



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

#~~LEE~~  
PC  
8/29/02  
NA

AUG - 9 2002

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,

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

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>
<i>245-31029</i>	ARNSTEIN 1B	DK	D	18	31N	12W	SJ	SF 078243
	ARNSTEIN 1B	<del>MV</del>	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>	SENER 1C	DK	M	24	31N	13W	SJ	SF 078464
	SENER 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

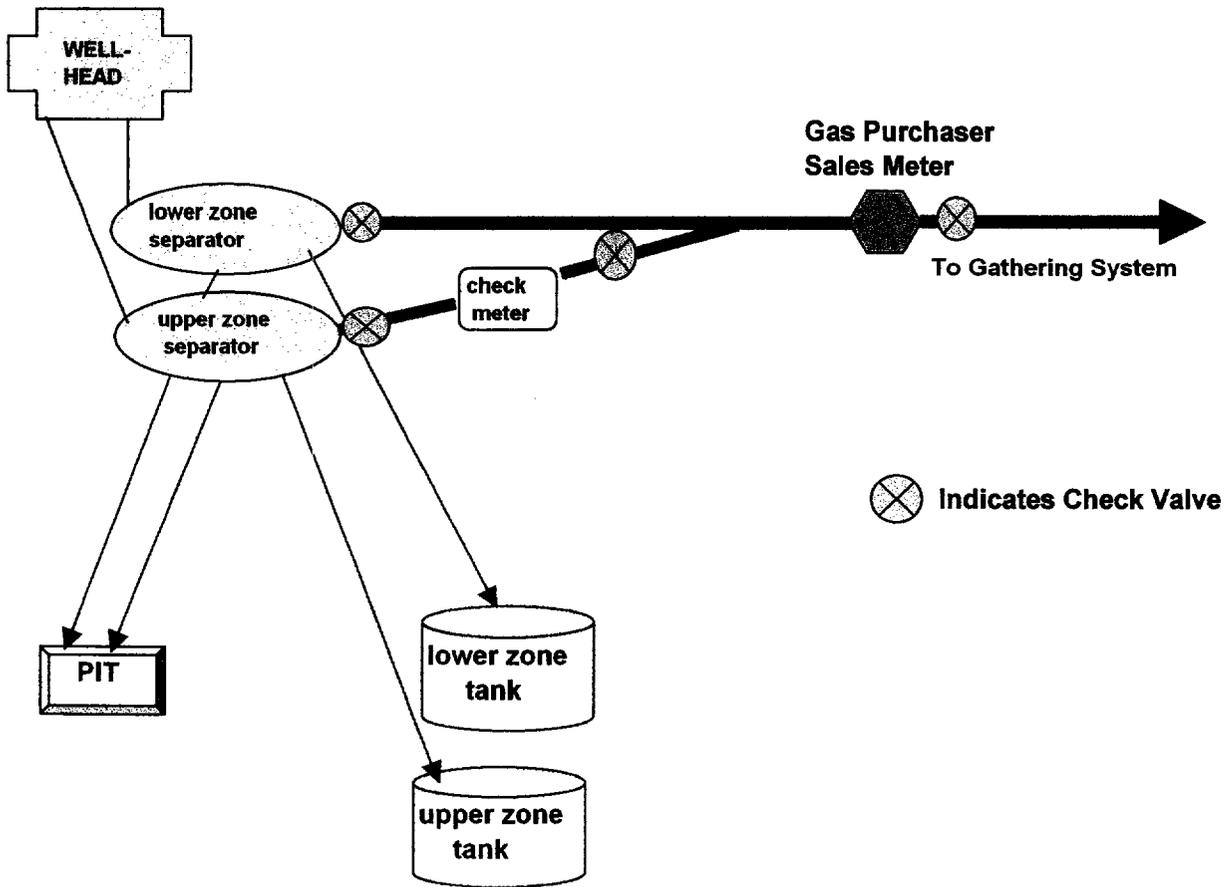
*all new drills*

*Federal*



## DIAGRAM "A"

### TYPICAL CONFIGURATION FOR SURFACE COMMINGLING OF GAS



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 DENVER, COLORADO 80202-5647  
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GARY J. YOUNGER  
 (303) 628-1504  
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 younger.gary@dorseylaw.com

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 VANCOUVER  
 SHANGHAI

June 5, 2002

### D R I L L I N G T I T L E O P I N I O N

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

Attention: Mr. Frank W. Nesinger  
 Sr. Landman

RE: Federal Lease SF-078243  
 Our file no. 462344.0004

*Southern Union 1B*  
*Southern Union 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:

#### L A N D S C O V E R E D B Y O P I N I O N

Township 31 North, Range 12 West, N.M.P.M.  
 Section 19: Lots 6, 7, 8, 9, 10, 11 and 12 (S/2)  
 LIMITED TO THE MESAVERDE AND DAKOTA FORMATIONS ONLY

containing 304.48 acres, more or less

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Cordillera Energy, Inc.

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5. Copies of the Cordillera Energy, Inc. revenue decks for the Southern Union 1 (DK) and Southern Union 1 (M17) wells, 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.

**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**

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

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Cordillera Energy, Inc.  
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**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>	
Cordillera Energy, Inc. <sup>1</sup> (55.648445% WI x 0.775 NRI)	55.648445%	43.127545%	WI
Geodyne Nominee Corporation (38.882805% WI x 0.775 NRI)	38.882805%	30.134174%	WI
Thomas Kaufmann (0.78125% WI x 0.775 NRI)	0.781250%	0.605469%	WI
Susan K. Baker (0.78125% WI x 0.775 NRI)	0.781250%	0.605469%	WI
John Guttag (0.78125% WI x 0.775 NRI)	0.781250%	0.605469%	WI
Arthur Alsberg (0.78125% WI x 0.775 NRI)	0.781250%	0.605469%	WI
Marjorie Bachman (0.78125% WI x 0.775 NRI)	0.781250%	0.605469%	WI
Richard S. Becker (0.78125% WI x 0.775 NRI)	0.781250%	0.605468%	WI
Sanford E. Becker (0.78125% WI x 0.775 NRI)	0.781250%	0.605468%	WI

<sup>1</sup> See Additional Comment and Requirement No. 18, below.

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Burke Healey, Trustee for The Burke Healey Trust, a Revocable Trust dated January 2, 1985 (100% WI x 3% ORRI x 0.5)	1.500000% ORRI
Baren Healy, Trustee for The Baren Healey Trust, a Revocable Trust dated April 25, 1988 (100% WI x 3% ORRI x 0.5)	1.500000% ORRI
Burlington Resources Oil and Gas Company (100% WI x 2.5% ORRI)	2.500000% ORRI
Marguerite B. Trueblood (100% WI x 1% ORRI)	1.000000% ORRI
Lucille B. Trueblood (100% WI x 0.75% ORRI)	0.750000% ORRI
Trueblood Resources, Inc. (100% WI x 1% ORRI)	1.000000% ORRI
George F. Bartlett and Mirian L. Bartlett, joint tenants (100% WI x 0.75% ORRI)	0.750000% ORRI
Heirs or devisees of R. B. Lea and Margaret Lea, husband and wife (100% WI x 1% ORRI)	1.000000% ORRI
United States of America (100% MI x 12.5% LOR OGL)	12.500000% RI

**TOTAL:**100.000000%100.000000%

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Cordillera Energy, Inc.

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34.56249% of Cordillera's operating rights interest in the Dakota and Mesaverde formations are 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****OIL AND GAS LEASE NO. 1**

We were not provided with a copy of the federal oil and gas lease. The following information is repeated from the Original Title Opinion.

Serial Number:	SF-078244
Form:	Non-competitive Form 4-213
Date (Effective):	February 1, 1948
Recorded:	June 13, 1957
	Book 334, Page 86
Lessor:	United States of America
Lessee:	Leigh Taliaferro
Lands Covered:	<u>Township 31 North, Range 12 West, N.M.P.M.</u> Section 19: Lots 3, 4, E/2SW/4, SE/4 Section 20: SW/4, W/2SE/4, S/2NE/4 Section 29: All Section 30: All Section 31: All
Primary Term:	Five years from February 1, 1948, as long thereafter...
Royalty:	1/8 <sup>th</sup> of oil and gas (See lease provisions)
Special Provisions:	Federal oil and gas leases contain many provisions not ordinarily found in commercial lease forms. Care should be exercised in complying with all provisions of the lease.

**ASSIGNMENTS:****Assignments of Operating Rights and Record Title contained in the Prior Opinions:**

The following summaries of prior assignments are restated from the Prior Opinions.