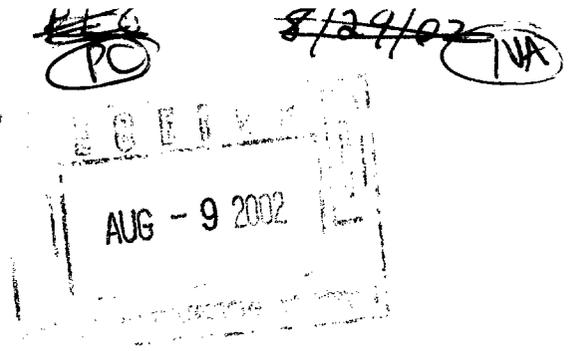




5802 HIGHWAY 64
FARMINGTON, NEW MEXICO 87401
PH: (505) 632-8056 FAX: 632-3031



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 Pje

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>
<i>245-31029</i>	ARNSTEIN 1B	DK	D	18	31N	12W	SJ	SF 078243
	ARNSTEIN 1B	MV	D	18	31N	12W	SJ	SF 078243
<i>31062</i>	DUKE 1B	DK	O	13	31N	13W	SJ	SF 078707
	DUKE 1B	MV	O	13	31N	13W	SJ	SF 078707
<i>31071</i>	SESTER 1C	DK	M	24	31N	13W	SJ	SF 078464
	SESTER 1C	MV	M	24	31N	13W	SJ	SF 078464
<i>31129</i>	SO. UNION 1B	DK	K	19	31N	12W	SJ	SF 078244
	SO. UNION 1B	MV	K	19	31N	12W	SJ	SF 078244
<i>31069</i>	SO. UNION 1C	DK	O	19	31N	12W	SJ	SF 078244
	SO. UNION 1C	MV	O	19	31N	12W	SJ	SF 078244

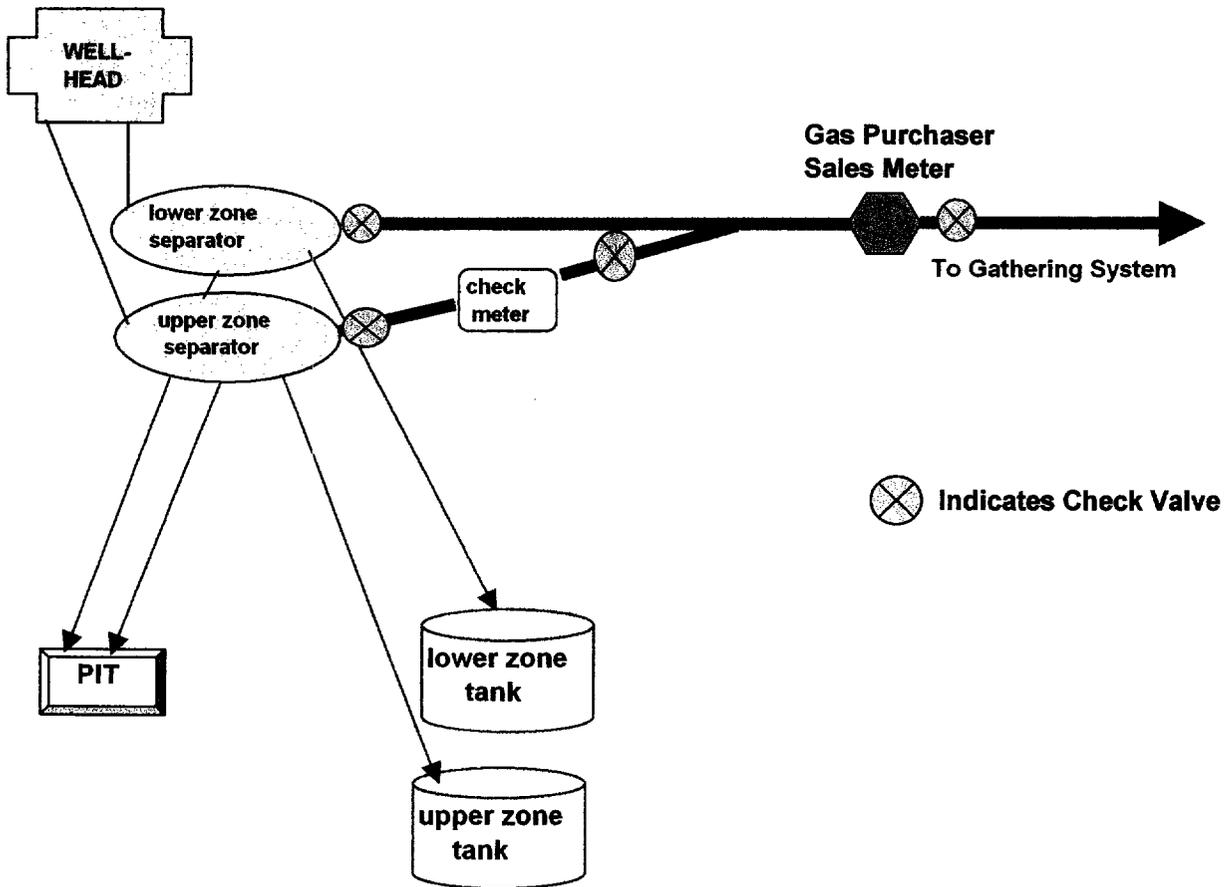
all new drills

Federal



DIAGRAM "A"

TYPICAL CONFIGURATION FOR SURFACE COMMINGLING OF GAS



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DENVER, COLORADO 80202-5647
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FAX: (303) 629-3450
www.dorseylaw.com

GARY J. YOUNGER
(303) 628-1504
FAX (303) 629-3450
younger.gary@dorseylaw.com

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May 31, 2002

DRILLING TITLE OPINION

RECEIVED

JUN 04 2002

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

Cordillera Energy

Attention: Mr. Frank W. Nussinger
Sr. Landman

Senter 1C

RE: Federal Lease SF-078464 *SENTER 1C*

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: S/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.
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from inception to March 15, 2002, at 8:00 a.m. All of the foregoing documents were compiled and provided by Mark Skrabacz, Petroleum Landman, Santa Fe, New Mexico.

6. Copies of the Cordillera Energy, Inc. revenue decks for the Senter 1(DK) and Senter 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 certified copy of the Articles of Amendment to Restated Articles of Incorporation of Taurus Exploration U.S.A., Inc., evidencing the name change from Taurus Exploration U.S.A., Inc. to Energen Resources Corporation.

10. 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.

TRACTS

In this Opinion, the tracts are defined as follows:

Tract 1

Section 24: SW/4

Tract 2

Section 24: SE/4

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Cordillera Energy, Inc.
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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 Lease, 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**Tracts 1 and 2**

<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 (60.703125% WI x 0.75 NRI)	60.703125%	45.527343% WI	1
Geodyne Nominee Corporation (36.5625% WI x 0.75 NRI)	36.562500%	27.421875% WI	1

¹ See Additional Comment and Requirement No. 24 below.

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Cordillera Energy, Inc.

May 31, 2002

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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%	0.292968%	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 0.5)	0.112500% ORRI 1
Theodor S. Rittenberg (100% WI x .225% ORRI x 0.5)	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 Guttag (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.
 May 31, 2002
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William Dermis 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:	<u>100.000000%</u>	<u>100.000000%</u>	
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Tract 2²

<u>Owner</u>	<u>% Working Interest</u>	<u>Net Percentage</u>	<u>Lease No.</u>
Energen Resources Corporation (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

² See Additional Comment and Requirement No. 22 regarding the interests in Tract 2.

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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%

OIL AND GAS LEASEHOLD OWNERSHIP
In a Spacing Unit comprising the S/2 of Section 24
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>
Energex Resources Corporation (100% WI x 0.815 NRI x 0.5)	50.000000%	40.750000% WI	1

³ See Additional Comment and Requirement No. 22, below.

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Cordillera Energy, Inc.

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Cordillera Energy, Inc. ⁴ (60.703125% WI x 0.75 NRI x 0.5)	30.351563%	22.763672% WI	1
Geodyne Nominee Corporation (36.5625% WI x 0.75 NRI x 0.5)	18.281250%	13.710937% WI	1
Thomas Kaufmann (0.390625% WI x 0.75 NRI x 0.5)	0.195312%	0.146484% WI	1
Susan K. Baker (0.390625% WI x 0.75 NRI x 0.5)	0.195312%	0.146484% WI	1
John Guttag (0.390625% WI x 0.75 NRI x 0.5)	0.195312%	0.146484% WI	1
Arthur Alsberg (0.390625% WI x 0.75 NRI x 0.5)	0.195312%	0.146484% WI	1
Marjorie Bachman (0.390625% WI x 0.75 NRI x 0.5)	0.195313%	0.146485% WI	1
Richard S. Becker (0.390625% WI x 0.75 NRI x 0.5)	0.195313%	0.146485% WI	1
Sanford E. Becker (0.390625% WI x 0.75 NRI x 0.5)	0.195313%	0.146485% WI	1
Cordillera Energy, Inc. (100% WI x 1.125% ORRI x 0.5) + (100% WI x .35% ORRI x 0.5) + (100% WI x .45% ORRI x 0.5) + (100% WI x .45% ORRI x 0.5 x 0.125)		0.990625% ORRI	1
Seymour Gross (100% WI x 1.125% ORRI x 0.5)		0.562500% ORRI	1

⁴ See Additional Comment and Requirement No. 24, below.

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Cordillera Energy, Inc.

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Jack H. Owens (100% WI x .35% ORRI x 0.5) (100% WI x .425% ORRI x 0.5)	0.387500% ORRI 1
McKay Oil & Gas, Inc. (100% WI x 0.5% ORRI x 0.5)	0.25000% ORRI 1
Mary M. Dunlap (100% WI x 1% ORRI x 0.5)	0.500000% ORRI 1
John Craig (100% WI x 0.5% ORRI x 0.5)	0.250000% ORRI 1
Eleanor R. Eisen (100% WI x .225% ORRI x 0.5 x 0.5)	0.056250% ORRI 1
Theodor S. Rittenberg (100% WI x .225% ORRI x 0.5 x 0.5)	0.056250% ORRI 1
Thomas Kaufmann (0.45% ORRI x 0.125 x 0.5)	0.028125% ORRI 1
Susan K. Baker (0.45% ORRI x 0.125 x 0.5)	0.028125% ORRI 1
John Gutttag (0.45% ORRI x 0.125 x 0.5)	0.028125% ORRI 1
Arthur Alsberg (0.45% ORRI x 0.125 x 0.5)	0.028125% ORRI 1
Marjorie Bachman (0.45% ORRI x 0.125 x 0.5)	0.028125% ORRI 1
Richard S. Becker (0.45% ORRI x 0.125 x 0.5)	0.028125% ORRI 1

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Cordillera Energy, Inc.

May 31, 2002

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Sanford E. Becker (0.45% ORRI x 0.125 x 0.5)	0.028125% ORRI 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
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 (1% ORRI x 0.5)	0.500000% ORRI 1
Bobby Ward Jackson (1% ORRI x 0.5 x 0.5)	0.250000% ORRI 1
Laura Wood (1% ORRI x 0.5 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%

16.25% (32.5% 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, RPI Institutional Services, Inc. See Additional Comment and Requirement No. 38.