

211351560

PC

NA

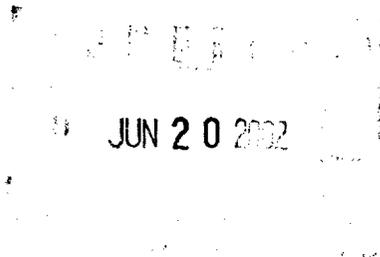
# PHOENIX HYDROCARBONS OPERATING CORPORATION

415 WEST WALL, SUITE 703  
MIDLAND, TX 79701

P. O. BOX 3638  
Midland, Texas 79702

Phone 915 686-9869  
FAX 915 683-1649

June 18, 2002



Mr. William V. Jones, Jr., PE  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

RE: **SECOND** PROPOSAL TO COMMINGLE  
NATURAL GAS

Dear Mr. Jones:

Please find attached **second** proposal to commingle four Federal wells on Lease number NM 05791 located in San Juan, New Mexico. Bobby Vigil directed me to use a Sundry Notice to accomplish this proposal. There are four wells on NM 05791. Proposed commingling should be as follows:

Federal M#1 (20317) commingled with Federal M#3 (25888) ✓  
Sent individually in duplicate.

Federal M#1A (25846) commingled with Federal M#2 (25855)  
Sent individually in duplicate.

For you information, the only changes from the first transmittal are in the cover letter and attachments. In the cover letter additional questions from William Jones and Jim Lovato are addressed. As for the attachments, please find gas analysis for all of the wells and a copy of the letter sent out to interest owners.

Thanking you in advance for your prompt attention, 915 686-9869, Phyllis R. Gunter.

Sincerely,

A handwritten signature in cursive script that reads "Phyllis R. Gunter".

Phyllis R. Gunter

Prg

attachments

# PHOENIX HYDROCARBONS OPERATING CORPORATION

415 WEST WALL, SUITE 703  
MIDLAND, TX 79701

P. O. BOX 3638  
Midland, Texas 79702

Phone 915 686-9869  
FAX 915 686-7798

June 18, 2002

Mr. William V. Jones, Jr., PE  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

Jim Lovato  
Bureau of Land Management  
1235 La Plata Highway, Suite A  
Farmington, NM 87401

RE: **SECOND** APPLICATION FOR PROPOSED SURFACE COMMINGLING & LEASE MEASUREMENT  
WELLS OPERATED BY PHOENIX HYDROCARBONS  
FEDERAL M #1 AND FEDERAL M #3  
SAN JUAN COUNTY, NM

Dear Mr. Jones and Mr. Lovato:

Phoenix is submitting this **Second** Sundry Notice to request your approval for the surface commingling of natural gas produced from two wells operated by Phoenix, the Federal M#1 and Federal M#3. Both wells are located on Federal Lease NM-05791. The CPD sales meter is located on the lease and will not require off-lease measurement, but will require approval for surface commingling. (**Attachment #1**)

Only natural gas will be surface commingled. Phoenix took over operations August 1, 2000 and there has been no measurable water or condensate production since we took operations over.

The Federal M#1 was completed September 28, 1968 in the Blanco Mesaverde, API #30-045-20317. The Federal M #1 is located in Section 3, T-27N, R-8W; 1900' FSL and 1800' FWL. (**Attachment #2**)

The Federal M#3 is approximately 510' North of the M#1. The wells share a 3 phase separator. The Federal M#3 was completed April 27, 1984 in the Largo Chacra, API #30-045-25888. The M#3 is located in Section 3, T-27N, R-8W; 1700' FSL and 1800' FWL. (**Attachment #3**)

**Attachment #4** is a hand drawn map of the San Juan Basin wells operated by Phoenix. The Federal M #1 is highlighted.

**Attachment #5** shows the interest ownership summary for the Federal M #1 and the Federal M#3. **Attachment 6** includes the address of the interest owners.

## PROPOSED ALLOCATION PROCEDURE

72-hour test on the M#1 = 40 MCFPD  
M#1(CPD) average sales = 56 MCFPD  
Production for the M#3 56 (-) 40 = 16 MCFPD

M#1 =	40 MCFPD	71%
M#3 =	<u>16 MCFPD</u>	29%
	56 MCFPD	100%

Phoenix's method of allocation for the properties will be based on a well test. This office was in contact with Mr. Lovato, (505) 599-6367; he stated that the method Phoenix has been using is acceptable to the BLM provided the owners do not object. The pumper will shut one well (M#1) in for 72 hours to calculate the production from the producing well (M#3); and, by deducting (M#3) from the commingled total volume from both wells (M#1 & M#3), following 72 hours volume, (M#1 & M#3) - (M#3) = volume for well (M#1). The production will be allocated by these percentages, provided both wells produce the same number of days per month. The days produced monthly will come from the pumper's report.

In answer to Mr. Lovato's additional questions:

The M#1 and M#3 are purged or vented individually; therefore there is no allocation methodology for purging or venting.

The M#1 and M#3 go through a 3 Phase Separator, although both wells produce dry gas with no measurable oil or water now. The separator uses no fuel.

The Dakota Formation does not produce, that formation is shut-in.

Gas analysis reports for the M#1 (Attachment 9), M#3 (Attachment 10) and M#1 CDP (Attachment 8) are attached.

	<i><b>BTU</b></i>	
	<i><b>DRY</b></i>	<i><b>WET</b></i>
M#1	1353	1329
M#3	1166	1145
M#1 CPD	1330	1307

**The commercial value is greater commingled than sold individually.** Weaker wells, i.e. M#3, often do not have enough pressure to enter the sales line, but when commingled with a stronger well both are able to enter the sales line. Selling gas from both the M#1 and M#3 is of greater value than plugging or shutting the M#1 or M#3 in because they can't buck the line pressure.

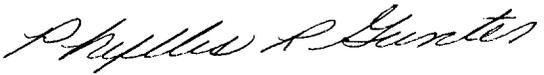
The sound mechanical integrity of the surface commingling system is dependent upon physical monitoring of the wells. The wells are not produced mechanically nor is there an allocation meter, the wells are flowing gas wells.

Physically monitoring and verifying that both wells are producing test the surface commingled systems' integrity daily.

Testing frequency of each well for accurate allocation verification would be a 72-hour well test performed annually on each well.

As per Mr. Jones' letter dated May 16, 2002, please find (ATTACHMENT 7) which is a copy of the letter sent to each interest owner.

Thanking you in advance for your prompt attention. Please do not hesitate to contact me, Phyllis R. Gunter at 915 686-9869.

Sincerely,  
  
Phyllis R. Gunter

Prg  
Cc: files  
Jim Lovato

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
OMB No. 1004-0135  
Expires November 30, 2000

**SUNDRY NOTICES AND REPORTS ON WELLS**  
*Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.*

**SUBMIT IN TRIPLICATE - Other instructions on reverse side**

1. Type of Well  
 Oil Well  Gas Well  Other

2. Name of Operator  
Phoenix Hydrocarbons Operating Corp.

3a. Address  
P O Box 3638, Midland, TX 79702

3b. Phone No. (include area code)  
915-686-9869

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
1700' FSL & 1800' FWL; Sec. 3, T27N, R8W

5. Lease Serial No.  
NM 05791

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.  
Federal M #3

9. API Well No.  
30-045-25888

10. Field and Pool, or Exploratory Area  
Otera Chacra

11. County or Parish, State  
San Juan NM

**12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Surface</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	<u>Commingle</u>
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Proposal to Surface Commingle Natural Gas with

NM 05791  
Federal #1  
30-045-20317

Proposal Attached

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)  
Phyllis R. Gunter

Title Agent

Signature *Phyllis R. Gunter*

Date 6-18-02

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office \_\_\_\_\_

# PHOENIX HYDROCARBONS OPERATING CORPORATION

415 WEST WALL, SUITE 703  
MIDLAND, TX 79701

P. O. BOX 3638  
Midland, Texas 79702

Phone 915 686-9869  
FAX 915 686-7798

April 18, 2002

Ms. Lori Wrotenbery  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

Jim Lovato  
Bureau of Land Management  
1235 La Plata Highway, Suite A  
Farmington, NM 87401

RE: PROPOSED SURFACE COMMINGLING & LEASE MEASUREMENT  
TWO WELLS OPERATED BY PHOENIX HYDROCARBONS  
FEDERAL M #1 AND FEDERAL M #3  
SAN JUAN COUNTY, NM

Dear Ms. Wrotenbery and Mr. Lovato:

Phoenix is submitting this Sundry Notice to request your approval for the surface commingling of natural gas produced from two wells operated by Phoenix, the Federal M#1 and Federal M#3. Both wells are located on Federal Lease NM-05791. The CPD sales meter is located on the lease and will not require off-lease measurement, but will require approval for surface commingling. (**Attachment #1**)

Only natural gas will be surface commingled. Phoenix took over operations August 1, 2000 and there has been no condensate production since we took operations over.

The Federal M#1 was completed September 28, 1968 in the Blanco Mesaverde, API #30-045-20317. The Federal M #1 is located in Section 3, T-27N, R-8W; 1900' FSL and 1800' FWL. (**Attachment #2**)

The Federal M#3 is approximately 510' North of the M#1. The wells share a 3 phase separator. The Federal M#3 was completed April 27, 1984 in the Largo Chacra, API #30-045-25888. The M#3 is located in Section 3, T-27N, R-8W; 1700' FSL and 1800' FWL. (**Attachment #3**)

**Attachment #4** is a hand drawn map of the San Juan Basin wells operated by Phoenix. The Federal M #1 is highlighted.

**Attachment #5** shows the interest ownership summary for the Federal M #1 and the Federal M#3. **Attachment 6** includes the address of the interest owners.

## PROPOSED ALLOCATION PROCEDURE

72 hour test on the M#1 = 40 MCFPD  
M#1(CPD) average sales = 56 MCFPD  
production for the M#3 56 (-) 40 = 16 MCFPD

M#1 =	40 MCFPD	71%
M#3 =	<u>16 MCFPD</u>	29%
	56 MCFPD	100%

Please do not hesitate to call, 915 686-9869, Phyllis R. Gunter.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
OMB No. 1004-0135  
Expires November 30, 2000

**SUNDRY NOTICES AND REPORTS ON WELLS**  
*Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.*

**SUBMIT IN TRIPLICATE - Other instructions on reverse side**

1. Type of Well  
 Oil Well  Gas Well  Other

2. Name of Operator  
 Phoenix Hydrocarbons Operating Corp.

3a. Address  
 P. O. Box 3638, Midland, TX 79702

3b. Phone No. (include area code)  
 915-686-9869

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
 1190' FSL & 1800' FWL; Sec. 3, T27N, R8W

5. Lease Serial No.  
 NM 05791

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.  
 Federal M #1

9. API Well No.  
 30-045-20317

10. Field and Pool, or Exploratory Area  
 Blanco Mesaverde

11. County or Parish, State  
 San Juan NM

**12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Surface</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	<u>Commingle</u>
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Proposal to Surface Commingle Natural Gas with:

NM 05791  
 Federal #3  
 30-045-25888

Proposal Attached

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed) Phyllis R. Gunter Title Agent

Signature *Phyllis R. Gunter* Date 6-18-02

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office \_\_\_\_\_

# PHOENIX HYDROCARBONS OPERATING CORPORATION

415 WEST WALL, SUITE 703  
MIDLAND, TX 79701

P. O. BOX 3638  
Midland, Texas 79702

Phone 915 686-9869  
FAX 915 686-7798

April 18, 2002

Ms. Lori Wrotenbery  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

Jim Lovato  
Bureau of Land Management  
1235 La Plata Highway, Suite A  
Farmington, NM 87401

RE: PROPOSED SURFACE COMMINGLING & LEASE MEASUREMENT  
TWO WELLS OPERATED BY PHOENIX HYDROCARBONS  
FEDERAL M #1 AND FEDERAL M #3  
SAN JUAN COUNTY, NM

Dear Ms. Wrotenbery and Mr. Lovato:

Phoenix is submitting this Sundry Notice to request your approval for the surface commingling of natural gas produced from two wells operated by Phoenix, the Federal M#1 and Federal M#3. Both wells are located on Federal Lease NM-05791. The CPD sales meter is located on the lease and will not require off-lease measurement, but will require approval for surface commingling. (**Attachment #1**)

Only natural gas will be surface commingled. Phoenix took over operations August 1, 2000 and there has been no condensate production since we took operations over. .

The Federal M#1 was completed September 28, 1968 in the Blanco Mesaverde, API #30-045-20317. The Federal M #1 is located in Section 3, T-27N, R-8W; 1900' FSL and 1800' FWL. (**Attachment #2**)

The Federal M#3 is approximately 510' North of the M#1. The wells share a 3 phase separator. The Federal M#3 was completed April 27, 1984 in the Largo Chacra, API #30-045-25888. The M#3 is located in Section 3, T-27N, R-8W; 1700' FSL and 1800' FWL. (**Attachment #3**)

**Attachment #4** is a hand drawn map of the San Juan Basin wells operated by Phoenix. The Federal M #1 is highlighted.

**Attachment #5** shows the interest ownership summary for the Federal M #1 and the Federal M#3. **Attachment 6** includes the address of the interest owners.

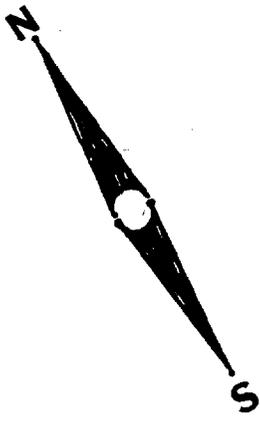
## PROPOSED ALLOCATION PROCEDURE

72 hour test on the M#1 = 40 MCFPD  
M#1(CPD) average sales = 56 MCFPD  
production for the M#3 56 (-) 40 = 16 MCFPD

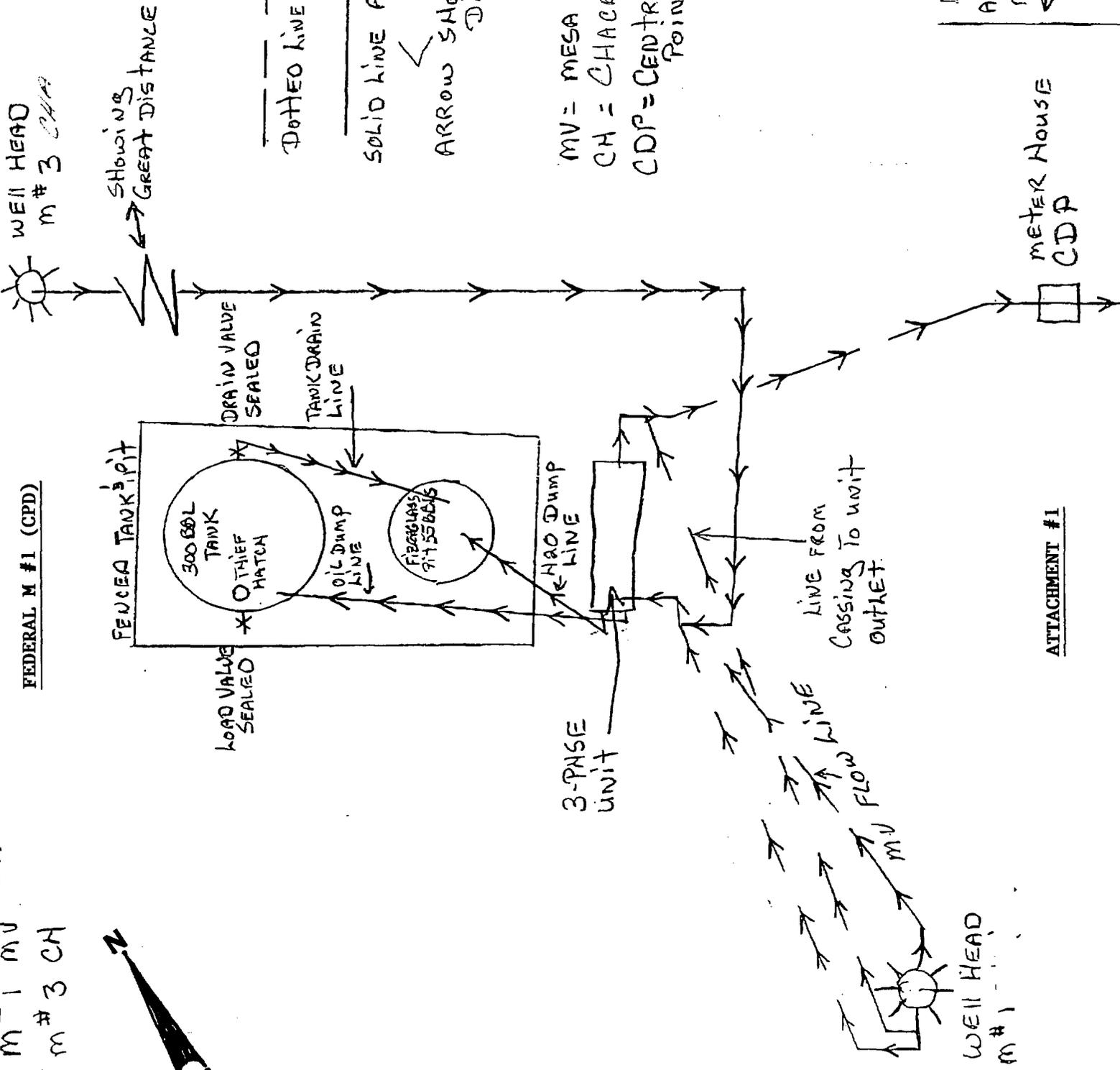
M#1 =	40 MCFPD	71%
M#3 =	<u>16 MCFPD</u>	29%
	56 MCFPD	100%

Please do not hesitate to call, 915 686-9869, Phyllis R. Gunter.

LARGO FEO. M # 1 MV  
FEO. M # 3 CH



FEDERAL M #1 (CPD)



WELL HEAD  
M # 3 CH

Showing  
GREAT DISTANCE

-----  
DOTTED LINE UNDER GROUND

-----  
SOLID LINE ABOVE GROUND

ARROW SHOWS FLOW  
DIRECTION

MV = MESA VERDE  
CH = CHACRA  
CDP = CENTRAL DELIVERY  
POINT

EPNG  
ABANDONED  
METER TUBE

METER HOUSE  
CDP

ATTACHMENT #1

FEDERAL M #1(CPD)

NEW MEXICO OIL CONSERVATION COMMISSION  
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102  
Supersedes C-128  
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

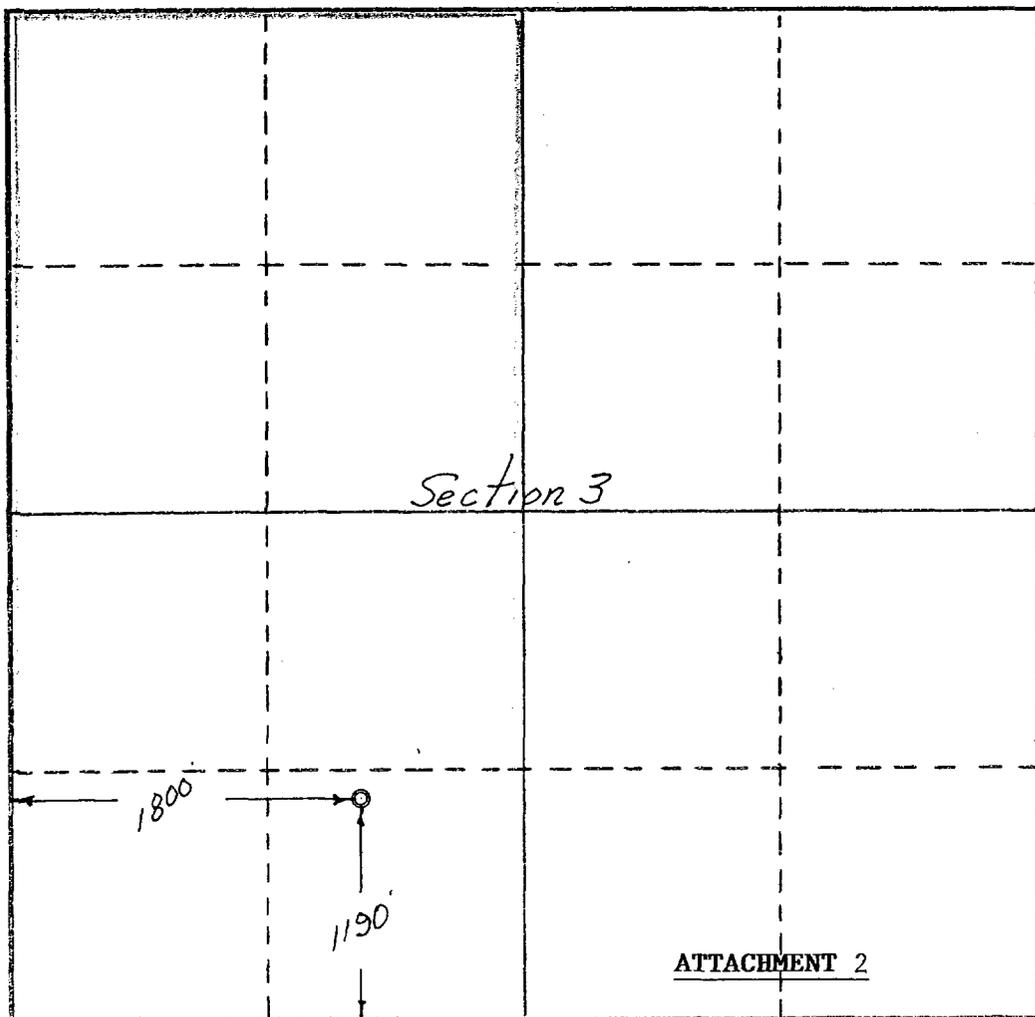
Operator <b>Wynn &amp; Brooks - Fulton</b>		Lease <b>Federal M</b>		Well No. <b>1</b>
Unit Letter <b>N</b>	Section <b>3</b>	Township <b>27 North</b>	Range <b>8 West</b>	County <b>San Juan</b>
Actual Footage Location of Well: <b>1190</b> feet from the <b>South</b> line and <b>1800</b> feet from the <b>West</b> line.				
Ground Level Elev. <b>5855</b>	Producing Formation <b>Mesa Verde &amp; Dakota</b>	Pool <b>Blanco-Mesa Verde Basin-Dakota</b>	Dedicated Acreage: <b>320</b> Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes  No If answer is "yes," type of consolidation \_\_\_\_\_

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name: *R C Wynn*  
Position: **Operator**

Company: **Wynn & Brooks-Fulton**

Date: **July 24, 1968**

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 knowledge and belief.

Date Surveyed: *July 23 1968*

Registered Professional Engineer and Land Surveyor  
*[Signature]*

Certificate No. **3084**



Oil CONSERVATION DIVISION

STATE OF NEW MEXICO  
 OIL AND MINERALS DEPARTMENT

P. O. BOX 2048  
 SANTA FE, NEW MEXICO 87501

FEDERAL M #1 (CPD)

Form C-107  
 Revised 10-

All distances must be from the outer boundaries of the Section.

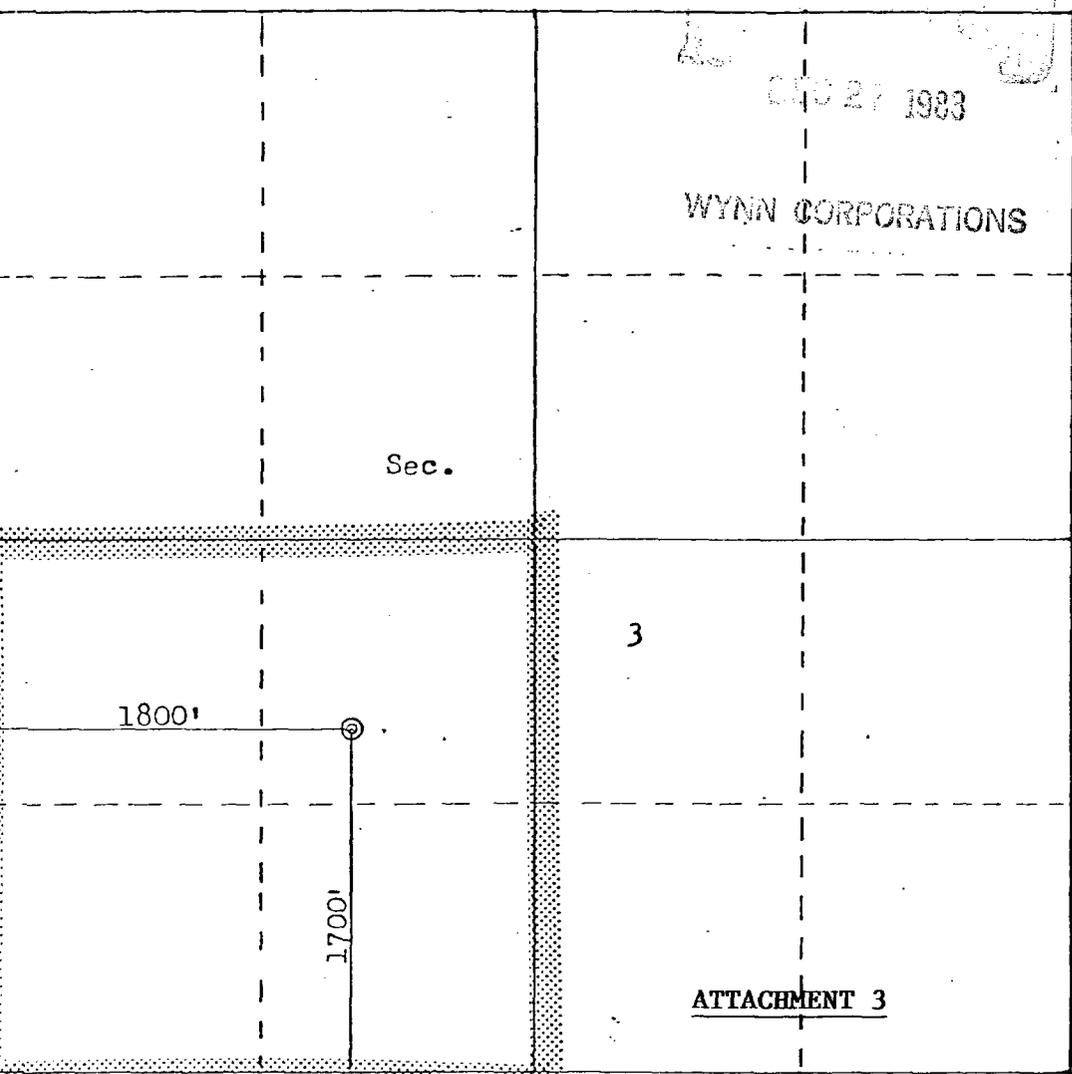
Operator <b>R. C. WYNN</b>		Lease <b>FEDERAL "M"</b>			Well No. <b>3</b>
Unit Letter <b>K</b>	Section <b>3</b>	Township <b>27N</b>	Range <b>8W</b>	County <b>San Juan</b>	
Actual Footage Location of Well:					
<b>1700</b>		feet from the <b>South</b>	line and	<b>1800</b>	feet from the <b>West</b> line
Ground Level Elev: <b>5855</b>	Producing Formation <b>Chacra</b>		Pool <b>Largo Chacra</b>	Dedicated Acreage <b>160</b> Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes  No If answer is "yes," type of consolidation \_\_\_\_\_

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



Scale: 1"=1000'

**CERTIFICATION**

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

FOR: **R. C. WYNN**  
**ORIGINAL SIGNED BY**  
 Name: **EWELL N. WALSH**  
 Ewell N. Walsh, P.E.

Position  
 President

Company  
 Walsh Engr. & Prod. Corp.

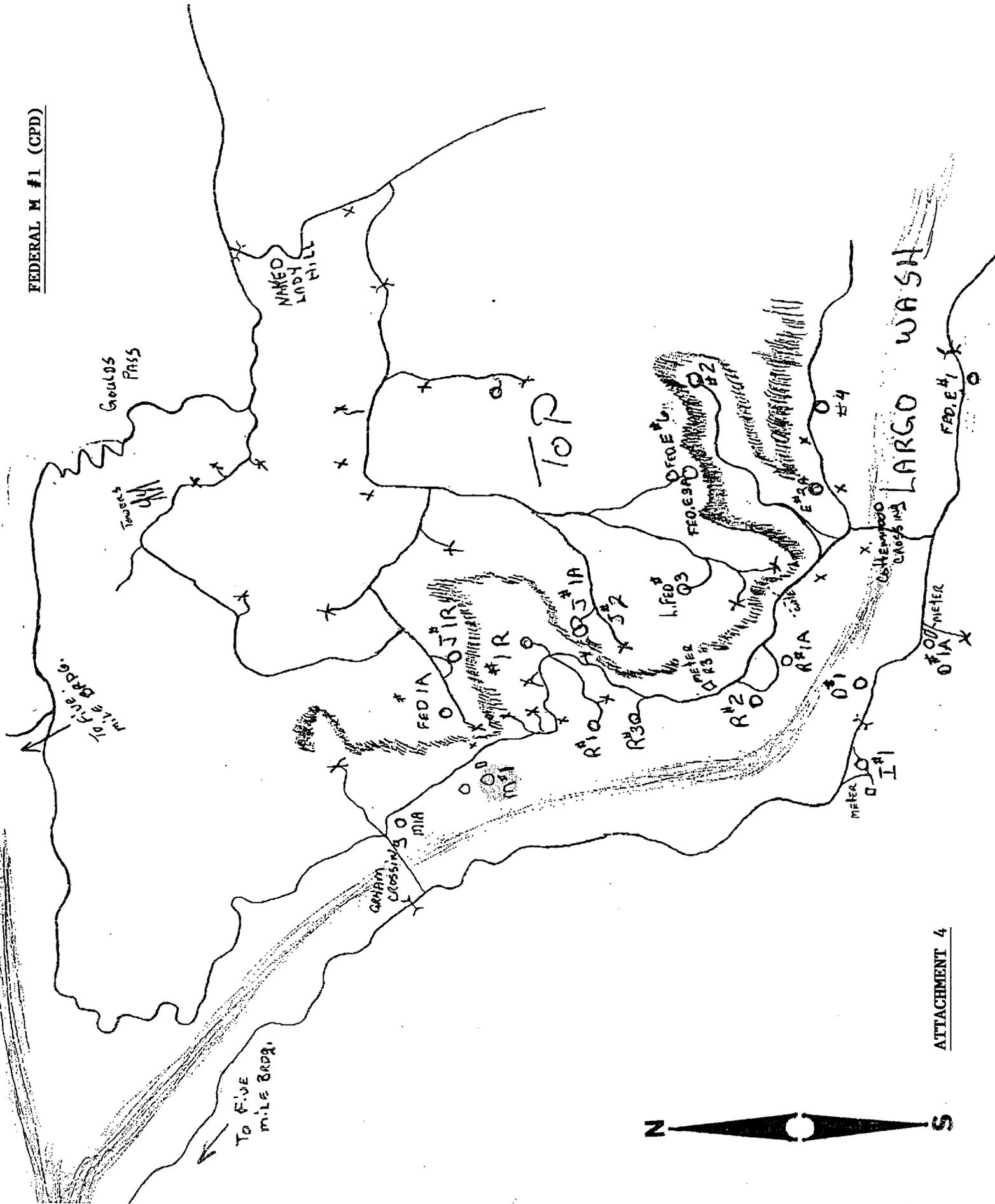
Date  
 12/20/83

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 knowledge and belief.

Date Surveyed  
 December 16, 1983

Registered Professional Engineer and Land Surveyor  
*Fred B. Kerr, Jr.*  
 Fred B. Kerr, Jr.

Certificate No. **3950**



**FEDERAL M #1 (CPD)**

RUN DATE: Thursday April 18, 2002 3:17 PM

PAGE 1

PHOENIX HYDROCARBONS OPER CORP

L E A S E     D D I     L I S T I N G     B Y     L E A S E

FOR LEASES 351017     THRU 351020

LEASE	OWNER	OWN	TAX	SUS	HND	INT	COSTS	OIL REV	GAS REV
351017	FEDERAL M-1	SAN JUAN				NM			
		BC500 BURK C. MURCHISON (BCM TRUST)	P		1	.00700000	.00513000	.00513000	X
		BE110 W.R. BEAVERS, M.D.	P		1	.16406250	.12023440	.12023440	X
		BL130 BLACK HOLE RANCH CORP.	P		1	.08750000	.06412500	.06412500	X
		BP110 BPAMERICA PRODUCTION COMPANY	P		2	.00000000	.08500000	.08500000	X
		BR553 E.B. BROOKS, JR.	P		1	.12500000	.08875000	.08875000	
		BR553 E.B. BROOKS, JR.	P		2	.00000000	.02000000	.02000000	✓
		CA500 BURK C. MURCHISON (CAM TRUST)	P		1	.00700000	.00513000	.00513000	
		CE500 BURK C. MURCHISON (CEM TRUST)	P		1	.00700000	.00513000	.00513000	
		CO826 JESSICA ANN CORTEZ TRUST	P		2	.00000000	.00250000	.00250000	
		DA955 DAWSON FAMILY TRUST	P		2	.00000000	.01000000	.01000000	
		DE112 DEALEY FAMILY LTD.	P		1	.05468750	.04007810	.04007810	
		DL500 BURK C. MURCHISON (DLM TRUST)	P		1	.00700000	.00513000	.00513000	
		EN375 ENERGEN RESOURCES CORPORATION	P		2	.00000000	.01750000	.01750000	
		GFB GFB ACQUISITIONS - I, LLP	P		1	.20991163	.15383523	.15383523	
		HE150 HEARN CAPITAL, LTD.	P		1	.17500000	.12825000	.12825000	
		MMS MINERALS MANAGEMENT SERVICE	T	G	5	.00000000	.12500000	.12500000	
		PU761 PURE RESOURCES, L.P.	P		2	.00000000	.00750000	.00750000	
		RU663 MURCHISON CAPITAL PTNRS LLC	P		1	.14000000	.10260000	.10260000	
		RU774 THE A. WILLIAM RUTTER TRUST	P		2	.00000000	.00125000	.00125000	
		RU775 THE DOROTHY T. RUTTER TRUST	P		2	.00000000	.00125000	.00125000	
		TRI TRANSREPUBLIC RESOURCES, INC.	P		1	.00883837	.00647727	.00647727	
		WK500 BURK C. MURCHISON (WKM TRUST)	P		1	.00700000	.00513000	.00513000	
	TOTALS:	22 OWNERS					1.00000000	1.00000000	1.00000000



351020	FEDERAL M-3	SAN JUAN				NM			
		BC500 BURK C. MURCHISON (BCM TRUST)	P		1	.00700000	.00502500	.00502500	X
		BE110 W.R. BEAVERS, M.D.	P		1	.16406250	.11777344	.11777344	X
		BL130 BLACK HOLE RANCH CORP.	P		1	.08750000	.06281250	.06281250	X
		BP110 BPAMERICA PRODUCTION COMPANY	P		2	.00000000	.10000000	.10000000	X
		BR553 E.B. BROOKS, JR.	P		2	.00000000	.02000000	.02000000	✓
		CA500 BURK C. MURCHISON (CAM TRUST)	P		1	.00700000	.00502500	.00502500	
		CE500 BURK C. MURCHISON (CEM TRUST)	P		1	.00700000	.00502500	.00502500	
		CO826 JESSICA ANN CORTEZ TRUST	P		2	.00000000	.00250000	.00250000	
		DA955 DAWSON FAMILY TRUST	P		2	.00000000	.01000000	.01000000	
		DE112 DEALEY FAMILY LTD.	P		1	.05468750	.03925780	.03925780	
		DL500 BURK C. MURCHISON (DLM TRUST)	P		1	.00700000	.00502500	.00502500	
		EN375 ENERGEN RESOURCES CORPORATION	P		2	.00000000	.01750000	.01750000	
		GFB GFB ACQUISITIONS - I, LLP	P		1	.32986111	.23405147	.23405147	
		HE150 HEARN CAPITAL, LTD.	P		1	.17500000	.12562500	.12562500	
		MMS MINERALS MANAGEMENT SERVICE	T	G	5	.00000000	.12500000	.12500000	
		PU761 PURE RESOURCES, L.P.	P		2	.00000000	.00750000	.00750000	
		RU663 MURCHISON CAPITAL PTNRS LLC	P		1	.14000000	.10050000	.10050000	
		RU774 THE A. WILLIAM RUTTER TRUST	P		2	.00000000	.00125000	.00125000	
		RU775 THE DOROTHY T. RUTTER TRUST	P		2	.00000000	.00125000	.00125000	
		TRI TRANSREPUBLIC RESOURCES, INC.	P		1	.01388887	.00985479	.00985479	
		WK500 BURK C. MURCHISON (WKM TRUST)	P		1	.00700000	.00502500	.00502500	
	TOTALS:	21 OWNERS					1.00000000	1.00000000	1.00000000

**FEDERAL M #1 (CPD)**

RUN DATE: Thursday April 18, 2002 11:13 AM

PHOENIX HYDROCARBONS OPER CORP

L E A S E     D D I     O W N E R S     R E P O R T

CURRENT LEASE: 351017     FEDERAL M-1

-----LEASE-----	OWNER INFORMATION	COST DDI	OIL DDI	GAS DDI	INTEREST TYPE
351017     FEDERAL M-1					
	BC500    75-6392937 BURK C. MURCHISON (BCM TRUST) 1450 THREE LINCOLN CENTRE 5430 LBJ FREEWAY DALLAS, TX 75240	.00700000	.00513000	.00513000	WORKING INTEREST
	BE110    463-52-8798 W.R. BEAVERS, M.D. 3613 CEDAR SPRINGS RD DALLAS, TX 75219 214 528-4718	.16406250	.12023440	.12023440	WORKING INTEREST
	BL130    75-2402678 BLACK HOLE RANCH CORP. C/O GLENN SODD P.O. BOX 837 CORSICANA, TX 75151	.08750000	.06412500	.06412500	WORKING INTEREST
	BP110    73-0466080 BPAMERICA PRODUCTION COMPANY P.O. BOX 277897 ATLANTA, GA 30384-7985 918 925-4800	.00000000	.08500000	.08500000	OVERRIDING ROYALTY
	BR553    462-44-4282 E.B. BROOKS, JR. 4925 GREENVILLE AVE, #1025 DALLAS, TX 75206	.12500000	.08875000	.08875000	WORKING INTEREST
	BR553    462-44-4282 E.B. BROOKS, JR. 4925 GREENVILLE AVE, #1025 DALLAS, TX 75206	.00000000	.02000000	.02000000	OVERRIDING ROYALTY
	CA500    75-6399738 BURK C. MURCHISON (CAM TRUST) 1450 THREE LINCOLN CENTER 5430 LBJ FREEWAY DALLAS, TX 75240	.00700000	.00513000	.00513000	WORKING INTEREST
	CE500    75-6392939 BURK C. MURCHISON (CEM TRUST) 1450 THREE LINCOLN CENTRE 5430 LBJ FREEWAY DALLAS, TX 75240	.00700000	.00513000	.00513000	WORKING INTEREST
	CO826    75-6545956 JESSICA ANN CORTEZ TRUST CORTEZ MICHELLE BLEDSOE TTEE 4811 HALLMARK DRIVE DALLAS, TX 75229 214 692-9840	.00000000	.00250000	.00250000	OVERRIDING ROYALTY

PHOENIX HYDROCARBONS OPER CORP

L E A S E     D D I     O W N E R S     R E P O R T

CURRENT LEASE: 351017     FEDERAL M-1

-----LEASE-----	OWNER INFORMATION	COST DDI	OIL DDI	GAS DDI	INTEREST TYPE
	DA955 76-6049139 DAWSON FAMILY TRUST C/O ROBBIN R. DAWSON P.O. BOX 1507 PANHANDLE, TX 79068-1507	.00000000	.01000000	.01000000	OVERRIDING ROYALTY
	DE112 75-2824870 DEALEY FAMILY LTD. 250 HIGHLAND PARK VILLAGE SUITE 100-311 DALLAS, TX 75205-2789	.05468750	.04007810	.04007810	WORKING INTEREST
	DL500 75-6392940 BURK C. MURCHISON (DLM TRUST) 1450 THREE LINCOLN CENTRE 5430 LBJ FREEWAY DALLAS, TX 75240	.00700000	.00513000	.00513000	WORKING INTEREST
	EN375 63-0808872 ENERGEN RESOURCES CORPORATION 605 21ST STREET NORTH BIRMINGHAM, AL 35203-2707	.00000000	.01750000	.01750000	OVERRIDING ROYALTY
	GFB 01-0552588 GFB ACQUISITIONS - I, LLP P.O. BOX 3638 MIDLAND, TX 79702 915 686-9869	.20991163	.15383523	.15383523	WORKING INTEREST
	HE150 75-2929693 HEARN CAPITAL, LTD. 109 NORTH RIVERCREST DRIVE FT WORTH, TX 76107 817 625-9974	.17500000	.12825000	.12825000	WORKING INTEREST
	MMS 84-0848646 MINERALS MANAGEMENT SERVICE RMP P.O. BOX 580 DENVER, CO 80217	.00000000	.12500000	.12500000	MINERAL INTEREST
	PU761 75-2715696 PURE RESOURCES, L.P. P.O. BOX 910552 DALLAS, TX 75391-0552	.00000000	.00750000	.00750000	OVERRIDING ROYALTY

PHOENIX HYDROCARBONS OPER CORP

LEASE DDI OWNERS REPORT

CURRENT LEASE: 351017 FEDERAL M-1

LEASE	OWNER INFORMATION	COST DDI	OIL DDI	GAS DDI	INTEREST TYPE
	RU663 75-2403305 MURCHISON CAPITAL PTNRS LLC 1450 THREE LINCOLN CENTRE 5430 LBJ FREEWAY DALLAS, TX 75240	.14000000	.10260000	.10260000	WORKING INTEREST
	RU774 75-6415363 THE A. WILLIAM RUTTER TRUST P.O. BOX 3186 MIDLAND, TX 79702	.00000000	.00125000	.00125000	OVERRIDING ROYALTY
	RU775 75-6467231 THE DOROTHY T. RUTTER TRUST P.O. BOX 3186 MIDLAND, TX 79702	.00000000	.00125000	.00125000	OVERRIDING ROYALTY
	TRI 75-2768707 TRANSREPUBLIC RESOURCES, INC. P.O. BOX 3638 MIDLAND, TX 79702	.00883837	.00647727	.00647727	WORKING INTEREST
	WK500 75-6393054 BURK C. MURCHISON (WKM TRUST) 1450 THREE LINCOLN CENTRE 5430 LBJ FREEWAY DALLAS, TX 75240	.00700000	.00513000	.00513000	WORKING INTEREST

PHOENIX HYDROCARBONS OPER CORP

LEASE DDI OWNERS REPORT

CURRENT LEASE: 351020 FEDERAL M-3

LEASE	OWNER INFORMATION	COST DDI	OIL DDI	GAS DDI	INTEREST TYPE
351020 FEDERAL M-3	BC500 75-6392937 BURK C. MURCHISON (BCM TRUST) 1450 THREE LINCOLN CENTRE 5430 LBJ FREEWAY DALLAS, TX 75240	.00700000	.00502500	.00502500	WORKING INTEREST
	BE110 463-52-8798 W.R. BEAVERS, M.D. 3613 CEDAR SPRINGS RD DALLAS, TX 75219 214 528-4718	.16406250	.11777344	.11777344	WORKING INTEREST
	BL130 75-2402678 BLACK HOLE RANCH CORP. C/O GLENN SODD P.O. BOX 837 CORNICANA, TX 75151	.08750000	.06281250	.06281250	WORKING INTEREST
	BP110 73-0466080 BPAMERICA PRODUCTION COMPANY P.O. BOX 277897 ATLANTA, GA 30384-7985 918 925-4800	.00000000	.10000000	.10000000	OVERRIDING ROYALTY
	BR553 462-44-4282 E.B. BROOKS, JR. 4925 GREENVILLE AVE, #1025 DALLAS, TX 75206	.00000000	.02000000	.02000000	OVERRIDING ROYALTY
	CA500 75-6399738 BURK C. MURCHISON (CAM TRUST) 1450 THREE LINCOLN CENTER 5430 LBJ FREEWAY DALLAS, TX 75240	.00700000	.00502500	.00502500	WORKING INTEREST
	CE500 75-6392939 BURK C. MURCHISON (CEM TRUST) 1450 THREE LINCOLN CENTRE 5430 LBJ FREEWAY DALLAS, TX 75240	.00700000	.00502500	.00502500	WORKING INTEREST
	CO826 75-6545956 JESSICA ANN CORTEZ TRUST CORTEZ MICHELLE BLEDSOE TTEE 4811 HALLMARK DRIVE DALLAS, TX 75229 214 692-9840	.00000000	.00250000	.00250000	OVERRIDING ROYALTY
	DA955 76-6049139 DAWSON FAMILY TRUST C/O ROBBIN R. DAWSON P.O. BOX 1507 PANHANDLE, TX 79068-1507	.00000000	.01000000	.01000000	OVERRIDING ROYALTY
	DE112 75-2824870 DEALEY FAMILY LTD. 250 HIGHLAND PARK VILLAGE SUITE 100-311 DALLAS, TX 75205-2789	.05468750	.03925780	.03925780	WORKING INTEREST

PHOENIX HYDROCARBONS OPER CORP

LEASE DDI OWNERS REPORT

CURRENT LEASE: 351020 FEDERAL M-3

-----LEASE-----	OWNER INFORMATION	COST DDI	OIL DDI	GAS DDI	INTEREST TYPE
	DL500 75-6392940 BURK C. MURCHISON (DLM TRUST) 1450 THREE LINCOLN CENTRE 5430 LBJ FREEWAY DALLAS, TX 75240	.00700000	.00502500	.00502500	WORKING INTEREST
	EN375 63-0808872 ENERGEN RESOURCES CORPORATION 605 21ST STREET NORTH BIRMINGHAM, AL 35203-2707	.00000000	.01750000	.01750000	OVERRIDING ROYALTY
	GFB 01-0552588 GFB ACQUISITIONS - I, LLP P.O. BOX 3638 MIDLAND, TX 79702 915 686-9869	.32986113	.23405147	.23405147	WORKING INTEREST
	HE150 75-2929693 HEARN CAPITAL, LTD. 109 NORTH RIVERCREST DRIVE FT WORTH, TX 76107 817 625-9974	.17500000	.12562500	.12562500	WORKING INTEREST
	MMS 84-0848646 MINERALS MANAGEMENT SERVICE RMP P.O. BOX 580 DENVER, CO 80217	.00000000	.12500000	.12500000	MINERAL INTEREST
	PU761 75-2715696 PURE RESOURCES, L.P. P.O. BOX 910552 DALLAS, TX 75391-0552	.00000000	.00750000	.00750000	OVERRIDING ROYALTY
	RU663 75-2403305 MURCHISON CAPITAL PTNRS LLC 1450 THREE LINCOLN CENTRE 5430 LBJ FREEWAY DALLAS, TX 75240	.14000000	.10050000	.10050000	WORKING INTEREST
	RU774 75-6415363 THE A. WILLIAM RUTTER TRUST P.O. BOX 3186 MIDLAND, TX 79702	.00000000	.00125000	.00125000	OVERRIDING ROYALTY
	RU775 75-6467231 THE DOROTHY T. RUTTER TRUST P.O. BOX 3186 MIDLAND, TX 79702	.00000000	.00125000	.00125000	OVERRIDING ROYALTY
	TRI 75-2768707 TRANSREPUBLIC RESOURCES, INC. P.O. BOX 3638 MIDLAND, TX 79702	.01388887	.00985479	.00985479	WORKING INTEREST
	WK500 75-6393054 BURK C. MURCHISON (WKM TRUST) 1450 THREE LINCOLN CENTRE 5430 LBJ FREEWAY	.00700000	.00502500	.00502500	WORKING INTEREST

# PHOENIX HYDROCARBONS OPERATING CORPORATION

415 WEST WALL, SUITE 703  
MIDLAND, TX 79701

P. O. BOX 3638  
Midland, Texas 79702

Phone 915 686-9869  
FAX 915 683-1649

June 6, 2002

RE: COMMINGLING OF FEDERAL M#1A  
AND FEDERAL M#2, SAN JUAN, NM

Dear Working and Royalty Interest Owner:

As you know the above referenced wells have been surface commingled for the last ten years. The M#2 is a weak well and could not buck the sales line pressure, but when commingled with the M#1A the pressure is strong enough to sale gas from both wells. Phoenix is proposing to use the same well test allocation formula that Bledsoe had been using to allocate the production and sales from these wells. The Federal M#1A produces maybe ½ bbl of condensate and only trace of water.

## *PROPOSED ALLOCATION PROCEDURE*

*72 HOUR TEST ON THE M#1A = 110 MCFPD  
M#1A(CPD) AVERAGE SALES = 128 MCFPD  
PRODUCTION FOR THE M#2 128(-)110 = 18 MCFPD*

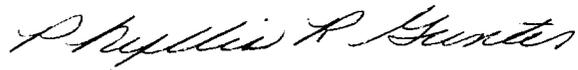
*M#1A = 110 MCFPD 86%  
M#2 = 18 MCFPD 14%  
128 MCFPD 100%*

Phoenix proposes to perform the 72 hour well test monthly.

We have applied to the New Mexico Energy, Minerals and Natural Resources Department and Bureau of Land Management authorities, at the BLM's request, for a commingling permit. The New Mexico Energy, Minerals and Natural Resources Department does not consider the well test allocation method to be fair and prudent. To be fair and prudent we have been advised "*that allocation gas meters will be required on all wells in each of these applications. If all cost and revenue interests are identical, allocation meters are required on all but one (1) of the wells to be commingled.*" This applies to all products of which there is only gas, trace of condensate and water.

I spoke with Mr William V. Jones, Jr., PE, New Mexico Energy, Minerals and Natural Resources, at 505-476-3448, who sent the requirements to Phoenix. Mr. Jones felt like we could secure and place the required continuous monitoring allocation meters for around \$4,000.00 each well or \$8,000.00 for both wells. Since these wells are marginal and you will be buying these meters, Phoenix is suggesting that you call Mr. Jones with any questions you might have as to the economic benefits of this requirement.

Sincerely,



Phyllis R. Gunter

Prg

files

Please elect below:

*M#1A CPD*

Continue monthly well test allocation \_\_\_\_\_

Install and maintain continuous monitoring allocation meters \_\_\_\_\_

---

Signature

---

Printed Name

---

Date

# **PHOENIX HYDROCARBONS OPERATING CORPORATION**

415 WEST WALL, SUITE 703  
MIDLAND, TX 79701

P. O. BOX 3638  
Midland, Texas 79702

Phone 915 686-9869  
FAX 915 683-1649

June 6, 2002

RE: COMMINGLING OF FEDERAL M#1  
AND FEDERAL M#3, SAN JUAN, NM

Dear Working and Royalty Interest Owner:

As you know the above referenced wells have been surface commingled for the last ten years. The M#3 is a weak well and could not buck the sales line pressure, but when commingled with the M#1 the pressure is strong enough to sale gas from both wells. Phoenix is proposing to use the same well test allocation formula that Bledsoe had been using to allocate the production and sales from these wells. The wells do not produce any condensate and only trace of water.

## ***PROPOSED ALLOCATION PROCEDURE***

*72 HOUR TEST ON THE M#1 = 40 MCFPD*  
*M#1(CPD) AVERAGE SALES = 56 MCFPD*  
*PRODUCTION FOR THE M#3 56(-)40 = 16 MCFPD*

*M#1 = 40 MCFPD 71%*

*M#3 = 16 MCFPD 29%*

*56 MCFPD 100%*

Phoenix proposes to perform the 72 hour well test monthly.

We have applied to the New Mexico Energy, Minerals and Natural Resources Department and Bureau of Land Management authorities, at the BLM's request, for a commingling permit. The New Mexico Energy, Minerals and Natural Resources Department does not consider the well test allocation method to be fair and prudent. To be fair and prudent we have been advised "*that allocation gas meters will be required on all wells in each of these applications. If all cost and revenue interests are identical, allocation meters are required on all but one (1) of the wells to be commingled.*" This applies to all products of which there is only gas.

Page 2  
June 6, 2002

I spoke with Mr William V. Jones, Jr., PE, New Mexico Energy, Minerals and Natural Resources, at 505-476-3448, who sent the requirements to Phoenix. Mr. Jones felt like we could secure and place the required continuous monitoring allocation meters for around \$4,000.00 each well or \$8,000.00 for both wells. Since these wells are marginal and you will be buying these meters, Phoenix is suggesting that you call Mr. Jones with any questions you might have as to the economic benefits of this requirement.

Sincerely,



Phyllis R. Gunter

Prg

files

Please elect below: *M#1 CPD*

Continue monthly well test allocation \_\_\_\_\_

Install and maintain continuous monitoring allocation meters \_\_\_\_\_

---

Signature

---

Printed Name

---

Date

**CORPORATE MEASUREMENT SYSTEM  
GPM CERTIFICATE REPORT**

03/20/2002 09:49:40

Prod Date : 06/01/2001 00:00:00

Page 1 of 1

EP FIELD SERVICES--SAN JUAN

Certificate of Gas Analysis

Sample Desc: FEDERAL M #1 CPD

Sample Id: 97560

Effective Date: 6/1/01 00:00:00

Sample Type: Spot

Sample Date: 5/1/01 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:

<u>Component</u>	<u>Mole %</u>	<u>GPM</u>
Methane:	75.1100	
Ethane:	12.7400	3.4074
Propane:	6.7100	1.8489
Iso Butane:	0.9900	0.3239
Butane:	1.8300	0.5770
Iso Pentane:	0.5400	0.1976
Pentane:	0.4300	0.1557
Neo Pentane:	0.0000	0.0000
Hexane:	0.7300	0.3185
Heptane:	0.0000	0.0000
Nonane:	0.0000	0.0000
Octane:	0.0000	0.0000
Decane:	0.0000	0.0000
H2s:	0.0000	
<b>Sub Total GPM:</b>	<b>99.0800</b>	<b>6.8290</b>

<u>Inerts</u>	<u>Mole %</u>
Carbon Dioxide:	0.6000
Nitrogen:	0.3200
Hydrogen:	0.0000
Oxygen:	0.0000
Helium:	0.0000
Argon:	0.0000
Carbon Monoxide:	0.0000
<b>Total Mole %:</b>	<b>100.0000</b>

Gravity: 0.7700

BTU: 1330.0

Saturated BTU: 1306.5

Remarks:



2030 AFTON PLACE  
 FARMINGTON, N.M. 87401  
 (505) 325-6622

ANALYSIS NO. PH220003  
 CUST. NO. 62300 - 10010

**WELL/LEASE INFORMATION**

CUSTOMER NAME PHOENIX HYDROCARBONS  
 WELL NAME FEDERAL M #1  
 COUNTY/ STATE SAN JUAN NM  
 LOCATION  
 FIELD  
 FORMATION MESA VERDE  
 CUST. STN. NO.

SOURCE  
 WELL HEAD PRESSURE 130 PSIG  
 SAMPLE TEMP 75 DEG.F  
 WELL FLOWING Y  
 DATE SAMPLED 6/5/02  
 SAMPLED BY D. BAYS  
 FOREMAN/ENGR.

**REMARKS**

**ANALYSIS**

COMPONENT	MOLE %	GPM**	B.T.U.*	SP.GR *
NITROGEN	0.352	0.0000	0.00	0.0034
CO2	0.635	0.0000	0.00	0.0096
METHANE	73.281	0.0000	741.62	0.4058
ETHANE	13.689	3.6618	242.80	0.1421
PROPANE	7.190	1.9818	181.32	0.1095
I-BUTANE	1.088	0.3487	34.75	0.0214
N-BUTANE	2.002	0.6312	65.46	0.0402
I-PENTANE	0.592	0.2166	23.74	0.0147
N-PENTANE	0.481	0.1742	19.33	0.0120
HEXANE PLUS	0.732	0.3194	37.63	0.0236
<b>TOTAL</b>	<b>100.000</b>	<b>7.3335</b>	<b>1,348.65</b>	<b>0.7823</b>

\* @ 14.730 PSIA DRY & UNCORRECTED FOR COMPRESSIBILITY

\*\* @ 14.730 PSIA & 60 DEG. F.

COMPRESSIBILITY FACTOR (1/2) 1.0043  
 BTU/CU.FT (DRY) CORRECTED FOR (1/2) 1,352.9  
 BTU/CU.FT (WET) CORRECTED FOR (1/2) 1,329.3  
 REAL SPECIFIC GRAVITY 0.7859

ANALYSIS RUN AT 14.730 PSIA & 60 DEGREES F

DRY BTU @ 14.850 1,345.5  
 DRY BTU @ 14.898 1,349.7  
 DRY BTU @ 14.730 1,352.9  
 DRY BTU @ 15.025 1,380.0

CYLINDER # A037  
 CYLINDER PRESSURE 106 PSIG  
 DATE RUN 6/12/02  
 ANALYSIS RUN BY JANA CARANTA



2030 AFTON PLACE  
 FARMINGTON, N.M. 87401  
 (505) 325-6622

ANALYSIS NO. PH220006  
 CUST. NO. 62300 - 10025

**WELL/LEASE INFORMATION**

CUSTOMER NAME	PHOENIX HYDROCARBONS	SOURCE	WELL HEAD
WELL NAME	FEDERAL M #3	PRESSURE	150 PSIG
COUNTY/ STATE	SAN JUAN NM	SAMPLE TEMP	75 DEG.F
LOCATION		WELL FLOWING	Y
FIELD		DATE SAMPLED	6/5/02
FORMATION	CHACRA	SAMPLED BY	D. BAYS
CUST.STN.NO.		FOREMAN/ENGR.	

REMARKS

ANALYSIS

COMPONENT	MOLE %	GPM**	B.T.U.*	SP.GR *
NITROGEN	0.203	0.0000	0.00	0.0020
CO2	0.419	0.0000	0.00	0.0064
METHANE	87.750	0.0000	888.29	0.4881
ETHANE	6.515	1.7428	115.56	0.0676
PROPANE	2.905	0.8006	73.26	0.0442
I-BUTANE	0.515	0.1685	16.79	0.0103
N-BUTANE	0.759	0.2393	24.82	0.0152
I-PENTANE	0.253	0.0926	10.15	0.0063
N-PENTANE	0.183	0.0663	7.35	0.0046
HEXANE PLUS	0.498	0.2173	25.60	0.0160
<b>TOTAL</b>	<b>100.000</b>	<b>3.3273</b>	<b>1,161.82</b>	<b>0.6587</b>

\* @ 14.730 PSIA DRY & UNCORRECTED FOR COMPRESSIBILITY

\*\* @ 14.730 PSIA & 60 DEG. F.

COMPRESSIBILITY FACTOR	(1/Z)	1.0029
BTU/CU.FT (DRY) CORRECTED FOR	(1/Z)	1,165.5
BTU/CU.FT (WET) CORRECTED FOR	(1/Z)	1,145.2
REAL SPECIFIC GRAVITY		0.6608

ANALYSIS RUN AT 14.730 PSIA & 60 DEGREES F

DRY BTU @ 14.650	1,159.1
DRY BTU @ 14.696	1,162.8
DRY BTU @ 14.730	1,165.5
DRY BTU @ 15.025	1,188.8

CYLINDER #	A063
CYLINDER PRESSURE	115 PSIG
DATE RUN	6/12/02
ANALYSIS RUN BY	JANA CARANTA

# PHOENIX HYDROCARBONS OPERATING CORPORATION

415 WEST WALL, SUITE 703  
MIDLAND, TX 79701

OIL CONSERVATION DIV.  
P. O. BOX 3638  
Midland, Texas 79702  
02 JUN 14 PM 12:40

Phone 915 686-9869  
FAX 915 683-1649

June 12, 2002

Mr. William V. Jones, Jr. PE  
Petroleum Engineer  
Oil Conservation Division  
New Mexico Energy, Minerals and Natural Resources Department  
1220 South St Francis Drive  
Santa Fe, NM 87505

RE: ADMINISTRATIVE APPLICATIONS FOR SURFACE  
POOL COMMINGLING-FEDERAL "M" LEASE

Dear Mr. Jones:

Forgive me for taking so long to answer your request of May 17, 2002.

1. You were faxed a copy of the letter that was sent out to each owner on June 6, 2002. Those letters were mailed the afternoon of June 6, 2002. Copies enclosed.
2. Phoenix's method of allocation for the properties will be based on a well test. This office was in contact with Mr. Jim Lovato, Team Lead, Petroleum Management Team, BLM, (505)599-6367. Mr. Lovato stated that the method Phoenix has been using is acceptable to the BLM proved the owners do not object. The pumper will shut one well (A) in for 72 hours to calculate the production from the producing well (B) and deducting (B) from the commingled total volume from both wells (A & B) produced the following 72 hours to arrive at the volume for well (A). The products are then allocated by percentages derived by adding A & B together and dividing each by the total. All products will be allocated by these percentages, provided both wells produced the same number of days per month and adjusted if not. The days produced will come from the pumper. Contrary to a monthly well test as stated in the letters Phoenix sent out and following the suggestion of Mr. Lovato, Phoenix will test these wells semi-annually. As stated in Phoenix's application the Mesaverde is the only zone that produces condensate.
3. The commercial value is greater commingled than sold individually. El Paso has been discontinuing gathering gas from uneconomical wells. With reference to the "M" lease, selling gas from all the wells is of greater commercial value than plugging or shutting the marginal ones in.

Please proceed with processing our applications to surface commingle the "M" wells. Do not hesitate to contact this office if further information is required.

Thanking you in advance for your help.

Sincerely,



Phyllis R. Gunter

Prg

CC: Files  
Jim Lovato



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Farmington Field Office  
1235 La Plata Highway, Suite A  
Farmington, New Mexico 87401

IN REPLY REFER TO:  
NM 05791et.al (wc)  
3162.7-3  
07100

April 30, 2002

Phoenix Hydrocarbons Operating Corp.  
Attn: Phyllis Gunter  
415 West Wall, Suite 703  
Midland, TX 79701

Dear Ms. Gunter:

Reference is made to your applications for surface commingling of natural gas for the Federal M #1 and Federal M #3 wells and the Federal M #1A and Federal M #2 wells. After reviewing the applications, several deficiencies were identified which need attention before we can consider these applications complete for final action. Upon receipt of corrections of the following deficiencies, your applications will be reconsidered for approval:

- The allocation methodology must include a provision for any purging or venting of the pipeline and the surface commingling fuel lines.
- Fuel requirements for the compressors and separators for each surface commingled system must be submitted for review.
- The allocation methodology must also take into account the fuel usage for the compressors and separators used for each surface commingled system. This allocation for fuel usage must be calculated proportionally to the hydrocarbon allocation factors that are established.
- Allocation must be established for the producing Dakota formation in the Federal M #1 well.
- A gas analysis report will need to be submitted for each well in both of the surface commingled systems.
- The current BTU measurements, for each well in both of surface commingled systems, will also be required.
- The economic benefit of surface commingling must be identified.
- Demonstrate or provide evidence that each surface commingled system has sound mechanical integrity.
- Testing frequency of the surface commingled systems' mechanical integrity.
- Testing frequency of each well for accurate allocation verification.

Under the provisions of 43 CFR 3165.3, you may request an Administrative Review of any instructions, orders, or decisions issued by the Authorized Officer. Such a request, including all supporting documents, must be filed in writing within 20 business days of receipt of this notice and must be filed with the State Director, Bureau of Land Management, P.O. Box 27115, Santa Fe, New Mexico 87502-0115. Such a request will not result in a suspension of the instructions, orders or decision unless the reviewing official so determines. Procedures governing appeals from the instructions, orders, or decisions are contained in 43 CFR 3165.4 and 43 CFR 4.400 et seq.

If you have any questions regarding the above, contact Adrienne Garcia at (505) 599-6358 or Jim Lovato at (505)599-6367.

Sincerely,

*/s/ Jim Lovato*

Jim Lovato  
Team Lead, Petroleum Management Team

cc: NMOCD, Santa Fe  
NMOCD, Aztec

bcc: Well files (4)  
DOMR  
07100:AGarcia:4/30/02:x6358:Phoenix



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON  
Governor  
Betty Rivera  
Cabinet Secretary

Lori Wrotenbery  
Director  
Oil Conservation Division

Date: May 17, 2002

Ms Phyllis R. Gunter  
Phoenix Hydrocarbons Operating Corporation  
415 West Wall, Suite 703  
Midland, TX 79701

**Ref: Administrative Applications for Surface Pool Commingling**

This letter acknowledges the receipt of your two (2) administrative applications dated April 19, 2002, for Pool Commingling in the Federal "M" lease located in Section 3, Township 27 North, Range 8 West, NMPM, San Juan County, New Mexico. The division received your applications April 22, 2002.

Our preliminary review indicates that the information provided in the applications is very helpful but still not sufficient to process the administrative orders. The following information is necessary:

- 1) Please provide notice of your intent to surface commingle to all revenue and cost owners in the affected wells. Please provide to the Division proof of this notification in the form of a copy of the letter and list of all owners notified. This is required since ownership interests vary in each of these wells.
- 2) Please be advised that allocation gas meters will be required on all wells in each of these applications. If all cost and revenue interests are identical, allocation meters are required on all but one (1) of the wells to be commingled.
- 3) Please provide a written explanation of your proposed method of allocating to each well and zone all phases and products including oil, condensate, water, and gas.
- 4) As stated in rule 303 B., please provide a statement about whether the commercial value of the commingled sales will be less than the sum of the values of individual sales and if so, how much.

Since the submitted information is insufficient to review, the applications have been **Ruled Incomplete on May 17, 2002**. Please submit the above stated information by May 24th, 2002.

The Division can not proceed with your applications until the required information is submitted. Upon receipt, the Division will continue to process your applications. The

additional information can be faxed (505-476-3471), or mailed to the Division. If the necessary information is not submitted, your applications will be returned to you.

If you have any questions, please contact me in Santa Fe, at 505-476-3448.

Sincerely,

A handwritten signature in black ink, appearing to read "W. V. Jones Jr", with a long horizontal flourish extending to the right.

William V Jones Jr PE  
Petroleum Engineer  
Oil Conservation Division