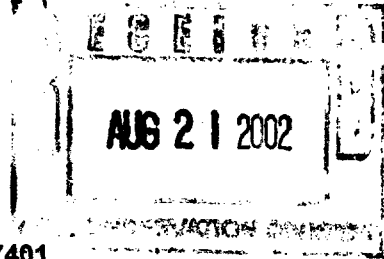




5802 HIGHWAY 64
FARMINGTON, NEW MEXICO 87401
PH: (505) 632-8056 FAX: 632-3031



August 19, 2002

Will Jones
NEW MEXICO OIL CONSERVATION DIVISION
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Sir,

(30-045-31070)

Cordillera Energy, Inc. hereby request authorization to surface commingle gas from dual zones of our WILLIAMS 1C (Dakota/Mesa Verde) Sec. 24, T31N, R13W, (E), San Juan County, NM, Lease # SF078464

NM-04836

Diagram "A" depicts a typical installation facility for metering the upper zone and commingled streams separately. This will reduce installation costs for wells dedicated to Gas Purchaser. Gas from the lower zone can be calculated by taking the difference of the two separate streams.

Check valves are strategically positioned in the stream to prevent downhole commingling of gas from either zone. Liquid hydrocarbon production is separated from the gas in each separator for storage in individual tanks and is not a consideration in surface commingling.

If you have any questions concerning this application, please contact myself or Chester Deal at 632-8056.

Sincerely,

A handwritten signature in cursive script that reads "Kay S. Eckstein".

Kay S. Eckstein
Production Technician

Encl.

cc: BLM, Farmington Office

Insert

Color Page/Photo

Here

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DENVER, COLORADO 80202-3647
TELEPHONE: (303) 629-3400
FAX: (303) 629-3450
www.dohseylaw.com

GARY J. YOUNGER
(303) 629-1804
FAX (303) 629-3450
younger.gary@dohseylaw.com

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May 30, 2002

DRILLING TITLE OPINION

Cordillera Energy, Inc.
8450 E. Crescent Parkway, Suite 400
Greenwood Village, CO 80111

Attention: Mr. Frank W. Neisinger *Williams 1C*
Sr. Landman

RE: Federal Leases SF-078464 and NM-048376

Gentlemen:

Pursuant to your request, we have examined the materials listed below and based upon that information we submit this Drilling Title Opinion covering the following described lands:

LANDS COVERED BY OPINION

Township 31 North, Range 13 West, N.M.P.M.

Section 24: N/2

LIMITED TO THE MESAVERDE AND DAKOTA FORMATIONS ONLY

containing 320.00 acres, more or less

All recording references are to the records of the County Clerk of San Juan County, New Mexico.

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5. Copies of the Cordillera Energy, Inc. revenue decks for the Williams 1(DK) and Williams 1(MV) dated March 29, 2002, provided by Cordillera Energy, Inc.

6. Certified copy of a Certificate of Amendment to Certificate of Incorporation dated May 17, 1990, recorded in San Juan County, New Mexico on August 23, 1990, in Book 1120, Page 663, evidencing the name change of K.R.M. Petroleum Corporation to PrimeEnergy Corporation.

7. Copy of a Certificate of Merger filed with the Kansas Secretary of State's Office dated September 7, 1995, evidencing the merger of Consolidated Oil & Gas, Inc. with and into Hugoton Energy Corporation, with Hugoton Energy Corporation as the surviving entity; and a certified copy of a Certificate of Merger filed with the Oklahoma Secretary of State's Office dated April 16, 1998, evidencing the merger of Hugoton Energy Corporation with Chesapeake Mid-Continent Corp., with the name of the surviving corporation being Chesapeake Mid-Continent Corp.

8. A copy of an Assignment and Bill of Sale dated April 30, 1997, recorded in Book 1238, Page 444 from PrimeEnergy Corporation to Chateau Energy, Inc.

9. A copy of an unrecorded Assignment and Bill of Sale dated March 14, 2002, from Burlington Resources Oil & Gas Company, L.P. to Cordillera Energy Partners, LLC, assigning all of assignor's right, title and interest in SF-078464, as to the S/2NE/4, from the base of the Pictured Cliffs formation to the base of the Dakota formation.

TRACTS

In this Opinion, the tracts are defined as follows:

Tract 1

Section 24: S/2NW/4

Tract 2

Section 24: S/2NE/4

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Tract 3

Section 24: N/2N/2

OWNERSHIP

Each ownership interest listed below is an undivided interest and has been proportionately reduced where appropriate. Based upon and limited by the materials examined and subject to the Comments and Requirements set forth herein, we find title to the subject lands and leases, as of December 18, 2001, at 5:30 p.m., with respect to the county records, and as of March 15, 2002, at 8:00 a.m. with respect to SF-078464, and as of April 23, 2002, at 8:00 a.m., with respect to NM-048376, as to the records of the New Mexico State Office of the Bureau of Land Management, to be owned and encumbered as follows:

SURFACE AND MINERAL OWNERSHIP

Tracts 1, 2 and 3

<u>Owner</u>	<u>Interest</u>
United States of America	100%

OIL AND GAS LEASEHOLD OWNERSHIP

Limited to the Mesaverde and Dakota Formations only
and excluding existing wellbores

Tract 1

<u>Owner</u>	<u>% Working Interest</u>	<u>Net Percentage</u>	<u>Lease No.</u>
Cordillera Energy, Inc. ¹ (97.265625% WI x 0.75 NRI)	97.265625%	72.949217% WI	1

¹ See Additional Comment and Requirement No. 28, below.

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Cordillera Energy, Inc.

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Thomas Kaufmann (0.390625% WI x 0.75 NRI)	0.390625%	0.292969% WI	1
Susan K. Baker (0.390625% WI x 0.75 NRI)	0.390625%	0.292969% WI	1
John Gutttag (0.390625% WI x 0.75 NRI)	0.390625%	0.292969% WI	1
Arthur Alsberg (0.390625% WI x 0.75 NRI)	0.390625%	0.292969% WI	1
Marjorie Bachman (0.390625% WI x 0.75 NRI)	0.390625%	0.292969% WI	1
Richard S. Becker (0.390625% WI x 0.75 NRI)	0.390625%	0.292969% WI	1
Sanford E. Becker (0.390625% WI x 0.75 NRI)	0.390625%	0.292969% WI	1
Cordillera Energy, Inc. (100% WI x 1.125% ORRI) + (100% WI x .35% ORRI) + (100% WI x .45% ORRI) + (100% WI x .45% ORRI x 0.125%)		1.981250% ORRI	1
Seymour Gross (100% WI x 1.125% ORRI)		1.125000% ORRI	1
Jack H. Owens (100% WI x .35% ORRI) + (100% WI x .425% ORRI)		0.775000% ORRI	1
McKay Oil & Gas, Inc. (100% WI x .5% ORRI)		0.500000% ORRI	1

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Cordillera Energy, Inc.
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Mary M. Dunlap (100% WI x 1% ORRI)	1.000000% ORRI 1
John Craig (100% WI x .5% ORRI)	0.500000% ORRI 1
Eleanor R. Eisen (100% WI x .225% ORRI x 0.1)	0.112500% ORRI 1
Theodor S. Rittenberg (100% WI x .225% ORRI x 0.1)	0.112500% ORRI 1
Thomas Kaufmann (0.45% ORRI x 0.125)	0.056250% ORRI 1
Susan K. Baker (0.45% ORRI x 0.125)	0.056250% ORRI 1
John Gutttag (0.45% ORRI x 0.125)	0.056250% ORRI 1
Arthur Alsberg (0.45% ORRI x 0.125)	0.056250% ORRI 1
Marjorie Bachman (0.45% ORRI x 0.125)	0.056250% ORRI 1
Richard S. Becker (0.45% ORRI x 0.125)	0.056250% ORRI 1
Sanford E. Becker (0.45% ORRI x 0.125)	0.056250% ORRI 1
James R. Payne and Jean Payne, husband and wife, as community property (5% ORRI x 0.5)	2.500000% ORRI 1

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Cordillera Energy, Inc.

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William Dennis Schmidt
(2.5% ORRI x 0.5)

1.250000% ORRI 1

Kenneth Robert Schmidt
(2.5% ORRI x 0.5)

1.250000% ORRI 1

J.K. and Suzie Wedley Research
Institute and Blood Bank of
Dallas, Texas
(0.5% ORRI)

0.500000% ORRI 1

Bobby Ward Jackson
(0.5% ORRI x 0.5)

0.250000% ORRI 1

Laura Wood
(0.5% ORRI x 0.5)

0.250000% ORRI 1

United States of America
(100% MI x 12.5% LOR OGL)

12.500000% RI

TOTAL:100.000000%100.000000%**Tract 2**

<u>Owner</u>	<u>% Working Interest</u>	<u>Net Percentage</u>	<u>Lease No.</u>
Cordillera Energy Partners, LLC (100% WI x 0.815 NRI)	100.000000%	81.500000% WI	1
James R. Payne and Jean Payne husband and wife, as community property (5% ORRI x 0.5)		2.500000% ORRI	1
William Dennis Schmidt (2.5% ORRI x 0.5)		1.250000% ORRI	1

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Cordillera Energy, Inc.
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Kenneth Robert Schmidt (2.5% ORRI x 0.5)	1.250000% ORRI 1
J.K. and Suzie Wedley Research Institute and Blood Bank of Dallas, Texas (0.5% ORRI)	0.500000% ORRI 1
Bobby Ward Jackson (0.5% ORRI x 0.5)	0.250000% ORRI 1
Laura Wood (0.5% ORRI x 0.5)	0.250000% ORRI 1
United States of America (100% MI x 12.5% LOR OGL)	12.500000% RI

TOTAL:	<u>100.000000%</u>	<u>100.000000%</u>
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Tract 3

<u>Owner</u>	<u>% Working Interest</u>	<u>Net Percentage</u>	<u>Lease No.</u>
Cordillera Energy, Inc. ² (100% WI x 0.75 NRI)	100.000000%	75.000000% WI	2
Conley Resources, LLC (100% WI x 12.5% ORRI)		12.500000% ORRI	2
United States of America (100% MI x 12.5% LOR OGL)		12.500000% RI	2

TOTAL:	<u>100.000000%</u>	<u>100.000000%</u>
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² See Additional Comment and Requirement No. 28, below.

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OIL AND GAS LEASEHOLD OWNERSHIP
From a Communitized Area comprising Tracts 1-3 herein
Limited to the Mesaverde and Dakota Formations only
and excluding existing wellbores

<u>Owner</u>	<u>% Working Interest</u>	<u>Net Percentage</u>	<u>Lease No.</u>
Cordillera Energy, Inc. ³ (97.265625% WI x 0.75 NRI x 0.25)+ (100% WI x 0.75 NRI x 0.5)	74.316408%	55.737306% WI	1, 2
Cordillera Energy Partners, LLC (100% WI x 0.815 NRI x 0.25)	25.000000%	20.375000% WI	1
Thomas Kaufmann (0.390625% WI x 0.75 NRI x 0.15)	0.097656%	0.073242% WI	1
Susan K. Baker (0.390625% WI x 0.75 NRI x 0.15)	0.097656%	0.073242% WI	1
John Gutttag (0.390625% WI x 0.75 NRI x 0.15)	0.097656%	0.073242% WI	1
Arthur Alsberg (0.390625% WI x 0.75 NRI x 0.15)	0.097656%	0.073242% WI	1
Marjorie Bachman (0.390625% WI x 0.75 NRI x 0.15)	0.097656%	0.073242% WI	1
Richard S. Becker (0.390625% WI x 0.75 NRI x 0.15)	0.097656%	0.0743242% WI	1

³ See Additional Comment and Requirement No. 28, below.

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Sanford E. Becker (0.390625% WI x 0.75 NRI x 0.25)	0.097656%	0.074324% WI 1
Conley Resources, LLC (100% WI x 12.5% ORRI x 0.5)		6.250000% ORRI 2
Cordillera Energy, Inc. (100% WI x 1.125% ORRI x 0.25) + (100% WI x .35% ORRI x 0.25) + (100% WI x .45% ORRI x 0.25) + (100% WI x .45% ORRI x 0.25 x 0.125)		0.745313% ORRI 1
Seymour Gross (100% WI x 1.125% ORRI x 0.25)		0.281250% ORRI 1
Jack H. Owens (100% WI x .35% ORRI x 0.25) + (100% WI x .425% ORRI x 0.25)		0.193750% ORRI 1
McKay Oil & Gas, Inc. (100% WI x .5% ORRI x 0.25)		0.125000% ORRI 1
Mary M. Dunlap (100% WI x 1% ORRI x 0.25)		0.250000% ORRI 1
John Craig (100% WI x .5% ORRI x 0.25)		0.125000% ORRI 1
Eleanor R. Eisen (100% WI x .225% ORRI x 0.5 x 0.25)		0.028125% ORRI 1
Theodor S. Rittenberg (100% WI x .225% ORRI x 0.5 x 0.25)		0.028125% ORRI 1
Thomas Kaufmann (0.45% ORRI x 0.125 x 0.25)		0.014062% ORRI 1

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Cordillera Energy, Inc.
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Susan K. Baker (0.45% ORRI x 0.125 x 0.25)	0.014062% ORRI 1
John Gutttag (0.45% ORRI x 0.125 x 0.25)	0.014062% ORRI 1
Arthur Alsberg (0.45% ORRI x 0.125 x 0.25)	0.014062% ORRI 1
Marjorie Bachman (0.45% ORRI x 0.125 x 0.25)	0.014063% ORRI 1
Richard S. Becker (0.45% ORRI x 0.125 x 0.25)	0.014063% ORRI 1
Sanford E. Becker (0.45% ORRI x 0.125 x 0.25)	0.014063% ORRI 1
James R. Payne and Jean Payne husband and wife, as community property (5% ORRI x 0.5 x 0.5)	1.250000% ORRI 1
William Dennis Schmidt (2.5% ORRI x 0.5 x 0.5)	0.625000% ORRI 1
Kenneth Robert Schmidt (2.5% ORRI x 0.5 x 0.5)	0.625000% ORRI 1
J.K. and Suzie Wedley Research Institute and Blood Bank of Dallas, Texas (0.5% ORRI x 0.5 x 0.5)	0.125000% ORRI 1
Bobby Ward Jackson (0.5% ORRI x 0.5 x 0.5 x 0.5)	0.062500% ORRI 1

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Cordillera Energy, Inc.
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Page 12

Laura Wood (0.5% ORRI x 0.5 x 0.5 x 0.5)	0.062500% ORRI 1
United States of America (100% MI x 12.5% LOR OGL)	12.500000% RI

TOTAL:	<u>100.000000%</u>	<u>100.000000%</u>
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8.75% (35% operating rights interest in Tract 1) of Cordillera's operating rights interest in the Mesaverde and Dakota formations is subject to a production payment equal to 80% of the net profits from production in favor of Bankers Trust Company, trustee for the General Motors Hourly-Rate Employees Pension Trust and the General Motors Salaried Employees Pension Trust dated March 1, 1983, FPI Institutional Services, Inc. See Additional Comment and Requirement No. 42.

TABULATION OF OIL AND GAS LEASES AND ASSIGNMENTS

We were not provided with copies of the federal oil and gas leases. The following information is repeated from the Consolidated Title Opinion.

OIL AND GAS LEASE NO. 1 (FEDERAL LEASE SF-078464):

Serial Number:	SF-078464
Form:	Non-competitive Form 4-213
Date (Effective):	February 1, 1948
Recorded:	June 13, 1957
	Book 334, Page 83A
Lessor:	United States of America
Lessee:	Mabel C. Senter
Lands Covered:	<u>Township 31 North, Range 13 West, N.M.P.M.</u> Section 23: S/2NE/4, SE/4, S/2SW/4 Section 24: S/2, S/2N/2 Section 25: All Section 26: All Section 35: E/2E/2W/2
Primary Term:	Five years from February 1, 1948, as long thereafter...
Royalty:	1/8 th of oil and gas (See lease provisions)