



March 15, 2005

VIA HAND DELIVERY

Mr. Richard Ezeanyim, Chief Engineer
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

2005 MAR 16 AM 9 17

RF 3/16/05

Re: Oil Conservation Division Case No. 13395: Application of Chisos, Ltd. for pool creation and classification of this pool as a retrograde condensate gas pool, Eddy County, New Mexico.

Dear Mr. Ezeanyim:

Chisos, Ltd. has provided you with additional data in response to your question concerning the above-referenced application.

At the March 7, 2005 examiner hearing, you also expressed to me concern about the information presented by Chisos, Ltd. and, in particular, questioned whether or not the data showed this Strawn pool to be a retrograde condensate reservoir instead of a two-phase reservoir. I have discussed this matter with representatives of Chisos and they have had T. Scott Hickman & Associates, Inc., Chisos' engineering consultants, review and explain the data to me.

The data submitted into evidence before the hearing examiner clearly show the well to be completed in a single phase gas pool at the original static reservoir conditions of 5471 psig bottom hole pressure and 149° F. bottom hole temperature. The laboratory PVT analysis performed by FESCO, Ltd. on the recombined gas and condensate sample collected at the well site indicated a retrograde dew point pressure of 4736 psig which is 735 psi below the original reservoir pressure. Therefore, the reservoir fluid existed as an undersaturated single phase gas at original conditions. Please refer to the Page 1 conclusions of Exhibit No. 2 of the FESCO PVT study submitted into evidence at the hearing. Also, Figures 4 and 5, Pages 17 and 18 of the FESCO report clearly show retrograde condensation behavior below the dew point as expressed by percent HC pore space and yield as gas is produced and reservoir pressure declines.

The data confirm that the Wishbone Federal Com Well No. 1 should be classified as a retrograde condensate gas well with 320 acres dedicated to it.

HOLLAND & HART^{LLP}



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Engineer
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If you need additional information concerning this case, do not hesitate to call me and Chisos will promptly respond.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr".

William F. Carr
of Holland & Hart LLP

cc: David R. Catanach, Hearing Examiner
J. Louis Moseley, P. E.
Bill Pierce, P. E.