

RODDY PRODUCTION COMPANY, INC.

P. O. BOX 2221 • FARMINGTON, NEW MEXICO 87499

TELEPHONE: (505) 325-5866

NEW MEXICO OIL CONSERVATION DIVISION

SANTA FE

MAR 23 1994

March 23, 1994

Mr. William J. Lemay
Division Director
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

CERTIFIED No. P 863 183 970

Dear Mr. Lemay:

Roddy Production is seeking the necessary approvals required to allow allocation of gas production and gas sales through a Central Delivery Point (CDP). At the present time Roddy operates the Lucerne Federal #1 (LF #1) completed in the Pinion Fruitland formation and located in the NW/4,NW/4 Section 17 T28N R11W. We are preparing to drill, complete and produce a Pictured Cliffs well, the Lucerne Federal #2 (LF #2), located approximately 200 feet from the LF #1.

In as much as both wells are on the same federal mineral lease and contain the same royalty and working interests Roddy is intending to sell gas from both wells through a CDP meter. The purpose of this letter is to explain the proposed allocation procedure and request an administrative approval as provided in Rule 303. B.

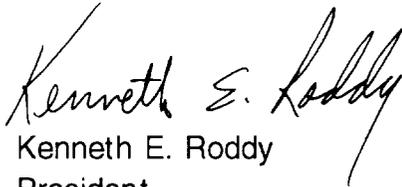
The proposed allocation procedure is simply the projected production of the Lucerne Federal #1 subtracted from the total gas production from both wells. The difference is then the amount produced by the Lucerne Federal #2. The historical production of the Lucerne Federal #1 has been extrapolated and the projected production is shown on TABLE #1.

Attached are the details of the allocation procedure and an Example Calculation. The easiest way to understand the allocation method is to follow the Example Calculation while reading through the Allocation Procedure.

In accordance with Rule 303. B., we have requested approval of this allocation method from the Bureau of Land Management.

Thank you for your prompt attention to this matter.

Sincerely,



Kenneth E. Roddy
Kenneth E. Roddy
President

Enclosures

_____ accepts the described allocation method.

By: _____

Date: _____

ALLOCATION PROCEDURE

Once the Lucerne Federal #2 is first delivered and the production streams are combined through the CDP the allocable produced volume will be obtained by adding the CDP volume reported by the transporter to the estimated fuel gas used by the facilities common to both wells.

Total Allocable Gas Production
(TAMGP)= Gas Sales from CDP + Common Fuel Gas

The total monthly gas production(TMGP) from the Lucerne Federal #1 will be obtained for the month and year shown on TABLE #1 and proportioned for the number of days produced during the month.

Lucerne Federal #1
Total Monthly Gas Production
(TMGP)_{LF#1}=Volume from TABLE #1 x $\left[\frac{\text{days produced}}{\text{total days in month}} \right]$

The fuel gas attributed solely to the LF #1 will be deducted from this amount to obtain the amount of allocable monthly gas produced(AMGP).

Lucerne Federal #1
Allocable Monthly Gas Production
(AMGP)_{LF#1}=(TMGP)_{LF#1}-Fuel Gas Used by Well

The LF #1 monthly gas sales(MGS) will be the volume recorded on the CDP proportioned in the same ratio of the monthly allocable gas production.

Lucerne Federal #1
Monthly Gas Sales

(MGS)_{LF #1}= Total Gas Sales from CDP x $\left[\frac{(\text{TMGP})_{\text{LF #1}}}{(\text{TAMGP})} \right]$

The LF #1 monthly fuel gas used by the common facilities (CMFG) will be the estimated total volume used proportioned in the same ratio of the monthly allocable gas production.

Lucerne Federal #1
Common Monthly Fuel Gas

(CMFG)_{LF #1}= Total Common Estimated Fuel Gas x $\left[\frac{(\text{TMGP})_{\text{LF #1}}}{(\text{TAMGP})} \right]$

ALLOCATION PROCEDURE (continued)

The monthly gas sales for the LF #2 is the difference between the total gas sales at the CDP and the volume credited to the LF #1.

Lucerne Federal #2
Monthly Gas Sales

$$(MGS)_{LF \#2} = \text{Total Gas Sales from CDP} - (MGS)_{LF \#1}$$

The monthly fuel gas used by the common facilities for the LF #2 is the difference between the total common estimated fuel gas and the volume credited to the LF #1.

Lucerne Federal #2
Common Monthly Fuel Gas

$$(CMFG)_{LF \#2} = \text{Total Common Estimated Fuel Gas} - (CMFG)_{LF \#1}$$

The total production for the LF #2 is the combination of the monthly gas sales, common monthly fuel gas and the fuel gas used solely by the LF #2.

Lucerne Federal #2
Total Monthly Gas Production

$$(TMGP)_{LF \#2} = (MGS)_{LF \#2} + (CMFG)_{LF \#2} + \text{Fuel Gas used by Well}$$

This procedure will be used for the first eighteen months of production for the Lucerne Federal #2. After the eighteen months the LF #2 should be stabilized and the proration from the nineteenth month will be held constant at the percentages utilized in the eighteenth month.

EXAMPLE CALCULATION

Data Available at End of Month

CDP Volume: 9,500 MCF

Month/Year: 6/94

Compressor Fuel: 600 MCF

Lucerne Federal #1 Producing Days: 30

Lucerne Federal #1 Fuel: 30 MCF

Lucerne Federal #2 Fuel: 90 MCF

Total Allocable Gas Production

$$\begin{aligned}(\text{TAMGP}) &= \text{Gas Sales from CDP} + \text{Common Fuel Gas} \\ &= 9,500 + 600 \\ &= 10,100 \text{ MCF}\end{aligned}$$

Lucerne Federal #1

Total Monthly Gas Production

$$\begin{aligned}(\text{TMGP})_{\text{LF}\#1} &= \text{Volume from TABLE \#1} \times \left[\frac{\text{days produced}}{\text{total days in month}} \right] \\ &= 1,477 + (30/30) \\ &= 1,477 \text{ MCF}\end{aligned}$$

Lucerne Federal #1

Allocable Monthly Gas Production

$$\begin{aligned}(\text{AMGP})_{\text{LF}\#1} &= (\text{TMGP})_{\text{LF}\#1} - \text{Fuel Gas Used by Well} \\ &= 1,477 - 30 \\ &= 1,447 \text{ MCF}\end{aligned}$$

Lucerne Federal #1

Monthly Gas Sales

$$\begin{aligned}(\text{MGS})_{\text{LF}\#1} &= \text{Total Gas Sales from CDP} \times \left[\frac{(\text{TMGP})_{\text{LF}\#1}}{(\text{TAMGP})} \right] \\ &= 9,500 \times (1,447/10,100) \\ &= 9,500 \times .14327 \\ &= 1,361 \text{ MCF}\end{aligned}$$

Lucerne Federal #1

Common Monthly Fuel Gas

$$\begin{aligned}(\text{CMFG})_{\text{LF}\#1} &= \text{Total Common Estimated Fuel Gas} \times \left[\frac{(\text{TMGP})_{\text{LF}\#1}}{(\text{TAMGP})} \right] \\ &= 600 \times (1,447/10,100) \\ &= 600 \times 0.14327 \\ &= 86 \text{ MCF}\end{aligned}$$

EXAMPLE CALCULATION
(continued)

Lucerne Federal #2
Monthly Gas Sales
 $(MGS)_{LF \#2} = \text{Total Gas Sales from CDP} - (MGS)_{LF \#1}$
= 9,500 - 1,361
= 8,139 MCF

Lucerne Federal #2
Common Monthly Fuel Gas
 $(CMFG)_{LF \#2} = \text{Total Common Estimated Fuel Gas} - (CMFG)_{LF \#1}$
= 600 - 86
= 514 MCF

Lucerne Federal #2
Total Monthly Gas Production
 $(TMGP)_{LF \#2} = (MGS)_{LF \#2} + (CMFG)_{LF \#2} + \text{Fuel Gas used by Well}$
= 8,139 + 514 + 90
= 8,743 MCF

If this example had been in the eighteenth month of production from the Lucerne Federal #2 all future allocations would be as follows:

Lucerne Federal #1:
Gas Sales= 0.14327 x CDP Volume
Common Fuel Gas= 0.14327 x Common Fuel Gas Volume

Lucerne Federal #2:
Gas Sales= CDP Volume - LF #1 Gas Sales
Common Fuel Gas= Total Common Fuel Gas - Lf #1 Common Fuel Gas

TABLE I
Projected Production
Lucerne Federal #1

DATE	Monthly Volume (MCF)
Jan 94	1554
Feb 94	1549
Mar 94	1543
Apr 94	1488
May 94	1532
Jun 94	1477
Jul 94	1521
Aug 94	1516
Sep 94	1462
Oct 94	1505
Nov 94	1452
Dec 94	1495
Jan 95	1491
Feb 95	1486
Mar 95	1481
Apr 95	1428
May 95	1471
Jun 95	1418
Jul 95	1461
Aug 95	1456
Sep 95	1404
Oct 95	1446
Nov 95	1394
Dec 95	1436
Jan 96	1431
Feb 96	1426
Mar 96	1421
Apr 96	1370
May 96	1411
Jun 96	1361
Jul 96	1402
Aug 96	1397
Sep 96	1348
Oct 96	1388
Nov 96	1339
Dec 96	1379
Jan 97	1374
Feb 97	1369
Mar 97	1365
Apr 97	1316
May 97	1355
Jun 97	1307
Jul 97	1346
Aug 97	1341
Sep 97	1294
Oct 97	1332
Nov 97	1285
Dec 97	1323

RODDY PRODUCTION COMPANY, INC.

P.O. BOX 2221 • FARMINGTON, NEW MEXICO 87499

TELEPHONE: (505) 325-5750 • (505) 325-5866

APR 11 1994
11 8 50

April 9, 1994

Mr. William J. Lemay
Division Director
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87504-2088

Dear Mr. Lemay:

On March 23, 1994, Roddy Production Company, Inc. sent letters to all interest owners requesting their approvals to allow allocation of gas production and sales through a central delivery point of our Lucerne Federal No. 1 (Pinon Fruitland located in the NW/4, NW/4 of Section 17, Township 28 North, Range 11 West.) and our Lucerne Federal No. 2 (West Kutz Pictured Cliffs located about 200 feet from the Lucerne Federal No. 1).

To date, we have received approvals from 100% of the working interest owners and all of the overriding royalty interest owners except for a 1.35% interest. We do not anticipate an answer from this individual. We have been told verbally that the BLM has signed their approval form and mailed it to us, but we have not yet received it. Their royalty interest is 12.5%. We have no indication that anyone objects to the use of the central delivery point or the proposed method of allocation.

Enclosed are copies of the approval letters that we have received to date. Since the Lucerne Federal No. 2 has now been drilled and is awaiting your approval of the allocation of gas production and sales from these two wells through the central delivery point, please review these for approval at your earliest convenience.

Sincerely,

RODDY PRODUCTION COMPANY, INC.


Kenneth E. Roddy

KER/jr

Enclosures

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RODDY PRODUCTION COMPANY, INC.

P. O. BOX 2221 • FARMINGTON, NEW MEXICO 87499

TELEPHONE: (505) 325-5866

March 23, 1994

Hanson-McBride Petroleum Co.
P.O. Box 1515
Roswell, New Mexico 88201-1515

Certified Receipt No. P 863 183 91

Dear Interest Owner:

Roddy Production is seeking the necessary approvals required to allow allocation of gas production and gas sales through a Central Delivery Point (CDP). At the present time Roddy operates the Lucerne Federal #1 (LF #1) completed in the Pinion Fruitland formation and located in the NW/4, NW/4 Section 17 T28N R11W. The operator is preparing to drill, complete and produce a Pictured Cliffs well, the Lucerne Federal #2 (LF #2), located approximately 200 feet from the LF #1.

In as much as both wells contain the same royalty and working interests Roddy is intending to sell gas from both wells through a CDP meter. The purpose of this letter is to explain the proposed allocation procedure and obtain your approval as required by the New Mexico Oil and Gas Division regulations.

The proposed allocation procedure is simply the projected production of the Lucerne Federal #1 subtracted from the total gas production from both wells. The difference is then the amount produced by the Lucerne Federal #2. The historical production of the Lucerne Federal #1 has been extrapolated and the projected production is shown on TABLE #1.

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Hanson-McBride Petroleum Co.

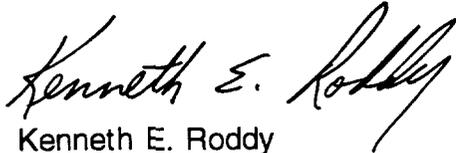
Page 2

March 23, 1994

Please indicate your acceptance of this procedure by signing, dating and returning one copy of this letter to our office. A self addressed stamped envelope is enclosed for your convenience in responding.

Thank you for your prompt attention to this matter.

Sincerely,



Kenneth E. Roddy
President

Enclosures

HANSON-McBRIDE PETROLEUM CO accepts the described allocation method.

Date: April 1, 1994

RODDY PRODUCTION COMPANY, INC.

P. O. BOX 2221 • FARMINGTON, NEW MEXICO 87499

TELEPHONE: (505) 325-5866

March 23, 1994

Dugan Production Corp.
P.O. Box 420
Farmington, New Mexico 87499-0420

Certified Receipt No. P 863 183 909

Dear Interest Owner:

Roddy Production is seeking the necessary approvals required to allow allocation of gas production and gas sales through a Central Delivery Point (CDP). At the present time Roddy operates the Lucerne Federal #1 (LF #1) completed in the Pinion Fruitland formation and located in the NW/4,NW/4 Section 17 T28N R11W. The operator is preparing to drill, complete and produce a Pictured Cliffs well, the Lucerne Federal #2 (LF #2), located approximately 200 feet from the LF #1.

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Dugan Production Corp.

Page 2

March 23, 1994

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Thank you for your prompt attention to this matter.

Sincerely,

Kenneth E. Roddy

Kenneth E. Roddy
President

Enclosures

DUGAN PRODUCTION CORP. accepts the described allocation method.

By: *Thomas A. Dugan*
Thomas A. Dugan, President

Date: 3-31-94

RODDY PRODUCTION COMPANY, INC.

P. O. BOX 2221 • FARMINGTON, NEW MEXICO 87499

TELEPHONE: (505) 325-5866

March 23, 1994

RM Energy
P.O. Box 831
Casper, Wyoming 82602

Certified Receipt No. P 863 183 90

Dear Interest Owner:

Roddy Production is seeking the necessary approvals required to allow allocation of gas production and gas sales through a Central Delivery Point (CDP). At the present time Roddy operates the Lucerne Federal #1 (LF #1) completed in the Pinion Fruitland formation and located in the NW/4,NW/4 Section 17 T28N R11W. The operator is preparing to drill, complete and produce a Pictured Cliffs well, the Lucerne Federal #2 (LF #2), located approximately 200 feet from the LF #1.

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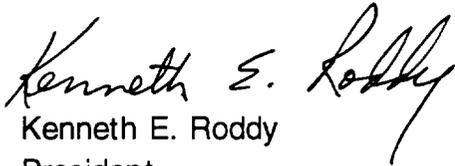
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Thank you for your prompt attention to this matter.

Sincerely,


Kenneth E. Roddy
President

Enclosures

RM ENERGY, LLC accepts the described allocation method

By: 

Date: 4/4/94

RODDY PRODUCTION COMPANY, INC.

P. O. BOX 2221 • FARMINGTON, NEW MEXICO 87499

TELEPHONE: (505) 325-5866

March 23, 1994

Ruddy D. Motto
P.O. Box 254
Bloomfield, New Mexico 87513

Certified Receipt No. P 863 183 906

Dear Interest Owner:

Roddy Production is seeking the necessary approvals required to allow allocation of gas production and gas sales through a Central Delivery Point (CDP). At the present time Roddy operates the Lucerne Federal #1 (LF #1) completed in the Pinion Fruitland formation and located in the NW/4,NW/4 Section 17 T28N R11W. The operator is preparing to drill, complete and produce a Pictured Cliffs well, the Lucerne Federal #2 (LF #2), located approximately 200 feet from the LF #1.

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Ruddy D. Motto
Page 2
March 23, 1994

Please indicate your acceptance of this procedure by signing, dating and returning a copy of this letter to our office. A self addressed stamped envelope is enclosed for your convenience in responding.

Thank you for your prompt attention to this matter.

Sincerely,

Kenneth E. Roddy

Kenneth E. Roddy
President

Enclosures

Ruddy D. Motto - Juanita I. Smalls accepts the described allocation method.

By: *Ruddy D. Motto*

Date: *April 1, 1994*

RODDY PRODUCTION COMPANY, INC.

P. O. BOX 2221 • FARMINGTON, NEW MEXICO 87499

TELEPHONE: (505) 325-5866

March 23, 1994

Hazel Gentle
1117 S. Michigan
Roswell, New Mexico 88201

Certified Receipt No. P 863 183 908

Dear Interest Owner:

Roddy Production is seeking the necessary approvals required to allow allocation of gas production and gas sales through a Central Delivery Point (CDP). At the present time Roddy operates the Lucerne Federal #1 (LF #1) completed in the Pinion Fruitland formation and located in the NW/4,NW/4 Section 17 T28N R11W. The operator is preparing to drill, complete and produce a Pictured Cliffs well, the Lucerne Federal #2 (LF #2), located approximately 200 feet from the LF #1.

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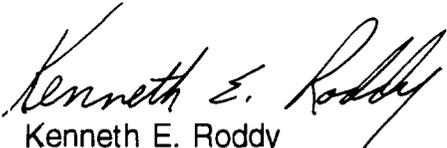
Attached are the details of the allocation procedure and an Example Calculation. The easiest way to understand the allocation method is to follow the Example Calculation while reading through the Allocation Procedure.

Hazel Gentle
Page 2
March 23, 1994

Please indicate your acceptance of this procedure by signing, dating and returning one copy of this letter to our office. A self addressed stamped envelope is enclosed for your convenience in responding.

Thank you for your prompt attention to this matter.

Sincerely,


Kenneth E. Roddy
President

Enclosures

Hazel L. Gentle accepts the described allocation method.

By: Hazel L. Gentle

Date: April 1, 1994

RODDY PRODUCTION COMPANY, INC.

P. O. BOX 2221 • FARMINGTON, NEW MEXICO 87499

TELEPHONE: (505) 325-5866

March 23, 1994

Property Management
and Consulting, Inc.
P.O. Box 2596
Farmington, New Mexico 87499

Certified Receipt No. P 863 183 969

Dear Interest Owner:

Roddy Production is seeking the necessary approvals required to allow allocation of gas production and gas sales through a Central Delivery Point (CDP). At the present time Roddy operates the Lucerne Federal #1 (LF #1) completed in the Pinon Fruitland field located in the NW/4 NW/4 Section 17 T28N R11W. The operator is preparing to drill, complete and produce a Pictured Cliffs well, the Lucerne Federal #2 (LF #2), located approximately 200 feet from the LF #1.

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Property Management and Consulting
Page 2
March 23, 1994

Please indicate your acceptance of this procedure by signing, dating and returning one copy of this letter to our office. A self addressed stamped envelope is enclosed for your convenience in responding.

Thank you for your prompt attention to this matter.

Sincerely,


Kenneth E. Roddy
President

Enclosures

Property Management & Consulting accepts the described allocation method.

By: 

Date: March 31, 1994