suite 1400
Denver, CO 80202

Re: Application for Surface Commingling
Pendragon Energy Partners
Cowsaround 2-#7 and 2-#14R
Section 2, T26N R12W
San Juan County, New Mexico

Dear Mr. Edwards,

Enclosed you will find a copy of the above referred to application that has been submitted to the New Mexico Oil Conservation Division for administrative approval. As a working interest, royalty interest, or overriding royalty interest owner in the above described wells, you are being notified of this application pursuant to NMOCD rules.

If you desire to submit remarks concerning the application, please send them to Ms. Lori Wrotenbery, Director, New Mexico Oil Conservation Division 2040 S. Pacheco, Santa Fe, NM 87505, within 20 from the receipt of this notice. A copy of any remarks to the undersigned would be appreciated.

Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson, P.E.



WALSH ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping

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

CERTIFIED- RETURN RECEIPT

February 8, 1999

Minerals Management Service
P. O. Box 5640
Denver, CO 80217

Re: Application for Surface Commingling
Pendragon Energy Partners
Cowsaround 2-#7 and 2-#14R
Section 2, T26N R12W
San Juan County, New Mexico

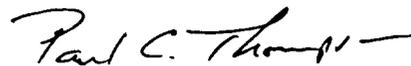
Dear Minerals Management Service,

Enclosed you will find a copy of the above referred to application that has been submitted to the New Mexico Oil Conservation Division for administrative approval. As a working interest, royalty interest, or overriding royalty interest owner in the above described wells, you are being notified of this application pursuant to NMOCD rules.

If you desire to submit remarks concerning the application, please send them to Ms. Lori Wrotenbery, Director, New Mexico Oil Conservation Division 2040 S. Pacheco, Santa Fe, NM 87505, within 20 from the receipt of this notice. A copy of any remarks to the undersigned would be appreciated.

Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,


Paul C. Thompson, P.E.



WALSH ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping

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

CERTIFIED- RETURN RECEIPT

February 8, 1999

Mr. Tom Dugan
Dugan Production Corp.
P.O. Box 420
Farmington, NM 87499

Re: Application for Surface Commingling
Pendragon Energy Partners
Cowsaround 2-#7 and 2-#14R
Section 2, T26N R12W
San Juan County, New Mexico

Dear Mr. Dugan,

Enclosed you will find a copy of the above referred to application that has been submitted to the New Mexico Oil Conservation Division for administrative approval. As a working interest, royalty interest, or overriding royalty interest owner in the above described wells, you are being notified of this application pursuant to NMOCD rules.

If you desire to submit remarks concerning the application, please send them to Ms. Lori Wrotenbery, Director, New Mexico Oil Conservation Division 2040 S. Pacheco, Santa Fe, NM 87505, within 20 from the receipt of this notice. A copy of any remarks to the undersigned would be appreciated.

Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,


Paul C. Thompson, P.E.



WALSH

ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9834

CERTIFIED- RETURN RECEIPT

February 8, 1999

Mr. Tom Hemler
7691 Garrison Ct.
Arvada, CO 80005Re: Application for Surface Commingling
Pendragon Energy Partners
Cowsaround 2-#7 and 2-#14R
Section 2, T26N R12W
San Juan County, New Mexico

Dear Mr. Hemler,

Enclosed you will find a copy of the above referred to application that has been submitted to the New Mexico Oil Conservation Division for administrative approval. As a working interest, royalty interest, or overriding royalty interest owner in the above described wells, you are being notified of this application pursuant to NMOCD rules.

If you desire to submit remarks concerning the application, please send them to Ms. Lori Wrotenbery, Director, New Mexico Oil Conservation Division 2040 S. Pacheco, Santa Fe, NM 87505, within 20 from the receipt of this notice. A copy of any remarks to the undersigned would be appreciated.

Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson, P.E.

**WALSH**

ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9634CERTIFIED- RETURN RECEIPT

February 8, 1999

KTM Holdings, Inc.
7691 Garrison Ct.
Arvada, CO 80005Re: Application for Surface Commingling
Pendragon Energy Partners
Cowsaround 2-#7 and 2-#14R
Section 2, T26N R12W
San Juan County, New Mexico

Dear KTM Holdings,

Enclosed you will find a copy of the above referred to application that has been submitted to the New Mexico Oil Conservation Division for administrative approval. As a working interest, royalty interest, or overriding royalty interest owner in the above described wells, you are being notified of this application pursuant to NMOCD rules.

If you desire to submit remarks concerning the application, please send them to Ms. Lori Wrotenbery, Director, New Mexico Oil Conservation Division 2040 S. Pacheco, Santa Fe, NM 87505, within 20 from the receipt of this notice. A copy of any remarks to the undersigned would be appreciated.

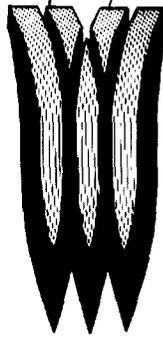
Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,


Paul C. Thompson, P.E.

CTB

483

~~2/10/99~~
3-3-99


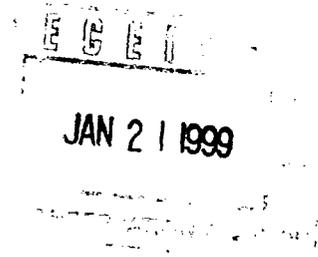
WALSH ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping

7415 East Main
Farmington, New Mexico 87402
(505) 327-4892

January 17, 1999

Ms. Lori Wrotenbery
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505



Re: Application for Surface Commingling
Pendragon Energy Partners
Cowsaround #2-7 and #2-14R
Section 2, T26N, R12W
San Juan County, New Mexico
Basin Fruitland Coal

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 are commingled upstream of a CDP meter so that they can reduce measurement costs. The Cowsaround 2-14R well will have an allocation meter on location. The production on the Cowsaround #2-14R will be the integrated volume from the allocation meter plus pump jack and separator fuel gas. The Cowsaround #2-7 production is the difference between the CDP meter and the allocation meter plus separator fuel gas. The gas flows into El Paso Field Services' gathering system and they maintain the CDP meter. Neither well produces liquid hydrocarbons.

2. Location Map Exhibit 1 is a topo map showing the location of the two wells. The pipeline from the Cowsaround #2-14R was originally built for the Cowsaround #2-14. The Cowsaround #2-14 is scheduled to be plugged.

3. Wells, Locations, and Lease Numbers Exhibit 2 is an acreage dedication plat. Both wells are located on Federal lease NM 16471. The east half of Section 2, T26N, R12W has been dedicated to the Cowsaround #2-7, and the west half has been dedicated to the Cowsaround #2-14R. 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. The Cowsaround #2-14R also has a pump jack which uses 5 MCFD.



6. **Mechanical Integrity** The flow line from the Cowsaround #2-14R and the Cowsaround #2-7 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 will be approximately 150 psig. The MAOP of El Paso's gathering system is 100 psig.

7. **Production - Gravity/BTU** Actual production from the Cowsaround #2-7 is attached as Exhibit 5. The Cowsaround #2-14R has not started producing yet so no data is available.

8. **Allocation Formula** The Cowsaround #2-14R well has an allocation meter. The production assigned to this well will be the integrated volume from the allocation meter plus separator and pump jack fuel gas. The volume of gas allocated to the Cowsaround #2-7 will be the total integrated volume from the CDP meter, minus the volume allocated to the #2R, plus separator fuel gas.

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** The allocation and CDP meters will be calibrated once each quarter. El Paso Field Services will maintain the CDP meter and Walsh Engineering will maintain the allocation meter.

12. **Gas Analysis Schedule** El Paso Field Service will analyze the gas from the commingled stream twice a year.

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

Sincerely,

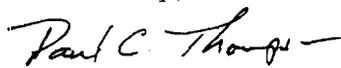
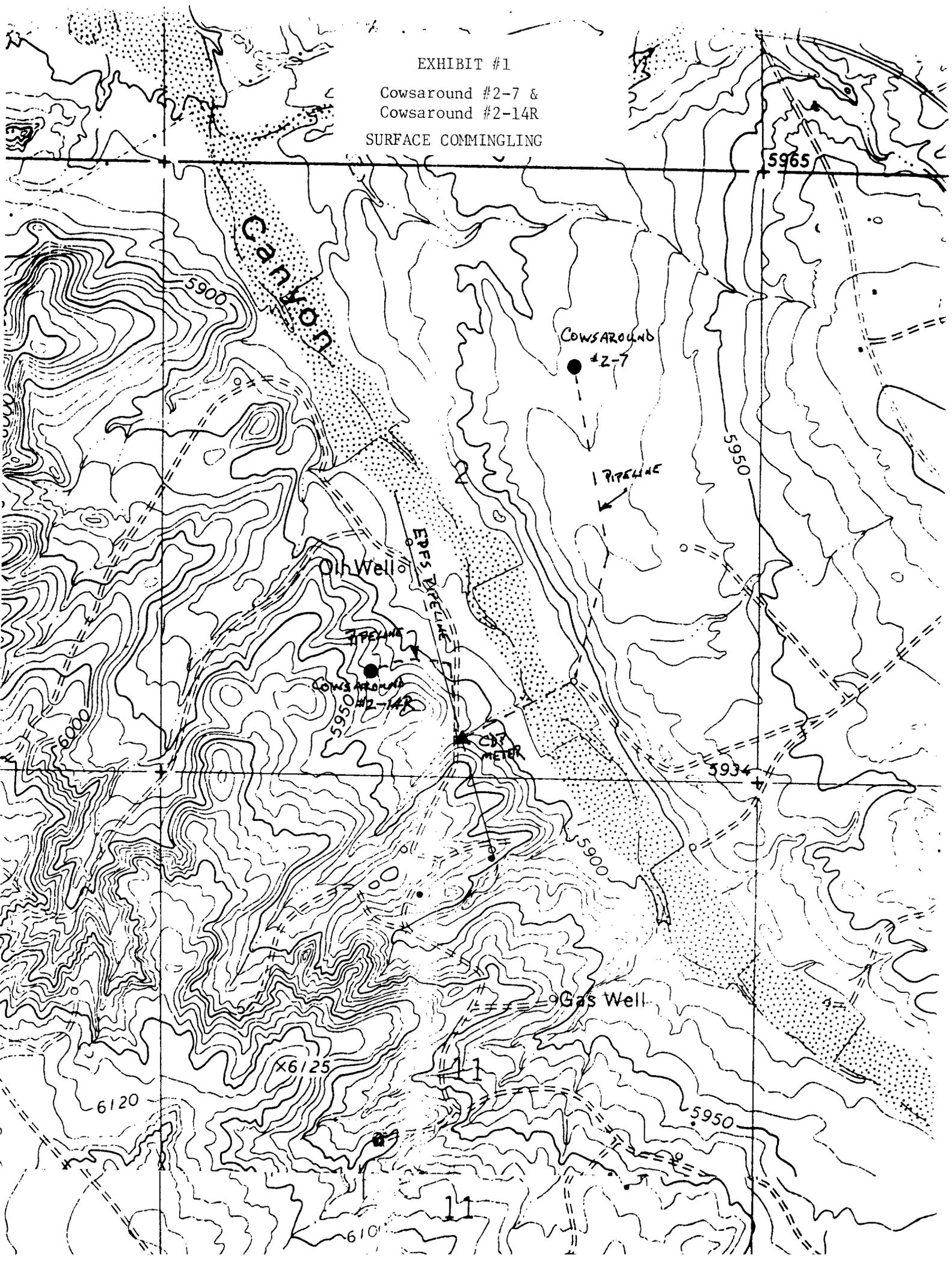

Paul C. Thompson, P.E.

EXHIBIT #1

Cowsaround #2-7 &
Cowsaround #2-14R

SURFACE COMMINGLING



District I
PO Box 1980, Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised February 21, 1994

District II
PO Drawer DD, Artesia, NM 88211-0719

EXHIBIT #2
OIL CONSERVATION DIVISION
PO Box 2088

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

District III
1000 Rio Brazos Rd, Aztec, NM 87410

Santa Fe, NM 87504-2088

AMENDED REPORT

District IV
PO Box 2088, Santa Fe, NM 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number		*Pool Code 71629		*Pool Name Basin Fruitland Coal Gas (71629)	
*Property Code 17162		*Property Name COWSAROUND 2			*Well Number 14R
*OGRID No. 145295		*Operator Name PENDRAGON ENERGY PARTNERS			*Elevation 5925'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Ion	Feet from the	North/South line	Feet from the	East/West line	County
N	2	26N	12W		915	South	1845	West	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ion	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.
-------------------------------	-------------------------------	----------------------------------	-------------------------

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 hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
	Signature Brian Wood Printed Name Consultant Title April 3, 1998 Date	
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.		NOVEMBER 24 1997 Date of Survey
Certificate Number 6857		

EXHIBIT #2

District I
PO Box 1900, Hobbs, NM 88241-1900
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 10, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

' API Number 30-045-27947		' Pool Code		' Pool Name Basin Fruitland Coal	
' Property Code		' Property Name Cowsaround 2			' Well Number 7
' OGRID No. 145295		' Operator Name Pendragon Energy Partners			' Elevation 5914'

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
G	2	26N	12W		1640'	North	1700'	East	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 Deduct : Acres 320	¹³ Joint or Infill Y	¹⁴ Consolidation Code	¹⁵ Order No.
-------------------------------------	------------------------------------	----------------------------------	-------------------------

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

<p>16</p>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Paul C. Thompson</i> Signature</p> <p>Paul C. Thompson, P.E. Printed Name</p> <p>Agent Title</p> <p>1/18/99 Date</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>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.</p> <p>ORIGINAL ON FILE</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p>
	<p>Certificate Number</p>

Exhibit 3

	Cowsaround #2-7	Cowsaround #2-14R
Royalties		
Minerals Management Service	.1250	.1250
Overrides:		
KTM Holdings	.0250	
Thomas Hemler		.0250
Thomas Dugan	.0300	.0300
Working Interests:		
Pendragon Energy Partners	.6150	.6150
Edwards Energy	<u>.2050</u>	<u>.2050</u>
Total	1.0000	1.0000

EXHIBIT #4

COWSAROUND #2-7 & COWSAROUND #2-14R

SURFACE COMINGLING

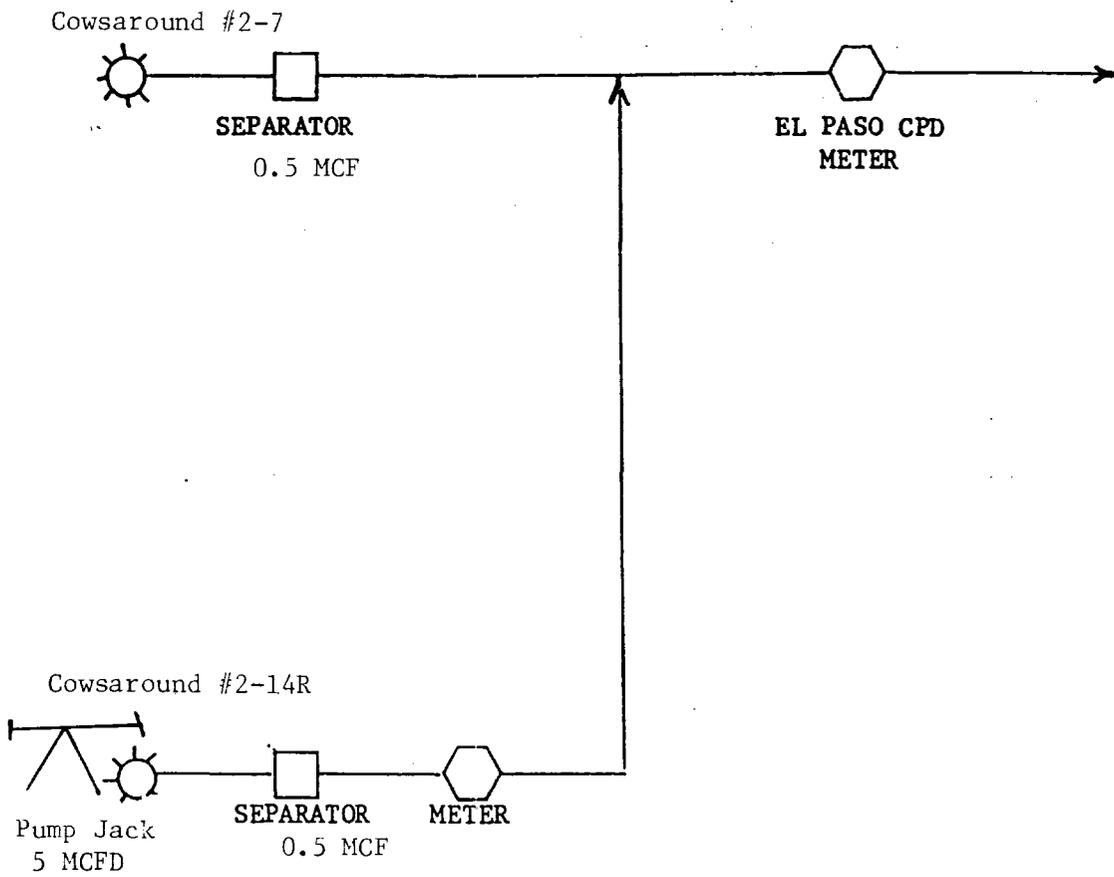


EXHIBIT #5

Date	Oil Prod	BBLs	Cum. Oil	Gas Prod	Cum. Gas	YIELD	%	# of	Days		
MO/YR	BBLs	/Day	Prod. BBLs	MCF	MCF	BBLs/MMCF	Water	Water	Wells	On	Allowables
01/95				2,063	22,006	0.00			1	31	
02/95				1,798	23,804	0.00			1	28	
03/95				991	24,795	0.00			1	31	
04/95				3,262	28,057	0.00			1	30	
05/95				5,002	33,059	0.00			1	31	
06/95				5,689	38,748	0.00			1	30	
07/95				7,060	45,808	0.00			1	31	
08/95				5,206	51,014	0.00			1	31	
09/95				5,460	56,474	0.00			1	30	
10/95				3,081	59,555	0.00			1	25	
11/95				4,523	64,078	0.00			1	30	
12/95				4,793	68,871	0.00			1	31	
Totals				48,928						359	
01/96				4,995	73,866	0.00			1	31	
02/96				5,919	79,785	0.00			1	29	
03/96				6,060	85,845	0.00			1	31	
04/96				0	85,845				0	0	
05/96				0	85,845				0	0	
06/96				5,525	91,370	0.00			1	30	
07/96				5,242	96,612	0.00			1	31	
08/96				6,040	102,652	0.00			1	31	
09/96				5,529	108,181	0.00			1	30	
10/96				5,890	114,071	0.00			1	31	
11/96				6,052	120,123	0.00			1	30	
12/96				6,701	126,824	0.00			1	31	
Totals				57,953						305	
01/97				6,420	133,244	0.00			1	28	
02/97				0	133,244				0	0	
03/97				7,317	140,561	0.00			1	31	
04/97				6,757	147,318	0.00			1	30	
05/97				7,110	154,428	0.00			1	31	
06/97				6,458	160,886	0.00			1	30	
07/97				5,158	166,044	0.00			1	31	
08/97				7,584	173,628	0.00			1	31	
09/97				6,044	179,672	0.00			1	27	
10/97				6,226	185,898	0.00			1	31	
11/97				6,029	191,927	0.00			1	30	
12/97				5,808	197,735	0.00			1	30	
Totals				70,911						330	
01/98				5,960	203,695	0.00	3,255	100.00	1	31	
02/98				5,107	208,802	0.00	2,800	100.00	1	28	
03/98				5,298	214,100	0.00	3,038	100.00	1	31	
04/98				3,956	218,056	0.00	2,940	100.00	1	30	
05/98				2,758	220,814	0.00	1,998	100.00	1	27	
06/98				3,435	224,249	0.00	3,161	100.00	1	29	
07/98				3,822	228,071	0.00	2,856	100.00	1	28	
08/98				0	228,071		0		0	0	
09/98				0	228,071		0		0	0	
10/98				0	228,071		0		0	0	
11/98				0	228,071		0		0	0	
12/98				0	228,071		0		0	0	
Totals				30,336			20,048			204	

COWS AROUND #2-7