

**NEELEY CONSULTING SERVICE, LLC**

3001 Northridge Drive, Los Amigos Bldg  
FARMINGTON, NEW MEXICO 87401  
(505) 486-0211

May 19, 2004

Mr. Steve Henke, Manager  
Bureau of Land Management  
1235 La Plata Highway, Suite A  
Farmington, NM 87401

Mr. Patrick Lyons, Commissioner  
New Mexico State Land Office  
P.O. Box 1148  
Santa Fe, NM 87504-1148

Ms. Joanna Prukop, Interim Director  
New Mexico Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NN 87505

**RECEIVED**

MAY 24 2004

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

Re: Request for Surface Commingling – Pools and Leases, Off-lease Measurement and Sale of Produced Natural Gas  
Richardson Operating Company's Pinon Mesa Gathering System: 10 Wells.  
San Juan County, New Mexico

Dear Ms. Prukop, Mr. Henke and Mr. Lyons:

Richardson Operating Company is writing to request your respective administrative approvals to surface commingle natural gas produced from 10 wells in Richardson Operating's planned Pinon Mesa Gathering System. Commingling of production is necessary to get produced natural gas to an El Paso CDP type sales meter and for the mutual conservation benefit of centralized compression through Richardson's planned central compressor station.

Application is, also, being made for off-lease sales measurement and production allocation to proportionally distribute production value and volume to the respective wells involved from the Central Delivery Point sales meter to be located NE/SW, Sec 1, T30N, R14W, NMPM, San Juan County, New Mexico. Production allocation, to proportionally distribute "beneficial use" compressor fuel gas will be made from the CDP meter to the wells involved (those receiving the benefits of centralized compression).

In the event a line blow-down is necessary or other gas loss occurs from the gathering system, Richardson will determine the total volume lost using industry procedures for the conditions existing at the time of the loss. The total volume lost will be allocated to the individual wells affected using percentage of total volume factors determined for the wells involved.

All lease hold interest in the gas produced is either state or federal and Richardson Operating Company is the operator.

Each existing well is equipped with an orifice type gas meter. All planned wells will be similarly equipped with orifice type gas meters for allocation purposes.

In as much as the gas from all of the wells involved will be accurately sampled and measured on their respective leases before it enters the gathering system, Richardson Production Company proposes and believes that the total production from the respective wells will be accurately accounted for. That the individual well/lease gas allocation based on the accurately sampled and measured, on lease, orifice allocation meters combined with the proposed allocation methods and formulas, accurately accounts for the mutual benefit of "beneficial use" gas and individual well/lease production. All orifice metering facilities used in measuring gas production for allocation purposes will be installed and operated in accordance with Onshore Oil and Gas Order N. 5 and NMOCD 'Meter Proving and Calibration Frequencies'. We do not anticipate any well will produce oil or condensate. However should any well produce oil or condensate, it will be equipped with separation equipment and all oil or condensate will be separated and stored on the lease.

Attachment No.1 is a Lease/Pool map showing the lease numbers and location of the leases plus the 2 existing and 8 planned wells that will contribute production to the gas gathering system. This map also identifies and places flow-lines, central compressor, separator and CDP equipment.

Page 2

Attachment No. 2 is a schematic diagram clearly identifying the planed central compressor, separator and CDP equipment to be utilized. Gas measurement at a CDP typically results in an increased level of accuracy by reducing flow irregularities that result at the wellhead meters by increasing the amount of flow and decreasing the effects of irregular or intermittent flow. The mechanical integrity of the gathering system will be demonstrated through pressure testing - the pressure charts will be available for review.

Attachment No. 3 lists estimated monthly production and BTU content of each contributing well along with other information requested by the NMOCD.

Attachment No. 4 is Pool Commingling production information requested by NMOCD.

Attachment No. 5 is Richardson Operating Company's proposed Allocation Procedure.

Attachment No. 6 is a list of all parties owning any interest in any of the production to be commingled. Richardson Operating Company has, on or before the date that this application was mailed to the NMOCD, sent notification to each of the interest owners by submitting a copy of the application and all attachments thereto, by certified mail, return receipt requested, advising them that any objection must be filed in writing with the Santa Fe office of the NMOCD within 20 days from the date the division received this application. Attachment No. 7 is a copy of the notice sent by certified mail to all interest owners. All notice letters have been sent by certified, return receipt mail and upon receiving the receipts, copies will be forwarded to the NMOCD. Attachment No. 8 is a copy of the "Affidavit of Publication" which was published in The Daily Times to further provide notice to all interest owners, anticipating that out of the volume of notices mailed by certified mail, there will be some receipts not returned.

As evidenced by the production allocation procedure (attachment No. 5) and the pool commingling production information (attachment No. 4), Federal and State production will be properly allocated based upon quality and quantity.

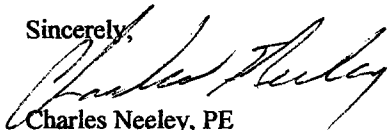
The wells involved with this system typically have bottom hole pressures of 200 psi or less. The transporter's pipelines available for gas delivery typically have pressures in the 250 psi range, therefore these wells have no economic life without the use of compression - as long as the compression cost does not exceed the net revenue received from the production minus the "beneficial use" gas consumed by the compression.

The minimal charges against lease production for "beneficial use" gas are far exceeded by the production rate increases due to the conservative benefit of centralized compression where: 1) Fuel burning efficiencies increase with horsepower requirements; 2) Fuel burning efficiencies increase as the number of units employed decrease and 3) Compressor lease expenses decrease as the number of units employed decrease.

Richardson Operating Company is the sole operator participating in this project.

Should you need any additional information or have questions regarding this information, please feel free to contact me at 505-486-0122.

Sincerely,



Charles Neeley, PE  
Agent for Richardson Operating Company

cc: NMOCD - Aztec

District I  
1625 N. French Drive, Hobbs, NM 88240  
District II  
1301 W. Grand Ave, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St Francis Dr, Santa Fe, NM  
87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107-B  
Revised June 10, 2003

**OIL CONSERVATION DIVISION**  
1220 S. St Francis Drive  
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

**APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)**

OPERATOR NAME: Richardson Operating Company  
OPERATOR ADDRESS: 4601 TDC Blvd, Suite 470, Denver Colorado 80237 Attention: Mr. Chuck Williams  
APPLICATION TYPE:

Pool Commingling  Lease Commingling  Pool and Lease Commingling  Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE:  State  Federal

Is this an Amendment to existing Order?  Yes  No If "Yes", please include the appropriate Order No. \_\_\_\_\_  
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling  
 Yes  No

**(A) POOL COMMINGLING**  
Please attach sheets with the following information

| (1) Pool Names and Codes | Gravities / BTU of Non-Commingled Production | Calculated Gravities / BTU of Commingled Production |  | Calculated Value of Commingled Production | Volumes              |
|--------------------------|--|---|--|---|----------------------|
| See Attachment No. 4     | See Attachment No. 4                         | See Attachment No. 4                                |  | See Attachment No. 4                      | See Attachment No. 4 |
|                          |  |   |  |   |                      |
|                          |  |   |  |   |                      |
|                          |  |   |  |   |                      |

- (2) Are any wells producing at top allowables?  Yes  No  
(3) Has all interest owners been notified by certified mail of the proposed commingling?  Yes  No.  
(4) Measurement type:  Metering  Other (Specify) See Attachment No. 4  
(5) Will commingling decrease the value of production?  Yes  No If "yes", describe why commingling should be approved

**(B) LEASE COMMINGLING**  
Please attach sheets with the following information

- (1) Pool Name and Code.  
(2) Is all production from same source of supply?  Yes  No  
(3) Has all interest owners been notified by certified mail of the proposed commingling?  Yes  No  
(4) Measurement type:  Metering  Other (Specify)

**(C) POOL and LEASE COMMINGLING**  
Please attach sheets with the following information

- (1) Complete Sections A and E.

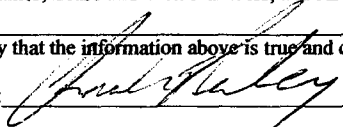
**(D) OFF-LEASE STORAGE and MEASUREMENT**  
Please attached sheets with the following information

- (1) Is all production from same source of supply?  Yes  No  
(2) Include proof of notice to all interest owners. See Attachments No. 6 & No. 7

**(E) ADDITIONAL INFORMATION (for all application types)**  
Please attach sheets with the following information

- (1) A schematic diagram of facility, including legal location. See Attachment No. 2  
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved. See Attachment No. 1  
(3) Lease Names, Lease and Well Numbers, and API Numbers. See Attachment No. 3

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: 

TITLE: Agent

DATE: 5-19-04

TYPE OR PRINT NAME Charles Neeley

TELEPHONE NO.: 505-486-0211

E-MAIL ADDRESS: neecece@acrnnet.com

ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**
- [A] Location - Spacing Unit - Simultaneous Dedication  
 NSL  NSP  SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement  
 DHC  CTB  PLC  PC  OLS  OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX  PMX  SWD  IPI  EOR  PPR
- [D] Other: Specify \_\_\_\_\_
- [2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or  Does Not Apply**
- [A]  Working, Royalty or Overriding Royalty Interest Owners
- [B]  Offset Operators, Leaseholders or Surface Owner
- [C]  Application is One Which Requires Published Legal Notice
- [D]  Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E]  For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F]  Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate and complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

**Note: Statement must be completed by an individual with managerial and/or supervisory capacity.**

|   |   |  |                          |
|---|---|--|--------------------------|
| _____<br>Charles Neeley<br>Print or Type Name | _____<br><i>Charles Neeley</i><br>Signature | _____<br>Agent/PE<br>Title                   | _____<br>5-19-04<br>Date |
|   |   | _____<br>neelece@acnet.com<br>e-mail Address |                          |

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
OMB No. 1004-0135  
Expires: January 31, 2004

**SUNDRY NOTICES AND REPORTS ON WELLS**  
*Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.*

**SUBMIT IN TRIPLICATE - Other instructions on reverse side**

1. Type of Well  
 Oil Well  Gas Well  Other

2. Name of Operator  
 Richardson Operating Company

3a. Address  
 4601 TDC Blvd, Suite 470, Denver, Co 80237

3b. Phone No. (include area code)  
 303-830-8000

4. Location of Well (Footage, Sec., T, R., M., or Survey Description)  
 El Paso CDP to be Located: NE/SW Sec 1-T30N-R14W, NMPM

5. Lease Serial No.  
 See Below

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.  
 Pinon Mesa Gathering System

9. API Well No.

10. Field and Pool, or Exploratory Area  
 See Below

11. County or Parish, State  
 San Juan, New Mexico

**12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

| TYPE OF SUBMISSION                                   | TYPE OF ACTION                                |   |  |   |
|--|---|---|--|---|
| <input checked="" type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize              | <input type="checkbox"/> Deepen           | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off             |
| <input type="checkbox"/> Subsequent Report           | <input type="checkbox"/> Alter Casing         | <input type="checkbox"/> Fracture Treat   | <input type="checkbox"/> Reclamation               | <input type="checkbox"/> Well Integrity             |
| <input type="checkbox"/> Final Abandonment Notice    | <input type="checkbox"/> Casing Repair        | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete                | <input checked="" type="checkbox"/> Other See Below |
|  | <input type="checkbox"/> Change Plans         | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon       |   |
|  | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back        | <input type="checkbox"/> Water Disposal            |   |

3. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Approval is requested for surface commingling, plus off lease measurement and sale of natural gas production for a centralized compression CDP type gathering system.

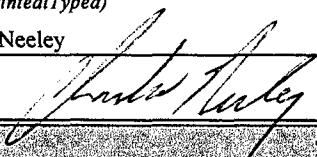
Lease Serial No.'s  
 NMNM 101552  
 NMNM - 102886  
 B1-1124-0044  
 B1-1124-0037  
 E0-1545-0000  
 E0-3149-0001  
 VA-1916-0001

Pools  
 Harper Hill Fruitland Sand - PC - 78160  
 Basin Fruitland Coal - 71629  
 Downhole Commingled: Harper Hill Fruitland Sand - PC / Basin Fruitland Coal

See Letter of description, attached.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)  
 Charles Neeley

Signature 

Title Agent

Date 5-19-04

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by (Signature) \_\_\_\_\_

Name (Printed/Typed) \_\_\_\_\_ Title \_\_\_\_\_

Office \_\_\_\_\_ Date \_\_\_\_\_

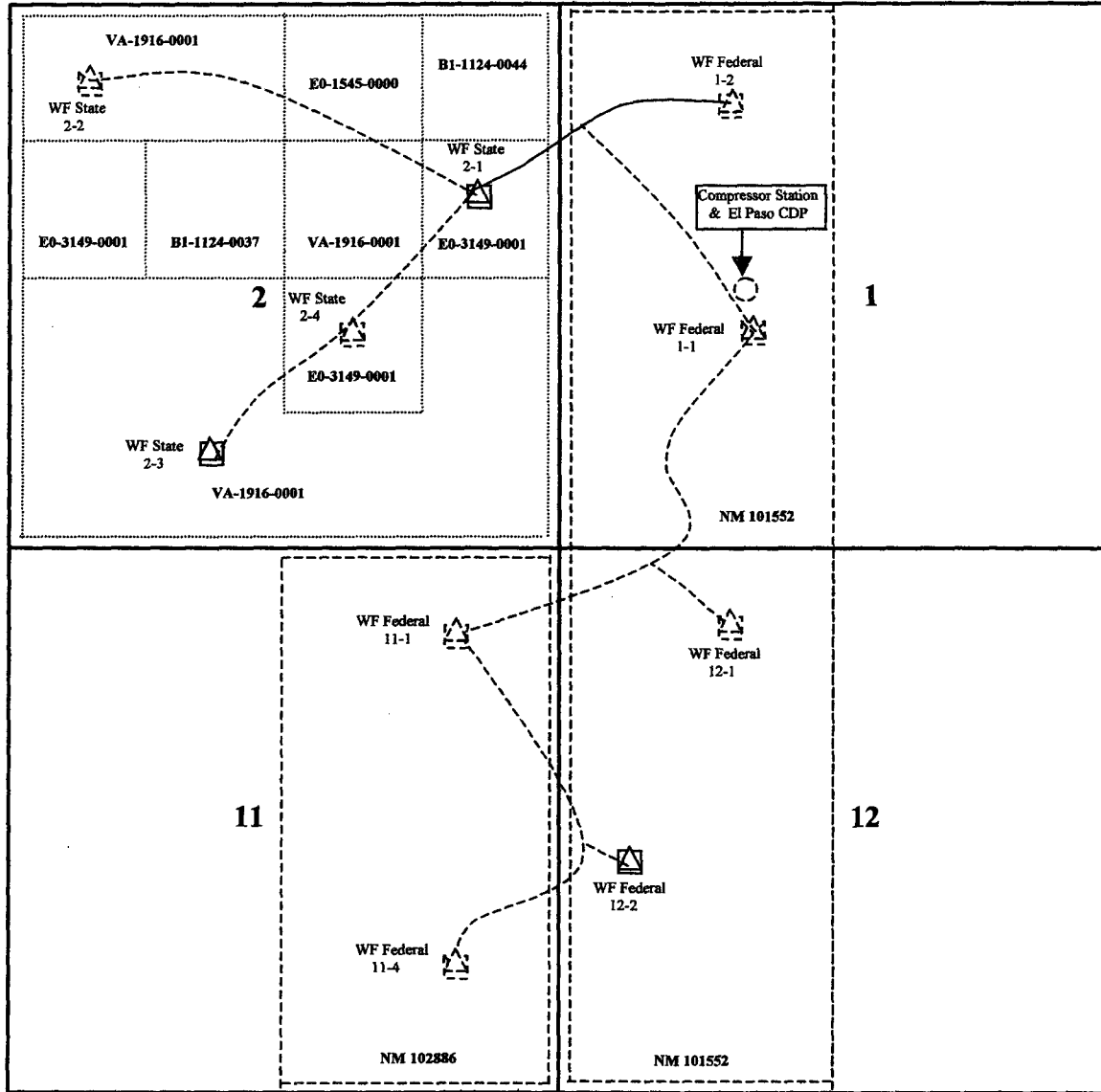
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

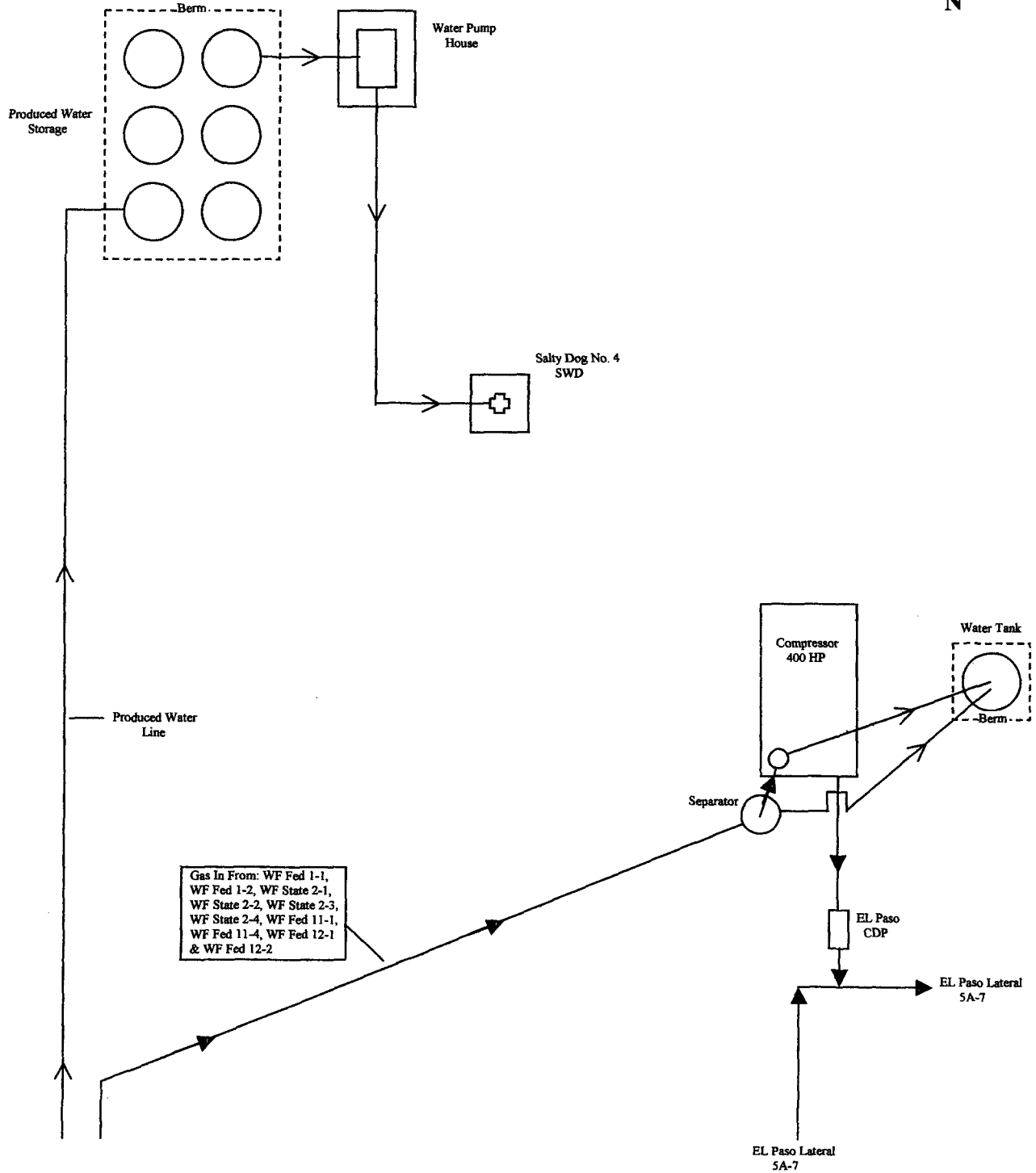
Richardson Operating Company  
 Pinon Mesa Natural Gas Gathering System  
 Wells / Leases / Pools – Map  
 Sec 1, 2, 11, 12 T30N, R14W, NMPM  
 San Juan County, New Mexico

R14W

T30N



| Richardson Operating Company |             |                                 |
|------------------------------|-------------|---------------------------------|
| Leases                       | Pool Symbol | Comment                         |
| NM 101552                    | △           | Harper Hill Fruitland Sand - PC |
| NM 102886                    | □           | Basin Fruitland Coal            |
| BI-1124-0044                 | ---         | Planned: Well / Pool / Pipeline |
| E0-1545-0000                 |             |                                 |
| VA-1916-0001                 |             |                                 |
| E0-3149-0001                 |             |                                 |
| BI-1124-0037                 |             |                                 |



Attachment No. 3

Richardson Operating Company  
 Pinon Mesa Gathering System  
 EL Paso Central Delivery Sales Meter  
 San Juan County, New Mexico

| Well Name  | API NO<br>30-045 | Well Location |                | Pool Name                | OGRID<br>Pool Number | Well Location<br>Lease Number | Type<br>Lease | Spacing<br>Unit | Estimated Monthly Production |          |      |      |
|--|------------------|---------------|----------------|--------------------------|----------------------|-------------------------------|---------------|-----------------|------------------------------|----------|------|------|
|  |                  | 1/4 1/4       | Sec-Twn-Rng    |                          |                      |                               |               |                 | MCFPM                        | BTU Fact | MOPM | BWPM |
| <b>SYSTEM WELLS</b>  |                  |               |                |                          |                      |                               |               |                 |                              |          |      |      |
| WF Federal 1-1**   | 30660            | NE/SW         | Sec 1-30N-14W  | Harper Hill FR SD-PC/BFC | 78160/71629          | NM 101552                     | Federal       | SW 1/4 & W 1/2  | 5180                         | 1,001    | 0    | 3460 |
| WF Federal 1-2***  |                  | NE/NW         | Sec 1-30N-14W  | Harper Hill FR SD-PC/BFC | 78160/71629          | NM 101552                     | Federal       | NW 1/4 & W 1/2  | 5180                         | 1,001    | 0    | 3460 |
| WF State 2-1*  | 29918            | SE/NE         | Sec 2-30N-14W  | Harper Hill FR SD-PC/BFC | 78160/71629          | E0-3149-0001                  | State         | NE 1/4 & N 1/2  | 5180                         | 1,001    | 0    | 3460 |
| WF State 2-2**   | 31292            | NE/NW         | Sec 2-30N-14W  | Harper Hill FR SD-PC/BFC | 78160/71629          | VA-1916-0001                  | State         | NW 1/4 & N 1/2  | 5180                         | 1,001    | 0    | 3460 |
| WF State 2-3**   | 30759            | SE/SW         | Sec 2-30N-14W  | Harper Hill FR SD-PC/BFC | 78160/71629          | VA-1916-0001                  | State         | SW 1/4 & S 1/2  | 5180                         | 1,001    | 0    | 3460 |
| WF State 2-4**   | 32097            | NW/SE         | Sec 2-30N-14W  | Harper Hill FR SD-PC/BFC | 78160/71629          | E0-3149-0001                  | State         | SE 1/4 & S 1/2  | 5180                         | 1,001    | 0    | 3460 |
| WF Federal 11-1***   |                  | NE/SE         | Sec 11-30N-14W | Harper Hill FR SD-PC/BFC | 78160/71629          | NM 102886                     | Federal       | NE 1/4 & E 1/2  | 5180                         | 1,001    | 0    | 3460 |
| WF Federal 11-4***   |                  | SE/SE         | Sec 11-30N-14W | Harper Hill FR SD-PC/BFC | 78160/71629          | NM 102886                     | Federal       | SE 1/4 & E 1/2  | 5180                         | 1,001    | 0    | 3460 |
| WF Federal 12-1***   |                  | NE/SW         | Sec 12-30N-14W | Harper Hill FR SD-PC/BFC | 78160/71629          | NM 101552                     | Federal       | NW 1/4 & W 1/2  | 5180                         | 1,001    | 0    | 3460 |
| WF Federal 12-2*   | 30712            | NW/SW         | Sec 12-30N-14W | Harper Hill FR SD-PC/BFC | 78160/71629          | NM 101552                     | Federal       | SW 1/4 & W 1/2  | 5180                         | 1,001    | 0    | 3460 |
| <b>Comments on Wells</b>                                     |                  |               |                |                          |                      |                               |               |                 |                              |          |      |      |
| * Drilled - waiting on pipeline *** Working on Permits, 2004 |                  |               |                |                          |                      |                               |               |                 |                              |          |      |      |
| ** Permitted   |                  |               |                |                          |                      |                               |               |                 |                              |          |      |      |



ATTACHMENT NO. 4 Richardson Operating Company POOL COMMINGLING - PRODUCTION SUMMARY

| POOL NAME                       | POOL CODE | WELL NAME       | Volume Estimated AVG Montly Production, mcf | Estimated BTU Factor | BTU - Non Commingled  | Calculated BTU of Commingled Production |
|---------------------------------|-----------|-----------------|---|----------------------|-----------------------|---|
| Harper Hill Fruit Sd - PC       | 78160     |                 |   |                      |                       |   |
|                                 |           | WF Federal 1-1  | 4390  | 1.002                | 4,398,780,000         |   |
|                                 |           | WF Federal 1-2  | 4390  | 1.002                | 4,398,780,000         |   |
|                                 |           | WF State 2-1    | 4390  | 1.002                | 4,398,780,000         |   |
|                                 |           | WF State 2-1    | 4390  | 1.002                | 4,398,780,000         |   |
|                                 |           | WF State 2-3    | 4390  | 1.002                | 4,398,780,000         |   |
|                                 |           | WF State 2-4    | 4390  | 1.002                | 4,398,780,000         |   |
|                                 |           | WF Federal 11-1 | 4390  | 1.002                | 4,398,780,000         |   |
|                                 |           | WF Federal 11-4 | 4390  | 1.002                | 4,398,780,000         |   |
|                                 |           | WF Federal 12-1 | 4390  | 1.002                | 4,398,780,000         |   |
|                                 |           | WF Federal 12-2 | 4390  | 1.002                | 4,398,780,000         |   |
| <b>Pool &amp; Leases Totals</b> |           |                 | <b>43900</b>                                |                      | <b>43,987,800,000</b> | <b>43,987,800,000</b>                   |

| POOL NAME                          | POOL CODE | WELL NAME       | Volume Estimated AVG Montly Production, mcf | Estimated BTU Factor | BTU - Non Commingled  | Calculated BTU of Commingled Production |
|------------------------------------|-----------|-----------------|---|----------------------|-----------------------|---|
| Basin Fruitland Coal               | 71629     |                 |   |                      |                       |   |
|                                    |           | WF Federal 1-1  | 790   | 0.996                | 786,840,000           |   |
|                                    |           | WF Federal 1-2  | 790   | 0.996                | 786,840,000           |   |
|                                    |           | WF State 2-1    | 790   | 0.996                | 786,840,000           |   |
|                                    |           | WF State 2-2    | 790   | 0.996                | 786,840,000           |   |
|                                    |           | WF State 2-3    | 790   | 0.996                | 786,840,000           |   |
|                                    |           | WF State 2-4    | 790   | 0.996                | 786,840,000           |   |
|                                    |           | WF Federal 11-1 | 790   | 0.996                | 786,840,000           |   |
|                                    |           | WF Federal 11-4 | 790   | 0.996                | 786,840,000           |   |
|                                    |           | WF Federal 12-1 | 790   | 0.996                | 786,840,000           |   |
|                                    |           | WF Federal 12-2 | 790   | 0.996                | 786,840,000           |   |
| <b>Pool &amp; Leases Totals</b>    |           |                 | <b>7900</b>                                 |                      | <b>7,868,400,000</b>  | <b>7,868,400,000</b>                    |
| <b>Combined Pools &amp; Leases</b> |           |                 | <b>51800</b>                                |                      | <b>51,856,200,000</b> | <b>51,856,200,000</b>                   |

Calculated: 1,001.1 BTU/CF - Commingled Gas

**Calculated value of commingled production:** Commingling production in the gathering system is necessary to get produced natural gas to the sales meter. CDP gas revenue and mmbtu will be allocated to individual wells using factors determined from the mmbtu produced from each well. Each well will be equipped with an allocation meter or an approved method of alternative measurement. There should be no loss in value to any well as a result of this commingling.

**Allocation Procedures**  
Richardson Production Co.'s  
Pinon Mesa Gathering System  
CDP Gas Sales Meter: NE/SW, Sec 1-T30N-R14W  
El Paso CDP Meter  
San Juan County, New Mexico

**Base Data:**

V = Individual Well BTU

W = Gas Volume (MCF) from allocation meters at individual wells during allocation period

X = Gas Volume (MCF) from CDP Sales Meter (El Paso) during allocation period.

Y = BTU's from CDP Sales Meter (El Paso) during allocation period.

Allocation Period is typically a calendar month and will be the same for all wells.

1. All wells:

A. Individual Well Gas Production, MCF's = A + B + C + D + E

A = Allocated Sales Volume, MCF =  $(W / \text{SUM } W) \times X$

B = On lease fuel usage, MCF. Determined from equipment specification and operating conditions.

C = Purged and/or vented gas from well and/or lease equipment, MCF. Calculated using equipment specifications and procedures.

D = Allocated fuel from gathering system equipment, MCF. The total fuel required to operate gathering system equipment will be allocated to the individual wells benefiting from the equipment using allocation factors determined by  $W / \text{SUM } W$  for the wells involved.

E = Allocated volume of gas lost and/or vented from the gathering system and/or gathering system equipment, MCF. The total volume will be determined using industry procedures for the conditions existing at the time of the loss. All volumes corresponding to liquid condensation within the gathering system will also be determined. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by  $W / \text{SUM } W$  for the wells involved.

B. Allocated Individual Well BTU's

1) Allocated Individual Well BTU's =  $((W \times V) / \text{SUM } (W \times V)) \times Y$

Note: Individual well gas heating values to be determined in accordance with BLM regulations (currently Onshore Order No. 5).

Attachment No. 6

Persons Owning Any Mineral Interest  
Richardson Operating Company  
Pinon Mesa Gathering System

Bureau of Land Management  
1235 La Plata Highway, Suite A  
Farmington, New Mexico 87401

State of New Mexico  
Commissioner of Public Lands  
P.O. Box 1148  
Santa Fe, New Mexico 87504-1146

Credo Petroleum Corporation  
Attention: Mr. James T Huffman  
1801 Broadway, Suite 900  
Denver, Colorado 80202

Mr. R.K. O'Connell  
P.O. Box 371  
Casper, Wyoming 82602

Ms. C.K. O'Connell  
P.O. Box 371  
Casper, Wyoming 82602

Mr. Bill D. Farleigh  
P.O. Box 3215  
Casper, Wyoming 82602

Don E. Lawson and Marjorie C. Lawson, Trustees  
330 S. Center Street  
Casper, Wyoming 82601

Myrtle Jo Orzalli  
2790 Bruce Street  
Matlacha, Florida 33993

Evko Development Corporation  
Attention: Judith Barr  
P.O. Box 245  
Sausalito, CA 94966

Robert L. Hamilton  
Number Eight Backlog Road  
Kentfield, CA 94904

Certified Mail RRR: #

Date:

Re: Notice of Application: Surface Commingling, Off-lease Measurement and Sale of Produced Natural Gas  
Richardson Operating Company's Pinon Mesa Gathering System: 10 wells.  
San Juan County, New Mexico

Dear Interest Owner:

According to our records, you have an interest in one or more of the wells involved.

Richardson Operating Company, 3100 LaPlata Highway, Farmington, NM 87401 is currently preparing an application to the New Mexico Oil Conservation Division (NMOCD), Bureau of Land Management (BLM) and State Land Office (SLO) requesting their respective approvals to surface commingle natural gas produced from the 10 wells proposed to be in Richardson's Pinon Mesa Gathering System. Commingling of production is necessary to get produced natural gas to an El Paso CDP type sales meter and for the mutual conservation benefit of centralized compression through Richardson's centralized compressor station.

Application is, also, being made for off-lease sales measurement and production allocation to proportionally distribute production value and volume to the respective wells involved from the Central Delivery Point sales meter to be located NE/SW, Sec 1, T30N, R14W, NMPPM, San Juan County, New Mexico. Production allocation, to proportionally distribute "beneficial use" compressor fuel gas will be made from the CDP meter to the respective wells.

This proposal should not affect your interest in these wells and should allow for optimum operations on all wells, especially production from the Fruitland Coal formation. All wells will benefit from central compression, keeping wellhead operating pressures as low as possible. This method of operation will help to keep our operating expenses as low as possible, which will allow all interest owners to recover more of the gas reserves from each well.

Richardson Operating Company believes that the method of allocating production volumes and sales to the respective wells ensures protection of correlative rights.

The matter does not require any action on your part. This letter is intended to serve as notice of the application, provide you with a copy of the application including all attachments thereto and to advise you of your right to file an objection with the NMOCD - objections must be filed in writing with the Santa Fe office of the New Oil Conservation Division, 1220 South Francis Drive, Santa Fe, NM 87505, within 20 days from the date the division receives the application.

A complete copy of the application, is included.

Should you have any questions or concerns regarding this matter, the person to contact at Richardson Operating Company is Mr. Chuck Williams at 303-830-8000 or by mail at 4601 DTC Blvd, Suite 470, Denver, Colorado 80237.

Sincerely,

AFFIDAVIT OF PUBLICATION

Ad No. 49757

STATE OF NEW MEXICO  
County of San Juan:

CONNIE PRUITT, being duly sworn says:  
That she is the CLASSIFIED MANAGER of  
THE DAILY TIMES, a daily newspaper of  
general circulation published in English at  
Farmington, said county and state, and that  
the hereto attached Legal Notice was  
published in a regular and entire issue of the  
said DAILY TIMES, a daily newspaper duly  
qualified for the purpose within the meaning of  
Chapter 167 of the 1937 Session Laws of the  
State of New Mexico for publication and  
appeared in the Internet at The Daily Times  
web site on the following day(s):

Friday, April 30, 2004.

And the cost of the publication is \$67.81.

Connie Pruitt

ON 5-3-04 CONNIE PRUITT  
appeared before me, whom I know personally  
to be the person who signed the above  
document.

Gunnig Beck  
My Commission Expires April 2, 2008.

COPY OF PUBLICATION

918 Legals  
LEGAL NOTICE

Richardson Operating  
Company, 3100 La Plata  
Highway, Farmington, NM  
87401 is applying to the New  
Mexico Oil Conservation  
Division (NMOCD), Bureau of  
Land Management (BLM) and  
State Land Office (SLO) for  
regulatory approvals to  
surface commingle natural  
gas production and for oil-  
lease sales measurement and  
production allocation to  
proportionally distribute  
production value and volume  
to the respective wells  
involved through a Central  
Delivery Point sales meter to  
be located NE/SW, Sec. 1,  
T30N, R14W, NMPM, San  
Juan County, New Mexico.  
Production allocation to  
proportionally distribute  
beneficial use gas will be  
made from the CDP meter to  
the wells involved (those  
receiving the benefits of  
centralized compression).  
There will not be any  
commingling of oil or  
condensate.

All wells are or will be located  
upon one of the following  
Leases held by Richardson  
Operating Company: Federal  
NM 101552, Federal NM  
102886, State B1-1124-0044,  
State E0-1545-0000, State  
VA-1916-0001, State E0-  
3140-0001 and State B1-  
1124-0037. The wells,  
leases, facilities and gathering  
systems are located within  
Sections 1, 2, 11 and 12 of  
T30N, R14W, NMPM in San  
Juan County, New Mexico.

The source of all natural gas  
to be commingled and sold is  
produced from one of the  
following pools: Harper Hill,  
Fruitland Sand, Fictured  
Cliffs and Basin, Fruitland  
Coal.

Any person holding an interest  
in any of these lands or leases  
may contact Richardson  
Operating Company for  
additional information.  
Inquiries should be directed to  
Chuck Williams at 303-830-  
8000 or by mail at 4601 DTC  
Bld., Suite 470, Denver,  
Colorado 80237. Any  
objection or request for a  
formal hearing should be filed  
in writing with the NMOCD's  
Santa Fe Office within 20  
days from the initial date of  
this publication. The  
NMOCD's address is 1220  
South St. Francis Drive, Santa  
Fe, NM 87505.

Legal No. 49757 published in  
The Daily Times, Farmington,  
New Mexico on Friday, April  
30, 2004.