

223139086

PLC
PC

8/29/02 JVA



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

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 Peyer

303-290-9997 Fax
to JC RIDENS



SURFACE COMMINGLED WELL LIST

no gas
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>
30-045-31029	ARNSTEIN 1B	DK	D	18	31N	12W	SJ	SF 078243
	ARNSTEIN 1B	MV	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	SESTER 1C	DK	M	24	31N	13W	SJ	SF 078464
	SESTER 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

Insert

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April 17, 2002

DRILLING TITLE OPINION

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

Attention: Mr. Frank W. Nussinger
Sr. Landman

RE: Federal Lease SF-078243

ARNSTEIN 1B

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 12 West, N.M.P.M.

Section 18: Lots 1, 2, 3, 4, E/2W/2 (W/2)

LIMITED TO THE MESAVERDE AND DAKOTA FORMATIONS ONLY

containing 314.48 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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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%

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. ¹ (97.265625% WI x 0.75 NRI)	97.265625%	72.949217% WI
Thomas Kaufmann (0.390625% WI x 0.75 NRI)	0.390625%	0.292969% WI
Susan K. Baker (0.390625% WI x 0.75 NRI)	0.390625%	0.292969% WI
John Gutttag (0.390625% WI. x 0.75 NRI)	0.390625%	0.292969% WI
Arthur Alsberg (0.390625% WI x 0.75 NRI)	0.390625%	0.292969% WI
Marjorie Bachman (0.390625% WI x 0.75 NRI)	0.390625%	0.292969% WI

¹ See Additional Comment and Requirement No. 13, below.

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Cordillera Energy, Inc.
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Richard S. Becker (0.390625% WI x 0.75 NRI)	0.390625%	0.292969% WI
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Sanford E. Becker (0.390625% WI x 0.75 NRI)	0.390625%	0.292969% WI
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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
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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
--	--	----------------

Seymour Gross (100% WI x 1.625% ORRI)		1.625000% ORRI
--	--	----------------

Jack H. Owens (100% WI x 0.5% ORRI)+ (100% WI x 0.625% ORRI)		1.125000% ORRI
--	--	----------------

Cordillera Energy, Inc. (100% WI x 1.625% ORRI) + (100% WI x 0.65% ORRI) + (100% WI x 0.5% ORRI) + (100% WI x 0.5% ORRI) + (100% WI x 0.65 ORRI x 0.125)		3.356250% ORRI
--	--	----------------

McKay Oil & Gas, Inc. (100% WI x .5% ORRI)		0.500000% ORRI
---	--	----------------

Sheldon Gardner (100% WI x 1% ORRI x 0.25)		0.250000% ORRI
---	--	----------------

Robert A. Dunlap (100% WI x 1% ORRI x 0.25)		0.250000% ORRI
--	--	----------------

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Cordillera Energy, Inc.

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Mary Kay Stein
(100% WI x 1% ORRI x 0.25)

0.250000% ORRI

Elizabeth J. Verplank
(100% WI x 1% ORRI x 0.25)

0.250000% ORRI

John J. Craig
(100% WI x .5% ORRI)

0.500000% ORRI

Eleanor R. Eisen
(100% WI x .325% ORRI x 0.5)

0.162500% ORRI

Theodor S. Rittenberg
(100% WI x .325% ORRI x 0.5)

0.162500% ORRI

Thomas Kaufmann
(100% WI 0.65% ORRI x 0.125)

0.081250% ORRI

Susan K. Baker
(100% WI x 0.65% ORRI x 0.125)

0.081250% ORRI

John Gutttag
(100% WI x 0.65% ORRI x 0.125)

0.081250% ORRI

Arthur Alsberg
(100% WI x 0.65% ORRI x 0.125)

0.081250% ORRI

Marjorie Bachman
(100% WI x 0.65% ORRI x 0.125)

0.081250% ORRI

Richard S. Becker
(100% WI x 0.65% ORRI x 0.125)

0.081250% ORRI

Sanford E. Becker
(100% WI x 0.65% ORRI x 0.125)

0.081250% ORRI

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Cordillera Energy, Inc.

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Joe D. Reid and Marjorie J. Reid
(100% WI x 1% ORRI x 0.5)

0.500000% ORRI

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

12.500000% RI

TOTAL:**100.000000%****100.000000%**

36.25% of Cordillera's operating rights interest in the Mesaverde formation and 33.8151% of its interest in the Dakota formation 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**OIL AND GAS LEASE NO. 1 (FEDERAL LEASE SF-078243):**

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-078243
Form:	Non-competitive Form 4-213
Date (Effective):	February 1, 1948
Recorded:	June 13, 1957
	Book 334, Page 85
Lessor:	United States of America
Lessee:	Ed W. Owen
Lands Covered:	<u>Township 31 North, Range 12 West, N.M.P.M.</u>
	Section 5: S/2NW/4, SW/4
	Section 6: S/2NE/4
	Section 7: Lots 3, 4, E/2SW/4, SE/4
	Section 8: W/2
	Section 17: W/2, W/2SE/4

² See Additional Comment and Requirement No. 25.