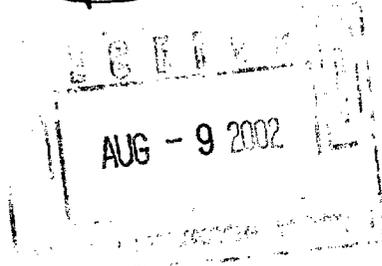




5802 HIGHWAY 64  
FARMINGTON, NEW MEXICO 87401  
PH: (505) 632-8056 FAX: 632-3031



August 8, 2002

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

RE: Administrative Surface Commingling  
of Gas Zones

Dear Sir,

Cordillera Energy, Inc. hereby requests authorization to surface commingle gas from dual zones at each of the wells indicated on the attached list.

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,



Kay S. Eckstein  
Production Technician

Encls.

cc: BLM, Farmington Office

↳ 320-1800 Pgee

303-290-9997 Fax  
to JC RIDENS



SURFACE COMMINGLED WELL LIST

*needs NSL*

*BLM*

	<u>WELL NAME</u>	<u>ZONE</u>	<u>UL</u>	<u>SEC</u>	<u>TWP</u>	<u>RGE</u>	<u>CNTY</u>	<u>LEASE</u>
245-31029	ARNSTEIN 1B	DK	D	18	31N	12W	SJ	SF 078243
	ARNSTEIN 1B	<del>MV</del>	D	18	31N	12W	SJ	SF 078243
31062	DUKE 1B	DK	O	13	31N	13W	SJ	SF 078707
	DUKE 1B	MV	O	13	31N	13W	SJ	SF 078707
31071	SENER 1C	DK	M	24	31N	13W	SJ	SF 078464
	SENER 1C	MV	M	24	31N	13W	SJ	SF 078464
31129	SO. UNION 1B	DK	K	19	31N	12W	SJ	SF 078244
	SO. UNION 1B	MV	K	19	31N	12W	SJ	SF 078244
31069	SO. UNION 1C	DK	O	19	31N	12W	SJ	SF 078244
	SO. UNION 1C	MV	O	19	31N	12W	SJ	SF 078244

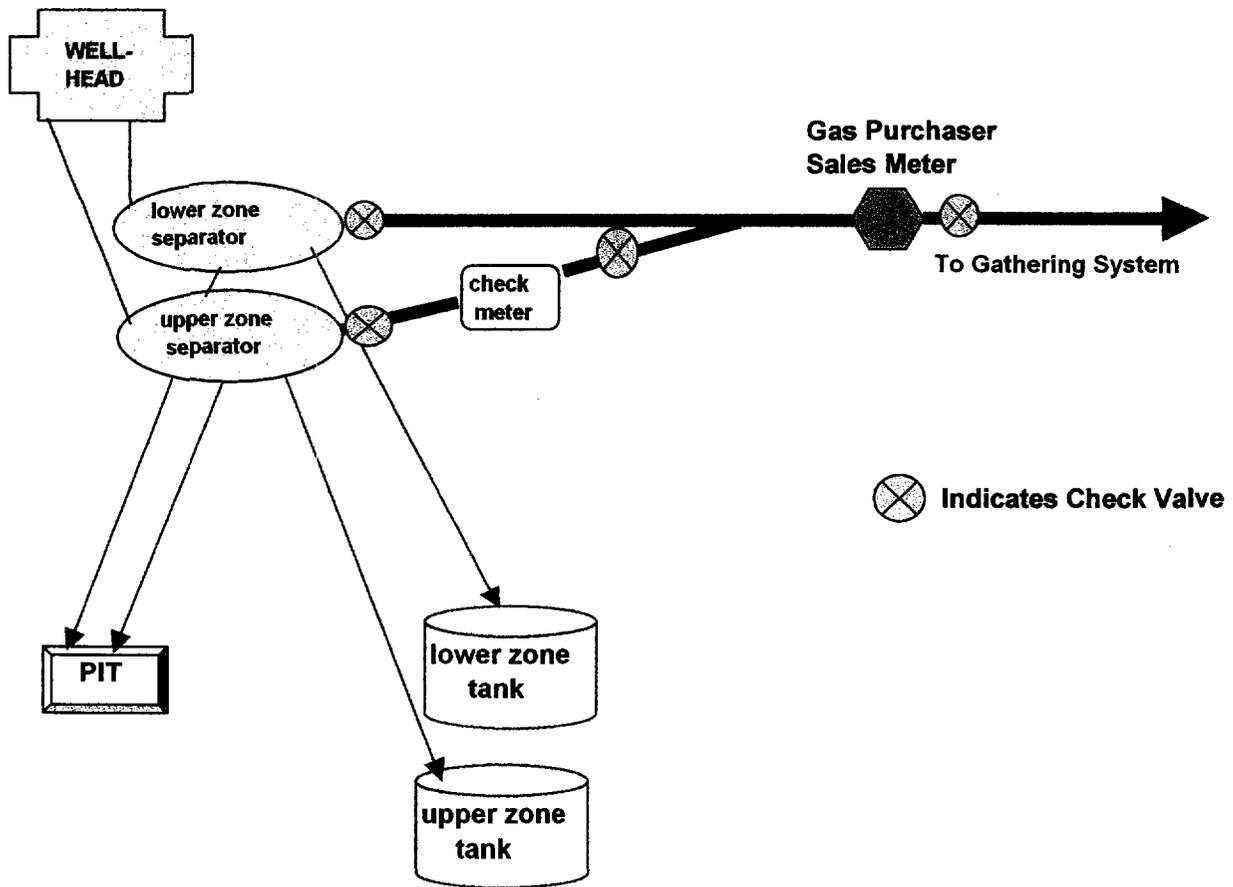
*all new drills*

*Federal*



## DIAGRAM "A"

### TYPICAL CONFIGURATION FOR SURFACE COMMINGLING OF GAS



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 VANCOUVER  
 SHANGHAI

*Duke / B*

April 8, 2002

## DRILLING TITLE OPINION

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

Attention: Mr. Frank W. Neisinger  
 Sr. Landman

RE: Federal Lease SF-078707

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 13: E/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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Cordillera Energy, Inc.  
April 8, 2002  
Page 3

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

7. 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.

8. 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.

9. 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.

**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 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**

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

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Cordillera Energy, Inc.  
 April 8, 2002  
 Page 4

**OIL AND GAS LEASEHOLD OWNERSHIP**

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

	<u>Owner</u>	<u>% Working Interest</u>	<u>Net Percentage</u>	
02562	Cordillera Energy, Inc. <sup>1</sup> (54.203125% WI x 0.75 NRI)	54.203125%	40.652344%	WI
02562	Geodyne Nominee Corporation (25.171875% WI x 0.75 NRI)	25.171875%	18.878906%	WI
02572	John M. Templeton, Jr. (6.25% WI x 0.75 NRI)	6.250000%	4.687500%	WI
02541	Rita M. DuCharme and Joyce J. Neville, as Co-Trustees of the Leon M. DuCharme Marital Trust <sup>2</sup> (5% WI x 0.75 NRI)	5.000000%	3.750000%	WI
02413	Segal Oil & Gas, Inc. (3.125% WI x 0.75 NRI)	3.125000%	2.343750%	WI
05956	Charles Segal (3.125% WI x 0.75 NRI)	3.125000%	2.343750%	WI
05956	Freda Jackson (3.125% WI x 0.75 NRI)	3.125000%	2.343750%	WI
02674	D.R. Zachry, Jr. <sup>3</sup> (1/2 x 1% ORRI x 0.5)		0.250000%	ORRI

<sup>1</sup> See Additional Comment and Requirement No. 14, below.

<sup>2</sup> See Additional Comment and Requirement No. 29, below.

<sup>3</sup> See Additional Comment and Requirement Nos. 22 and 24, below.

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Cordillera Energy, Inc.  
 April 8, 2002  
 Page 5

02673	Jeanne Z. Sharp <sup>4</sup> (1/2 x 1% ORRI x 0.5)	0.250000% ORRI
05804	Sue Starr Boldrick GST Trust <sup>5</sup> (100% WI x 5% ORRI)	5.000000% ORRI
02944	Energen Resources Corporation <sup>6</sup> (6.5% ORRI x 0.6495093)	4.221811% ORRI
02027	R & L Royalty Investors <sup>7</sup> (6.5% ORRI x 0.3504906)	2.278189% ORRI
7	Cordillera Energy, Inc. <sup>8</sup> (1/2 x 1% ORRI x 0.5)	0.500000% ORRI
02576	United States of America (100% MI x 12.5% LOR OGL)	12.500000% RI

<b>TOTAL:</b>	<u>100.000000%</u>	<u>100.000000%</u>
---------------	--------------------	--------------------

22.375% of Cordillera's operating rights interest 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, RPI Institutional Services, Inc. See Additional Comment and Requirement No. 26.

**TABULATION OF OIL AND GAS LEASES AND ASSIGNMENTS**

- <sup>4</sup> See Additional Comment and Requirement Nos. 22 and 24, below.
- <sup>5</sup> See Additional Comment and Requirement No. 25, below.
- <sup>6</sup> See Comment and Requirement No. 23, below.
- <sup>7</sup> See Comment and Requirement No. 23, below.
- <sup>8</sup> See Comment and Requirement No. 22, below.