

**WALSH**


ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-1834

June 1, 2001

Ms. Lori Wrotenbery
NM Oil and Gas Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Re: Surface Commingling
Breck Operating Company
Marshall B #1 — I-14-27-9W
Marshall B #1J — O-14-27-9
SE/4 Section 14, T27N, R9W



Dear Ms. Wrotenbery,

Breck Operating requests permission to surface commingle the gas production from the above mentioned South Blanco Pictured Cliffs wells.

1. Proposed System: The wells are to be commingled upstream from a CPD meter so they can utilize a common compressor. The CPD meter will be on the Marshall B #1J location and an allocation meter will be on the Marshall #1 location. The gas flows into El Paso Field Services' gathering system and they will maintain the CPD meter. The wells do not produce any liquid hydrocarbons. The working and revenue interests are common between the two wells. The actual commercial value of the commingled production will not be less than the sum of the values of the production from each well.

2. Location Map: Exhibit 1 is a topographic map showing the location of the two wells.

3. Wells, Locations, and Lease numbers: Exhibit 2 is a form C-102 for each well. Both wells are on a Federal Mineral leases and on lands administrated by the Bureau of Land Management. The BLM has received a copy of this application and given their approval.

4. Schematic Diagram: Exhibit 3 is a schematic diagram of the proposed facilities.



5. Fuel Gas: The compressor will burn approximately 10 MCFD of fuel gas, which will be allocated equally between the wells since the fuel usage is not volume dependent. The separator on the Marshall B #1J uses approximately 0.5 MCFD of fuel for the heater and dump controls.

6. Mechanical Integrity: The flow line from the Marshall B #1 to the compressor will be a 2" poly line with a pressure rating of 250 psig. The pipeline will be tested to the maximum wellhead pressure of either well.

7. Production – Gravity/BTU: A table of the wells actual production is attached as Exhibit #4. A gas analysis showing the wells gas gravity and BTU content is shown in Exhibit #5.

8. Allocation Formula: The Marshall B #1 well will have an allocation meter. The production assigned to this well will be the integrated volume from the allocation meter minus one-half of the compressor fuel gas and one-half of any purge gas. The volume allocated to the Marshall B #1J will be the integrated volume from the CPD meter minus the volume allocated to the Marshall B #1, plus one half of the compressor fuel gas usage, one-half of any purge gas, and all of the separator fuel.

9. Line Purging: We do not anticipate purging the line very often, but when we do the lost gas will be allocated between the two wells.

10. Purged Fluids: We do not anticipate having to purge the system, however any fluids purged will be natural gas, condensate, and produced water. If at all possible, any line purging will be done to the pit.

11. Meter Calibration: The allocation and CPD meters will be calibrated once each quarter. El Paso Field Services will maintain and calibrate the CPD meter.

12. Gas Analysis Schedule: El Paso will analyze the gas from both wells twice a year.

13. Effective date: The pipeline system will be put into service as soon as approval is received.

Sincerely,

A handwritten signature in black ink, reading "Paul C. Thompson".

Paul C. Thompson, P.E.
Agent for Breck Operating.

EXHIBIT I

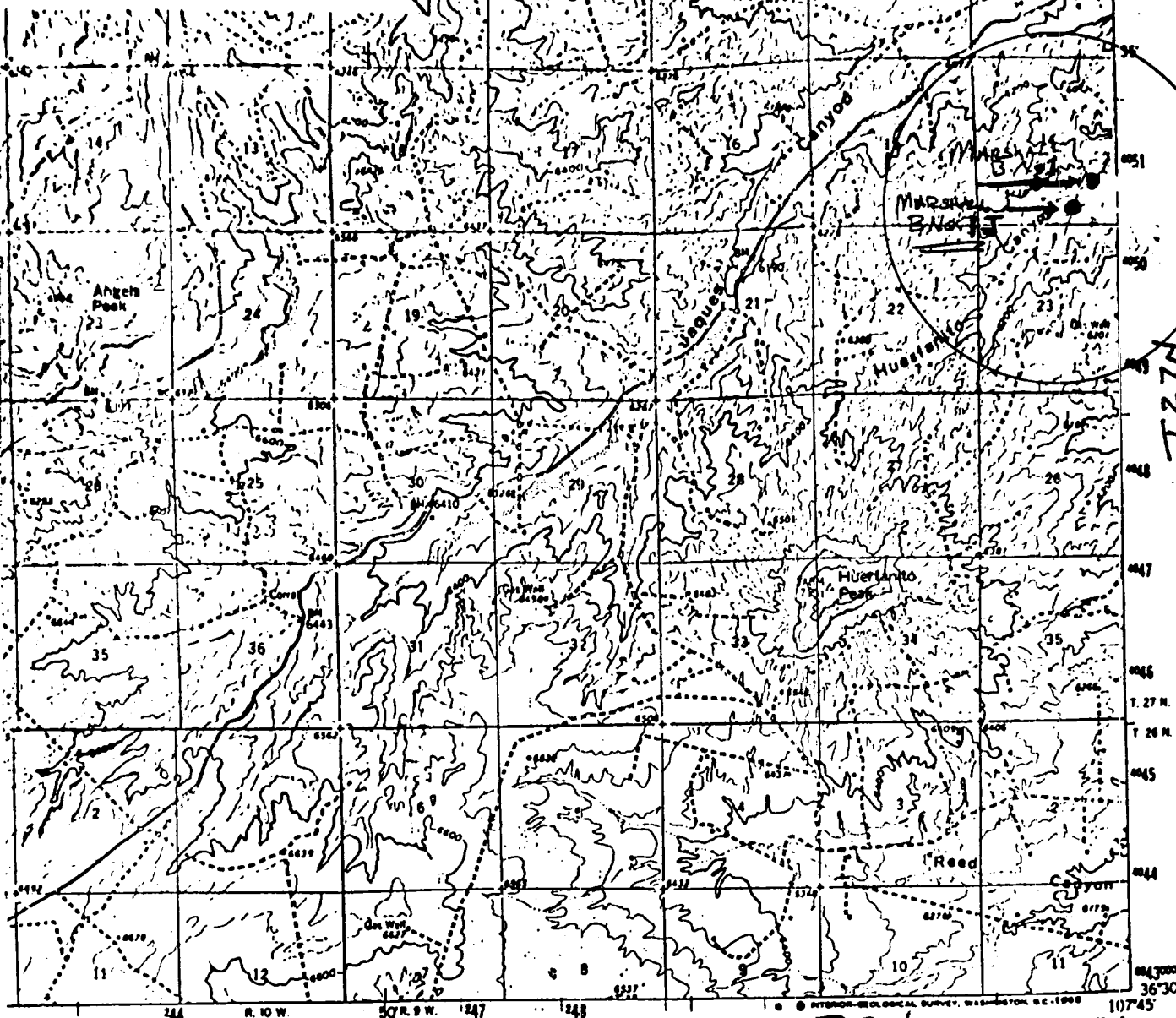
BRECK OPERATING CORPORATION

Section 14, T27N, R9W

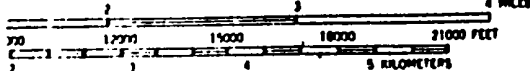
Marshall "B" No. 1 (1650' fsl & 990' fcl)

Marshall "B" No. 1-J (850' fsl & 1850' fcl)

San Juan County, New Mexico



162500



EVAL 40 FEET
AN SEA LEVEL

ONAL MAP ACCURACY STANDARDS

R. COLORADO 80225 OR WASHINGTON, D. C. 20242
PS AND SYMBOLS IS AVAILABLE ON REQUEST



QUADRANGLE LOCATION

R9W


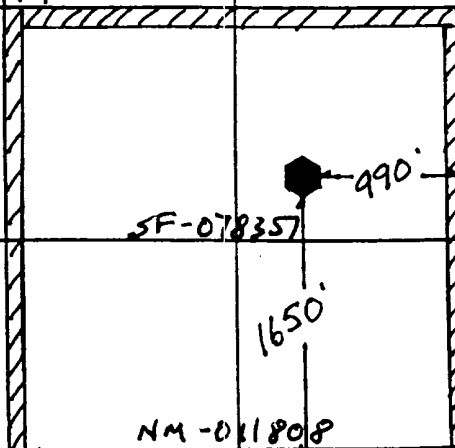
ROAD CLASSIFICATION

Medium-duty ——— Light duty ———
Unimproved dirt ———

() State Route

BLOOMFIELD, N. MEX.
N3630 - W10745/15

1960

16				<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p></p> <p>Signature John C. Thompson</p> <p>Printed Name Engineer</p> <p>Title 3/16/01</p> <p>Date</p>
				<p>18 SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p></p> <p>ORIG ON FILE</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p>Certificate Number</p>

Certificate Number

EXHIBIT 3

BRECK OPERATING CORPORATION

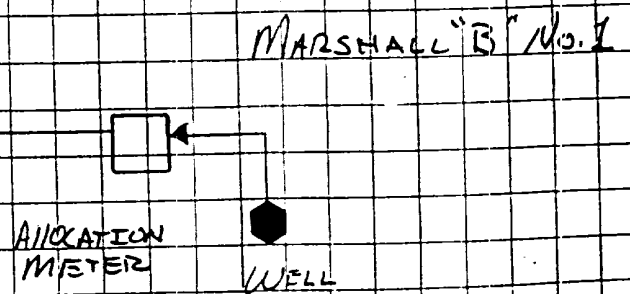
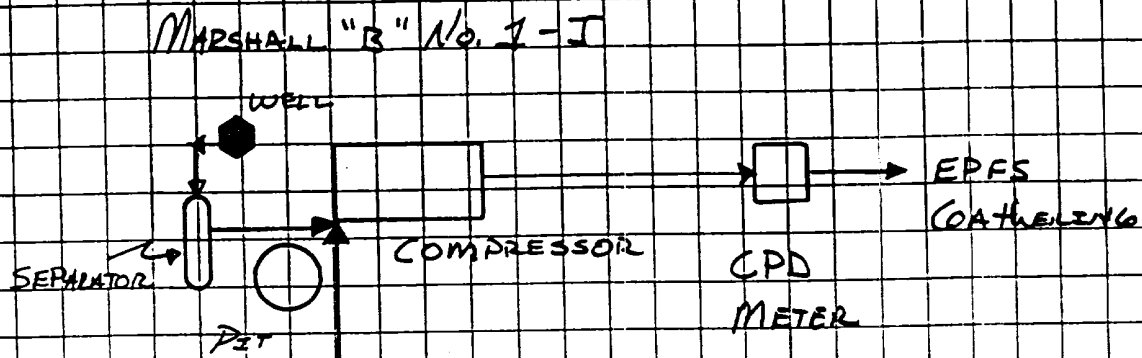


EXHIBIT #4

SAN JUAN NM
MARSHALL B 1
BRECK OPERATING CORPORATION
ACTIVE

Production Report

Lease Name:	MARSHALL B	Well Number:	1
Lease Number:	2225	Cum Oil:	
Operator Name:	BRECK OPERATING CORPORAT	Cum Gas:	571,430
State:	NEW MEXICO	Cum Water:	
County:	SAN JUAN	First Production Date:	NOV 1957
Field:	BLANCO SOUTH	Last Production Date:	FEB 2001
Sec Twn Rng:	14 27N 9W	Spot:	SW NE SE
Latitude/Longitude:		Lat/Long Source:	
Regulatory #:	2225	Completion Date:	
API:	30045064830000	Total Depth:	2178
Production ID:	2300430450648372439	Upper Perforation:	2064
Reservoir Name:	PICTURED CLIFFS	Lower Perforation:	2122
Prod Zone:	PICTURED CLIFFS	Gas Gravity:	
Prod Zone Code:	604PCCF	Oil Gravity:	
Basin Name:	SAN JUAN BASIN	Temp Gradient:	
Gas Gatherer:	ELPS	N Factor:	
Liquid Gatherer:		GOR:	
Status:	ACTIVE		GAS

Annual Production		(32 years)	
Year	Oil BBLs	Gas MCF	Water BBLs

Beginning

Cum:	396,993
1970	21,777
1971	19,241
1972	18,084
1973	15,117
1974	15,065
1975	9,187
1976	7,596
1977	6,070
1978	6,711
1979	5,356
1980	4,442
1981	4,390
1982	3,307
1983	2,333
1984	3,032
1985	4,060
1986	1,160
1987	1,199
1988	981
1989	2,343
1990	3,446
1991	984
1992	2,587
1993	2,884

1994	2,462
1995	1,864
1996	1,455
1997	1,532
1998	1,498
1999	1,867
2000	2,074
2001	333
Totals:	571,430

Monthly Production (Most recent 48 of 374 months)

Date MO/YR	Oil BBLS	Gas MCF	Water BBLS	Cond Yld BBLS/MCF	% Water	# of Wells	Days on
FEB 1997		119				1	27
MAR 1997		144				1	30
APR 1997		128				1	24
MAY 1997		126				1	26
JUN 1997		75				1	17
JUL 1997		126				1	19
AUG 1997		173				1	23
SEP 1997		101				1	20
OCT 1997		149				1	24
NOV 1997		133				1	23
DEC 1997		103				1	20
Totals: 1997		1,532					
JAN 1998		97				1	20
FEB 1998		118				1	22
MAR 1998		93				1	25
APR 1998		133				1	24
MAY 1998		109				1	30
JUN 1998		117				1	27
JUL 1998		109				1	28
AUG 1998		71				1	21
SEP 1998		115				1	26
OCT 1998		157				1	31
NOV 1998		190				1	28
DEC 1998		189				1	30
Totals: 1998		1,498					
JAN 1999		162				1	29
FEB 1999		115				1	24
MAR 1999		133				1	28
APR 1999		127				1	27
MAY 1999		146				1	30
JUN 1999		134				1	29
JUL 1999		96				1	25
AUG 1999		328				1	24
SEP 1999		170				1	29
OCT 1999		179				1	31
NOV 1999		128				1	26
DEC 1999		149				1	26
Totals:							

1999	1,867		
JAN 2000	251	1	31
FEB 2000	206	1	29
MAR 2000	197	1	30
APR 2000	159	1	27
MAY 2000	143	1	30
JUN 2000	119	1	24
JUL 2000	179	1	30
AUG 2000	132	1	29
SEP 2000	171	1	30
OCT 2000	163	1	30
NOV 2000	187	1	30
DEC 2000	167	1	28
Totals:			
2000	2,074		
JAN 2001	159	1	30
FEB 2001	174	1	28
Totals:			
2001	333		

EXHIBIT # 4

SAN JUAN NM
MARSHALL B 1J
BRECK OPERATING CORPORATION
ACTIVE

Production Report

Lease Name:	MARSHALL B	Well Number:	1J
Lease Number:	2225	Cum Oil:	
Operator Name:	BRECK OPERATING CORPORAT	Cum Gas:	340,285
State:	NEW MEXICO	Cum Water:	
County:	SAN JUAN	First Production Date	AUG 1974
Field:	BLANCO SOUTH	Last Production Date:	FEB 2001
Sec Twn Rng:	14 27N 9W	Spot:	NE SW SE
Latitude/Longitude:		Lat/Long Source:	
Regulatory #:	2225	Completion Date:	
API:	30045213720000	Total Depth:	2192
Production ID:	2300430452137272439	Upper Perforation:	2054
Reservoir Name:	PICTURED CLIFFS	Lower Perforation:	2096
Prod Zone:	PICTURED CLIFFS	Gas Gravity:	
Prod Zone Code:	604PCCF	Oil Gravity:	
Basin Name:	SAN JUAN BASIN	Temp Gradient:	
Gas Gatherer:	ELPS	N Factor:	
Liquid Gatherer:		GOR:	
Status:	ACTIVE		GAS

Annual Production			(28 years)
Year	Oil BBLs	Gas MCF	Water BBLs

Beginning

Cum:

1974	20,489
1975	33,242
1976	25,133
1977	20,702
1978	18,383
1979	17,026
1980	13,365
1981	13,939
1982	11,023
1983	6,504
1984	8,737
1985	13,956
1986	4,535
1987	3,752
1988	4,113
1989	9,331
1990	9,471
1991	2,551
1992	10,982
1993	12,304
1994	13,435
1995	11,254
1996	7,210
1997	12,290

1998	7,569
1999	10,905
2000	15,885
2001	2,199
Totals:	340,285

Monthly Production (Most recent 48 of 319 months)

Date MO/YR	Oil BBLS	Gas MCF	Water BBLS	Cond Yld BBLS/MCF	% Water	# of Wells	Days on
FEB 1997		1,043				1	27
MAR 1997		1,129				1	30
APR 1997		938				1	21
MAY 1997		1,130				1	30
JUN 1997		612				1	14
JUL 1997		736				1	16
AUG 1997		939				1	18
SEP 1997		1,094				1	21
OCT 1997		1,236				1	22
NOV 1997		1,114				1	22
DEC 1997		1,158				1	21
Totals: 1997		12,290					
JAN 1998		1,038				1	21
FEB 1998		324				1	9
MAR 1998		720				1	16
APR 1998		760				1	21
MAY 1998		840				1	21
JUN 1998		860				1	18
JUL 1998		695				1	15
AUG 1998		232				1	5
SEP 1998		316				1	9
OCT 1998		92				1	2
NOV 1998		861				1	17
DEC 1998		831				1	19
Totals: 1998		7,569					
JAN 1999		735				1	22
FEB 1999		473				1	14
MAR 1999		351				1	11
APR 1999		223				1	9
MAY 1999		200				1	9
JUN 1999		90				1	3
JUL 1999		49				1	2
AUG 1999		871				1	4
SEP 1999		2,022				1	19
OCT 1999		2,250				1	25
NOV 1999		2,055				1	30
DEC 1999		1,586				1	21
Totals: 1999		10,905					
JAN 2000		1,802				1	29
FEB 2000		1,448				1	24

MAR 2000	964	1	20
APR 2000	1,603	1	28
MAY 2000	1,616	1	31
JUN 2000	1,380	1	28
JUL 2000	1,428	1	31
AUG 2000	1,375	1	31
SEP 2000	1,294	1	30
OCT 2000	1,274	1	28
NOV 2000	1,035	1	21
DEC 2000	666	1	12
Totals:			
2000	15,885		
JAN 2001	1,041	1	18
FEB 2001	1,158	1	25
Totals:			
2001	2,199		

CO. CD 23 EL PASO NATURAL GAS
 CUSTOMER ACCOUNTING SERVICES DEPARTMENT
 VOLUME CALCULATION DIVISION
 POST OFFICE BOX 1492
 EL PASO, TEXAS 79978

EXHIBIT #5

CONTACTS:
 EL PASO FIELD SERVICE:
 (713) 757-5953
 EL PASO MAINLINE
 (915) 496-2595

DATE 10/06/98

CHROMATOGRAPHIC GAS ANALYSIS REPORT

MAILEE
 18600

BRECK OPERATING CORPORATION
 P O BOX 911
 BRECKENRIDGE, TX 76024-0911

METER NUMBER 71990 - MARSHALL B #1
 OPERATOR 0834 - BRECK OPERATING CORP

ANALYSIS DATE 8/31/98
 SAMPLE DATE 8/27/98
 EFFECTIVE DATE 9/01/98
 EFFECTIVE FOR 6 MONTHS

TYPE CODE 2 - ACTUAL
 H2S GRAINS 0
 LOCATION F - FARM BECK

COMPONENTS	NORMALIZED MOL %	GPM
CO2	.36	.000
H2S	.00	.000
N2	.25	.000
METHANE	92.11	.000
ETHANE	4.57	1.222
PROPANE	1.63	.449
ISO-BUTANE	.37	.121
NORM-BUTANE	.30	.095
ISO-PENTANE	.12	.044
NORM-PENTANE	.07	.025
HEXANE PLUS	.22	.096
	100.00	2.052

SPECIFIC GRAVITY .617
 MIXTURE HEATING VALUE
 (BTU @ 14.73 DRY) 1098
 RATIO OF SPECIFIC HEATS .000
 NO TEST SECURED FOR H2S CONTENT

CO. CD 23 EL PASO NATURAL GAS
 CUSTOMER ACCOUNTING SERVICE DEPARTMENT
 VOLUME CALCULATION DIVISION
 POST OFFICE BOX 1492
 EL PASO, TEXAS 79978

CONTACTS:
 EL PASO FIELD SERVICES
 (713) 757-5953
 EL PASO MAINLINE
 (915) 496-2595

EXHIBIT #5

CHROMATOGRAPHIC GAS ANALYSIS REPORT

DATE 1/07/99

MAILER
 18600

BRECK OPERATING CORPORATION
 P O BOX 911
 BRECKENRIDGE, TX 76024-0911

METER NUMBER 89039 - MARSHALL B #1-J
 OPERATOR 0834 - BRECK OPERATING CORP

ANALYSIS DATE 11/23/98
 SAMPLE DATE 11/22/98
 EFFECTIVE DATE 12/01/98
 EFFECTIVE FOR 6 MONTHS

TYPE CODE 2 - ACTUAL
 H2S GRAINS 0
 LOCATION F - FARM BECK

COMPONENTS	NORMALIZED MOL %	GPM
CO2	.15	.000
H2S	.00	.000
N2	.37	.000
METHANE	89.08	.000
ETHANE	5.48	1.466
PROPANE	2.73	.752
ISO-BUTANE	.59	.193
NORM-BUTANE	.67	.211
ISO-PENTANE	.27	.099
NORM-PENTANE	.18	.065
HEXANE PLUS	.48	.209
	100.00	2.995

SPECIFIC GRAVITY .652

MIXTURE HEATING VALUE
 (BTU @ 14.73 DRY) 1155

RATIO OF SPECIFIC HEATS .000

NO TEST SECURED FOR H2S CONTENT