

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.

Print or Type Name

Signature

Title

Date

e-mail Address

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 DDC Blvd, Suite 470, Denver Colorado 80237 Attention: Mr. Chuck Williams
APPLICATION TYPE: DTC
☐ Pool Commingling ☐ Lease Commingling ☒ Pool and Lease Commingling ☐ Off-Lease Storage and Measurement (Only if not Surface Commingled)
LEASE TYPE: ☒ Fee ☒ 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: Charles Neeley TITLE: Agent

DATE: 5/4/04

TYPE OR PRINT NAME Charles Neeley

TELEPHONE NO.: 505-486-0211

E-MAIL ADDRESS: neelece@acmet.com

NEELEY CONSULTING SERVICE, LLC

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

May 4, 2004

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

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

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

Re: Request for Surface Commingling, Off-lease Measurement and Sale of Produced Natural Gas – 31 Wells
Richardson Operating Company's PNM Navajo and EL Paso Bluffs Gathering System
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 production from the following existing West Kutz Pictured Cliffs wells: Eaton White 1, FRPC 19-4, Navajo 13-2, Navajo Tribal H-12 and WF Navajo 14-2 with each other and with production from the following existing West Kutz Pictured Cliffs – Basin Fruitland Coal wells: FRPC 20-3, RPC 17-3, RPC 18-3, FRPC 29-2, Navajo 13-1, Navajo Tribal H-5, Navajo 14-2, Benally 14-3, WF Navajo 23-1, ROPCO 18-4, FRPC 19-1, FRPC 29-3 plus planned additions West Kutz Pictured Cliffs wells: Navajo 13-4, Navajo 24-2 and Navajo 24-4 plus planned additions West Kutz Pictured Cliffs – Basin Fruitland Coal wells: ROPCO 18-4, FRPC 19-1, FRPC 19-2, FRPC 19-3, FRPC 29-3, FRPC 30-1, FRPC 30-2, FRPC 30-4, Navajo 24-1, and Navajo 24-3 for the mutual conservation benefit of centralized compression through Richardson's centralized compressor station located on the Eaton White No. 1 well location.

In addition, Richardson Operating Company requests approval to surface commingle natural gas production from the following West Kutz Pictured Cliffs wells: RPC 17-4 and Eaton White 3 with each other and with production from the following West Kutz Pictured Cliffs – Basin Fruitland Coal wells: Eaton White 2 and FRPC 21-3 and with production from the wells listed above (1st paragraph) for the mutual conservation benefit of sharing a gathering line and CDP meter and to enable continuous gas sales for the wells listed above (1st paragraph).

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 through two (2) Central Delivery Point sales meters one (PNM Navajo) being located on the Eaton White No. 1 location and the other (El Paso Bluffs) being located approximately 150 feet south of Burlington's Haygood No. 5E well in the NE/NE Sec 29-T29N-13W on Fed Lease No. NMSF 0 079065 - common to Richardson's FRPC 19-4, FROC 20-3, FRPC 29-2 and Eaton White No. 3 wells. Production allocation, to proportionally distribute "beneficial use" compressor fuel gas will be made from the respective CDP meters to the wells involved (those receiving the benefits of centralized compression), except those wells on Navajo Tribal Lease 14-20-603-2198.

Attachments No. 1 and No. 2 graphically illustrate the requirement for two (2) CDP meters: Gas production coming into the central compressor station is primarily sold to PNM through their CDP Navajo Master Meter No. 2 1250, however when PNM's transmission line pressure reaches 247 psi, their two (2) control valves shut off gas entry into their line. Just prior to this occurrence, Richardson's control valve opens and sends the compressed gas to El Paso's Bluff CDP located in the NE/NE Sec 29-29N-13W via Richardson's gathering line for the RPC 17-4, Eaton White 2, Eaton White 3 and FRPC 21-3 wells.

All wells located on Navajo Tribal Lease No. 14-20-603-2198 will be given production value as per their individual allocation meter volumes and respective individual well BTU values. Richardson Operating Company credits Navajo Tribal Lease wells with 'Index Zone Price, no deductions' - Form 4410 is kept on file. The total volume that the wells on the Navajo Tribal Lease produce is subtracted from the gross CDP meter volume before allocating the net CDP meter volume to the other Richardson wells. See Attachment No. 5 – Allocation Procedures.

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, excluding Navajo Tribal Lease wells, using percentage of total volume factors determined for the wells involved.

In as much as the gas from all of the wells involved is 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 their respective wells is 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.

Attachment No.1 is a Lease/Pool map showing the lease numbers and location of the leases plus the 18 existing, and 13 planned wells, which Richardson Operating Company operates that contribute production to the gas gathering system. This map also identifies and places all flow-lines, compressors, dehydrator and CDP equipment. Each existing well is equipped with an orifice type gas meter. All planned wells will be similarly equipped with orifice type gas meters.

All production is accurately measured and sampled, individually on lease, for allocation of sales and volume purposes prior to being combined. All orifice metering facilities used in measuring gas production for allocation purposes are installed and operated in accordance with Onshore Oil and Gas Order N. 5 and NMOCD 'Meter Proving and Calibration Frequencies'. There is no known measurable liquid hydrocarbon production associated with any well represented in this application. We do not anticipate commingling oil or condensate. Should a 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. 2 is a schematic diagram clearly identifying the compressor, dehydrator and CDP equipment 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 has been demonstrated through pressure testing - the pressure charts are available for review.

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

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

Attachment No. 5 is Richardson Operating Company's 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, State and Fee production will be properly allocated based upon quality and quantity. Navajo Tribal Lease royalties will not be reduced through the approval of these applications, since gas production from all different Navajo Tribal Lease sources is accurately measured and sampled for royalty purposes on-lease prior to being combined and Navajo Tribal Lease production receives 'Index price – no deductions'.

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 230 - 260 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.

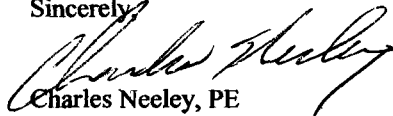
The minimal charges against lease production for "beneficial use" gas are far exceeded by the production rate increases due to the conservative benefit of centralized compression where: 1) Fuel burning efficiencies increase with horsepower requirements; 2) Fuel burning efficiencies increase as the number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

Richardson Operating Company is requesting that the NMOCD Order issued for the application also include a provision that for subsequent additions to the gathering system, only the interest owners in the wells being added need to be notified, providing that in reasonable probability the proposed additions will not adversely affect the interest owners in the wells approved for the system. Our letters to the interest owners did include a notice of this request. Attachment No. 3 lists current known parameters of the proposed additions and prospective additions.

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

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
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☐ DHC ☐ CTB ☒ PLC ☐ PC ☐ OLS ☐ OLM

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Anne Jones
Print or Type Name

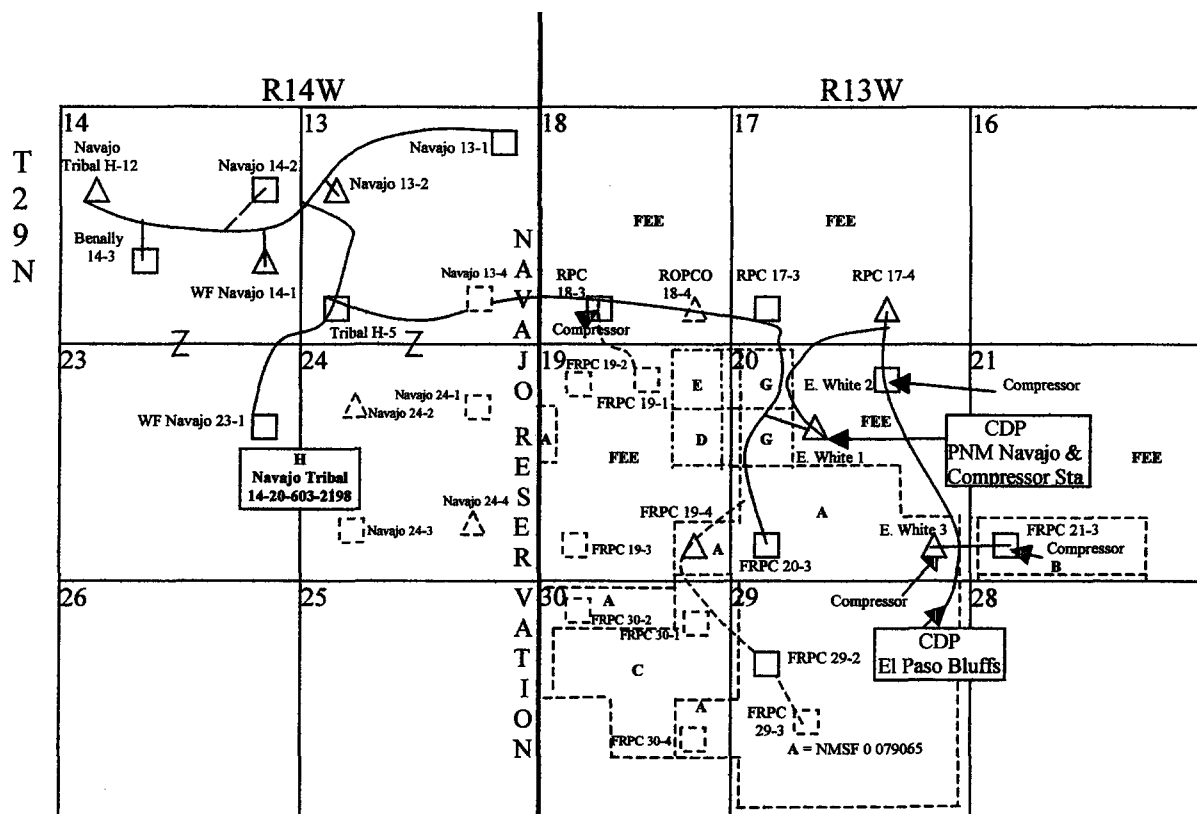
Anne Jones
Signature

London
Title

5/5/04
Date

ajones@digii.net
e-mail Address

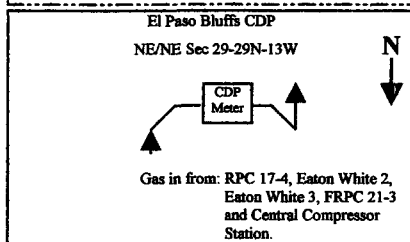
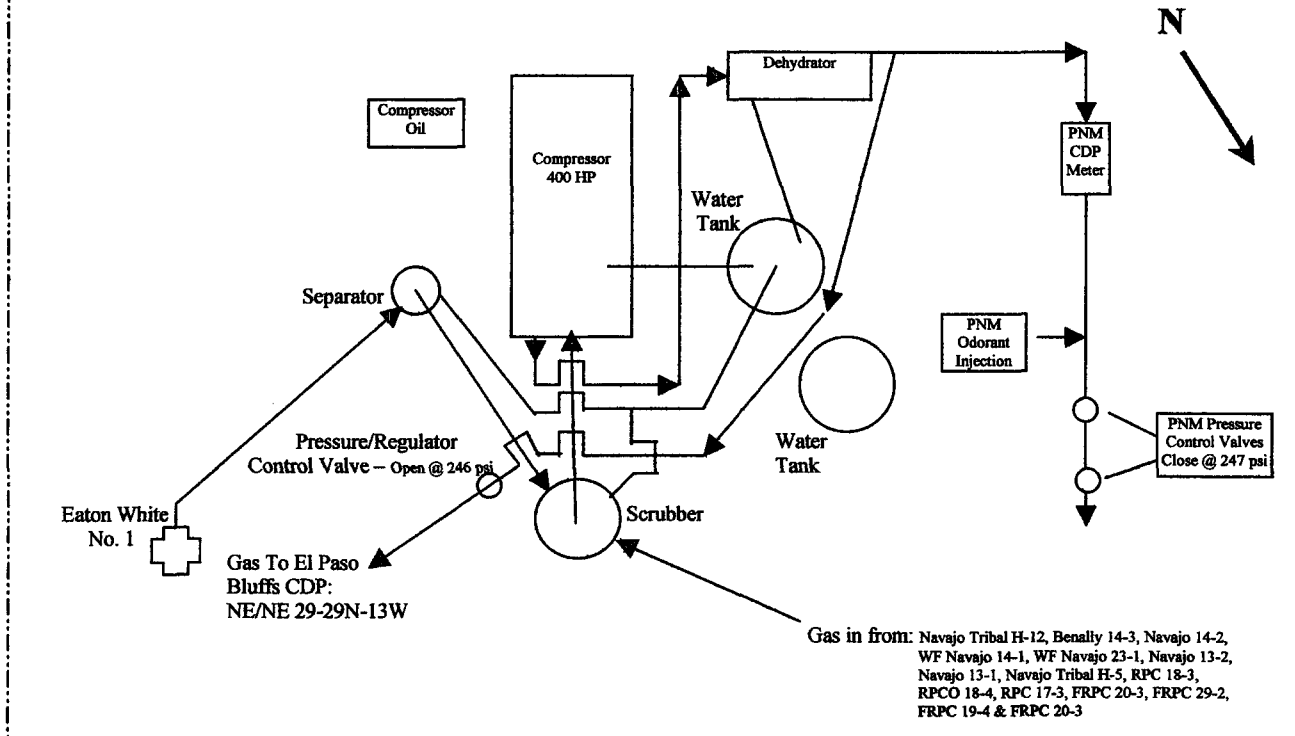
Well / Lease Map
Richardson Operating Company
PNM Navajo - El Paso Bluffs Gathering System



<u>Richardson Operating Company</u>				
<u>LEASES</u>				
<u>Code</u>	<u>Type Lease</u>	<u>Lease Number</u>	<u>Symbol</u>	<u>Comment</u>
A	Fed	NMSF 0 079065		
B	Fed	NMNM 0 468128	△	West Kutz PC
C	Fed	NMNM - 102885 (to be reinstated)		
D	State	V0-6637-0000	□	West Kutz PC - Basin Fruitland Coal
E	State	E0-3149-0011		
F	State	B1-1017-0059	△	Future West Kutz PC
G	State	B1-1017-0057		
H	Navajo Tribal	14-20-603-2198	□	Future West Kutz PC - Basin Fruitland Coal
			--	Future Pipeline

Schematic Diagram of Facilities
Richardson Operating Company

Central Compressor Station and PNM Navajo CDP
Located On Eaton White No.1 Location
SE/NW Sec 20 - 29N - 13W



Richardson Operating Company
 PNM Navajo and El Paso Bluffs Gathering System
 Central Delivery Sales Meter (PNM Navajo Master Meter No. 2 1250) C-20-29N-13W & Sales Meter (El Paso Bluff Meter No. 98386) D-28-29N-13W
 San Juan County, New Mexico

Well Name	API NO 30-045	Well Location		Pool Name	OGRID Pool Number	Well Location Lease Number	Type Lease	Spacing Unit	Monthly Production			
		1/4 1/4	Sec-Twn-Rng						MCFFPM	BTU Fact	BOPM	BWPM
WELLS IN THE SYSTEM												
RPC 17-3	30938	SW/SW	17-29N-13W	W. Kutz PC/Basin F Coal	79680/71629	Fee	Fee	SW1/4 & S1/2	2300	1,025	-	2725
RPC 17-4	30955	SW/SE	17-29N-13W	W. Kutz PC	79680	Fee	Fee	SE 1/4	323***	1,000	-	5600
RPC 18-3	30943	SE/SW	18-29N-13W	W. Kutz PC/Basin F Coal	79680/71629	Fee	Fee	SE 1/4 & S1/2	3107	1,135	-	2814
FRPC 19-4**	31152	SE/SE	19-29N-13W	W. Kutz PC	79680	NMSF-079065	Federal	SE 1/4	2000***	1,000	-	1100
Eaton White 1	08097	SE/NW	20-29N-13W	W. Kutz PC	79680	Fee	Fee	NW 1/4	400	1,198	-	0
Eaton White 2	30977	NW/NE	20-29N-13W	W. Kutz PC/Basin F Coal	79680/71629	Fee	Fee	NE1/4 & N1/2	2314	1,007	-	2490
Eaton White 3	30880	SE/SE	20-29N-13W	W. Kutz PC	79680	NMSF-079065	Federal	SE 1/4	1498	1,005	-	776
FRPC 20-3	31121	SW/SW	20-29N-13W	W. Kutz PC/Basin F Coal	79680/71629	NMSF-079065	Federal	SW1/4 & S1/2	2338	1,004	-	2009
FRPC 21-3	31079	SW/SW	21-29N-13W	W. Kutz PC/Basin F Coal*	79680/71629	NMNM-0468128	Federal	SW1/4 & W1/2	5033	1,008	-	983
FRPC 29-2**	31242	SW/NW	29-29N-13W	W. Kutz PC/Basin F Coal	79680/71629	NMSF-079065	Federal	NW1/4 & W1/2	2300***	1,000	-	2200
Navajo 13-1	30852	NE/NE	13-29N-14W	W. Kutz PC/Basin F Coal	79680/71629	14-20-603-2198	Navajo Tribal	NE1/3 & N2	6130	1,062	-	3013
Navajo 13-2	30853	SW/NW	13-29N-14W	W. Kutz PC	79680	14-20-603-2198	Navajo Tribal	NW 1/4	2955	1,044	-	2143
Navajo Tribal H-5	13101	SW/SW	13-29N-14W	W. Kutz PC/Basin F Coal	79680/71629	14-20-603-2198	Navajo Tribal	SW1/4 & S1/2	7081	1,024	-	2108
Navajo Tribal H-12	08363	SW/NW	14-29N-14W	W. Kutz PC	79680	14-20-603-2198	Navajo Tribal	NW 1/4	2580	1,044	-	1218
WF Navajo 14-1	30485	NE/SE	14-29N-14W	W. Kutz PC	79680	14-20-603-2198	Navajo Tribal	SE 1/4	7931	1,025	-	4003
Navajo 14-2	30854	SE/NE	14-29N-14W	W. Kutz PC/Basin F Coal	79680/71629	14-20-603-2198	Navajo Tribal	NE1/4 & E1/2	4000***	1,019	-	2200
Benally 14-3	30522	NE/SW	14-29N-14W	W. Kutz PC/Basin F Coal*	79680/71629	14-20-603-2198	Navajo Tribal	SW1/4 & W1/2	4020	1,048	-	2175
WF Navajo 23-1	30317	SE/NE	23-29N-14W	W. Kutz PC/Basin F Coal*	79680/71629	14-20-603-2198	Navajo Tribal	NE1/4 & E1/2	3846	1,050	-	1526
Comments on Wells												
* Producing from PC, only				*** Estimated Production & BTU factor (new wells)								
** Drilled and waiting on pipeline tie-in.				**** Estimated Production & BTU - wells are not producing								
PLANNED WELLS TO BE ADDED TO THE SYSTEM - Not Yet Drilled												
ROPKO 18-4	32158	SE/SE	18-29N-13W	W. Kutz PC/Basin F Coal	79680/71629	Fee	Fee	SE1/4 & S1/2	Permitted - Drill 2004			
FRPC 19-1	31269	NW/NE	19-29N-13W	W. Kutz PC/Basin F Coal	79680/71629	NMSF-079065	Federal	NE1/4 & E1/2	Permitted - Drill 2004			
FRPC 19-2		NW	19-29N-13W	W. Kutz PC/Basin F Coal	79680/71629	Fee	Fee	NW1/4 & W1/2	Drilling Program - 2004			
FRPC 19-3		SW	19-29N-13W	W. Kutz PC/Basin F Coal	79680/71629	Fee	Fee	SW1/4 & W1/2	Drilling Program - 2005			
FRPC 29-3	31327	NE/SW	29-29N-13W	W. Kutz PC/Basin F Coal	79680/71629	NMSF-079065	Federal	SW1/4 & W1/2	Permitted - Drill 2004			
FRPC 30-1		NE/NE	30-29N-13W	W. Kutz PC/Basin F Coal	79680/71629	NMNM-102885	Federal	NE1/4 & N1/2	Drilling Program - 2005			
FRPC 30-2		NW/NW	30-29N-13W	W. Kutz PC/Basin F Coal	79680/71629	NMSF-079065	Federal	NW1/4 & N1/2	Drilling Program - 2005			
FRPC 30-4		NE/SE	30-29N-13W	W. Kutz PC/Basin F Coal	79680/71629	NMSF-079065	Federal	SE1/4 & S1/2	Drilling Program - 2005			
Navajo 13-4		SE	13-29N-14W	W. Kutz PC	79680	14-20-603-2198	Navajo Tribal	SE1/4	Drilling Program - 2004			
Navajo 24-1		NE	24-29N-14W	W. Kutz PC/Basin F Coal	79680/71629	14-20-603-2198	Navajo Tribal	NE1/4 & E1/2	Drilling Program - 2004			
Navajo 24-2		NW	24-29N-14W	W. Kutz PC	79680	14-20-603-2198	Navajo Tribal	NW1/4	Drilling Program - 2004			
Navajo 24-3		SW	24-29N-14W	W. Kutz PC/Basin F Coal	79680/71629	14-20-603-2198	Navajo Tribal	SW1/4 & W1/2	Drilling Program - 2004			
Navajo 24-4		SE	24-29N-14W	W. Kutz PC	79680	14-20-603-2198	Navajo Tribal	SE 1/4	Drilling Program - 2004			

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

POOL NAME	POOL CODE	WELL NAME	Volume AVG Monthly Production, mcf	BTU Factor	BTU - Non Commingled	Calculated BTU of Commingled Production
West Kutz PC	79680					
		Eaton White 1	400	1.000	400,000,000	
		Eaton White 3	1498	0.997	1,493,506,000	
		RPC 17-4	323	1.000	323,000,000	
		FRPC 19-4	2000	1.000	2,000,000,000	
		FRPC 21-3	5033	1.000	5,033,000,000	
		Navajo 13-2	2955	1.052	3,108,660,000	
		Navajo Tribal H-12	2580	1.045	2,696,100,000	
		WF Navajo 14-1	7931	1.027	8,145,137,000	
		Benally 14-3	4020	1.100	4,422,000,000	
		WF Navajo 23-1	3846	1.065	4,095,990,000	
		Pool & Leases Totals	30586		31,717,393,000	31,717,393,000

West Kutz PC & Basin Fruitland Coal - Downhole Commingled	79689/ 71629
-----------------------------------------------------------------	-----------------

Eaton White 2	2314	1.003	2,320,942,000
FRPC 20-3	2338	1.001	2,340,338,000
RPC 17-3	2300	1.017	2,339,100,000
RPC 18-3	3107	1.038	3,225,066,000
FRPC 29-2	2300	1.000	2,300,000,000
Navajo 13-1	6130	1.089	6,675,570,000
Navajo Tribal H-5	7081	1.028	7,279,268,000
Navajo 14-2	4000	1.000	4,000,000,000
Pools & Leases Totals	29570		30,480,284,000
Combined Pools & Leases	60156		62,197,677,000

Calculated value of commingled production:

commingling production in the gathering system is necessary to get produced natural gas to the sales meters. 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. All tribal lease wells are given production value as per their individual allocation meter volumes and respective individual well BTU values. Richardson Operating Company pays Navajo Tribal Lease wells with 'index Price, no deductions'.

Notes:

- Wells as of 2-12-04

Allocation Procedures

Richardson Production Co.'s

PNM Eaton White & El Paso Bluffs Gathering System

CDP Gas Sales Meter: NE/NW 20-29N-13W (PNM Navajo Master Meter #2 1250)

CDP Gas Sales Meter: NW/NW 28-29N-13W (El Paso Bluff Meter # 98386)

San Juan County, New Mexico

Base Data:

V = Individual Well BTU

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

X₁ = Gas Volume (MCF) from CDP Sales Meter (PNM Navajo) during allocation period.X₂ = Gas Volume (MCF) from CDP Sales Meter (El Paso Bluffs) during allocation period.Y = BTU₁'s from CDP Sales Meter (PNM Navajo) during allocation period.Z = BTU₂'s from CDP Sales Meter (El Paso Bluffs) during allocation period.Allocation Period is typically a calendar month and will be the same for all wells.

1. Navajo Tribal Lease Wells:

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

A = Well Site Meter Sales Volume, MCF.

B = Well Site 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 pressures.

B. Individual Well, BTU's = W x V.

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

2. All wells, excluding Navajo Tribal Lease Wells:

A. Individual Well Gas Production, MCF's = A₁ + A₂ + B + C + D + EA₁ = Allocated Sales Volume, MCF = (W/SUM W for the wells involved) x (X₁ - SUM of Production MCF's for the wells not involved).A₂ = Allocated Sales Volume, MCF = (W/SUM W for the wells involved) x (X₂ - SUM of Production MCF's for the wells not involved).

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/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/SUM W for the wells involved.

B. Allocated Individual Well BTU's1) Allocated Individual Well BTU₁'s = ((W x V)/SUM (W x V) for the wells involved) x (Y - SUM of V's for the wells not involved).2) Allocated Individual Well BTU₂'s = ((W x V)/SUM (W x V) for the wells involved) x (Z - SUM of V's for the wells not involved).

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

Richardson Operating Company – Interest Owners Address List

a= Benally 14 #3	b= Eaton White #1	c= Eaton White #2FC
d= Eaton White #2PC	e= Eaton White #3 PC	g= F-RPC 19 #4 FC
h= F-RPC 19 #4 PC	i= F-RPC 20 #3 FC	j= F-RPC 20 #3 PC
J-a= F-RPC 29 #2 FC	k= F-RPC 21-3 FC	K-a= F-RPC 29 #2 PC
l= F-RPC 21-3 PC	L-a= Navajo 13 #1 FC	M= Navajo 13 #1 PC
m= Navajo 13 #1 PC	n= Navajo 13 #2	o= Navajo 14 #2 FC
p= Navajo 14 #2 PC	q= Navajo Tribal H #12	r= Navajo Tribal H #5
s= RPC 17 #3 FC	t= RPC 17 #3 PC	u= RPC 17 #4 PC
v= RPC 18 #3 FC	w= RPC 18-#3 PC	x= WF Navajo 14 #1
y= WF Navajo 23 #1 FC	z= WF Navajo 23 #1 PC	

Working Interest Owners

James Richardson (a, L-a,, m, q,
s,)
2925 Landowne Lane
Oklahoma City, OK 73120

Richardson Operating Co. (All)
4601 DTC Blvd, Suite 470
Denver, CO. 80237

Gerald Cochran (c,s,u)
1509 Schofield Lane, Suite
B
Farmington, NM 87401

Burlington Resources (h,j-a,,k,L,)
P.O. Box 4289
Farmington, NM 87499-4291

Forest Elkins (L,)
P.O. Box 933
Layton, UT 84041-0933

Frederick Elkins (L,)
1050 E. 760 North
Orem, UT 84097

Richard Elkins (L,)
23115 Summers Drive
San Antonio, TX 78259

Ronald Elkins (L,)
1540 E. Elmwood
Mesa, AZ 85204

Betty L. Musgrove (k,)
P.O. Box 1002
Farmington, NM 87499

Dr. William A. Hall (k,)
416 N. Behrend Avenue
Farmington, NM 87401-5847

Kenneth Bradley Kendrick (k,)
1451 Shannon Lane
Farmington, NM 87401

William H. McNutt (k,)
5802 Cedarwood Drive
Farmington, NM 87402

Dugan Production Corp.(L-
a,,m,n,o,p,)
P.O. Box 420
Farmington, NM 87499-0420

Mary Fischer (o,p,)
1109 Acoma Place
Farmington, NM 87401

Robert L. Bayless (v,w,)
P.O. Box 168
Farmington, NM 87499-
0168

Royalty Interest Owners

MMS-BIA (a,)
P.O. Box 5810
Denver, CO 80217

The Navajo Nation
(a,L-a,,m,n,p,q,r,x,y,z)
P.O. Box 52543
Phoenix, AZ 85072

Commissioner of Public
Lands (b,c,)
P.O. Box 2308
Santa Fe, NM 87504-2308

Keystone Investments (k,)
P.O. Box 127
Farmington, NM 87499

Daniel A. Sisk (c,d,s,t,)
P.O. Box 2126
Albuquerque, NM 87103-7229

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1006 West Aztec
Gallup, NM 87301

Dr. William A. Hall (c,d,k,s,u,)
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Farmington, NM 87401-5845

Elizabeth Blueher Truby
(c,d,s,t,)
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Albuquerque, NM 87111

Episcopal Church of
Navajoland
(c,d,s,t,)
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Farmington, NM 87499-
0720

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Sunland, CA 91040

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Phuket, Thailand 83150

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)
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Rev. T. James Eaton
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5640 E. Circulo Terra
Tucson, AZ 85750

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)
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Midland, TX 79705

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P.O. Box 1460
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William S. Havens (c,d,)
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Johnny Welch (k,)
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Farmington, NM 87401

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Farmington, NM 87402

State of NM Hwy. Dept (k,s,u,)
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Santa Fe, NM 87504-1149

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Denver, CO. 80237

Richardson Production Company
(L,)
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Denver, CO. 80237

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Farmington, NM 87401

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,n,o,p,)
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Farmington, NM 87401

Mary Fischer (o.p,)
1109 Acoma Place
Farmington, NM 87401

4 P'S Limited Liability Co. (s,u,)
1217 16th. Street
Farmington, NM 87401

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3516 Sinbad Road
Dodgeville, WI 58533

Betty J. Henderson Macdonald
(s,t,u,)
Box 50014
Albuquerque, NM 87181

Carol J. Kirby (s,t,u,)
7908 Palo Duro NE
Albuquerque, NM 87110

Elizabeth Fisk (s,u,)
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Farmington, NM 87499

Evany Von Rensburg (s,u,)
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Farmington, NM 87401

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Midland, TX 79708

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Parallee A. Hutton (u,)
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Farmington, NM 87401

Frances R. Barnard (v, w,)
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Marblehead, MA 01945

Miles S. Palmer (s,u,)
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Farmington, NM 87401

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Colorado Springs, CO.
80920

John F. Palmer (s, u,)
500 West Broadway
Farmington, NM 87401

Overriding Royalty Interest Owners

Dugan Production Co. (a, q,)
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Farmington, NM 87499-0420

Elliott Riggs
(a, L-a,,m,n,o,p,q,r,x,y,z,)
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Farmington, NM 87499-0711

Robert L. Bayless
(a,c,d,L-a,
m,n,o,p,q,r,,s,u,x,y,z,)
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Farmington, NM 87499-
0168

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Birmingham, AL 35246-0259

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K-a,L,s,)
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Hacienda Heights, CA 91745-
5656

Burlington Resources
(g,h,i,j, J-a, K-a, k,L,)
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Farmington, NM 87499-
4290

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Albuquerque, NM 87109

LLP (b,c,)
P.O. Box 676281
Rancho Santa Fe, CA
9206706281

Marcia Berger (b,c,)
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Hobbs, NM 88241

Richardson Production CO.
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Denver, CO 80237

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Albuquerque, NM 87125

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Albuquerque, NM 87109

Carolyn, N. Sedberry (b,c,)
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Farmington, NM 87499

Frank A. Cronican (b,c,)
P.O. Box 840378
Dallas, TX 75284-0738

Rose Piper (v,w,)
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Apalachin, NY 13732-4144

WWR Enterprises, Inc. (b,c,)
P.O. Box 745
Hobbs, NM 88241

Cyrene Inman (b,c,)
P.O. Box 840738
Dallas, TX 75284-0738

Frank A. Potenziani (b,c,)
P.O. Box 676370
Rancho Santa Fe, CA 92067-
6370

San Juan Royalty Trust(e, i,)

C. Fred Luthy, Jr. (b,c,)
P.O. Box 840738
Dallas, TX 75284-0738

Edwards Energy Corp. (s,u,
)
1401 17th. Street Suite 1400
Denver, CO 80202

Paul Slayton (y,)
P.O. Box 2035
Roswell, NM 88202-2035

Addressee

Certified Mail RRR: #

Date:

Re: Notice of Application: Surface Commingling, Off-lease Measurement and Sale of Produced Natural Gas
31 Wells:

Eaton White 1, Eaton White 2, Eaton White 3, FRPC 20-3, RPC 17-3, RPC 17-4, RPC 18-3, FRPC 19-4, FRPC 21-3, FRPC 29-2, Navajo 13-1, Navajo 13-2, Navajo Tribal H-5, Navajo Tribal H-12, WF Navajo 14-1, Navajo 14-2, Benally 14-3, WF Navajo 23-1, ROPCO 18-4, FRPC 19-1, FRPC 19-2, FRPC 19-3, FRPC 29-3, FRPC 30-1, FRPC 30-2, FRPC 30-4, Navajo 13-4, Navajo 24-1, Navajo 24-2, Navajo 24-3 and Navajo 24-4.

Dear Interest Owner:

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

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 the State Land Office (SLO), requesting their respective approvals to surface commingle natural gas production from the following existing West Kutz Pictured Cliffs wells: Eaton White 1, FRPC 19-4, Navajo 13-2, Navajo Tribal H-12 and WF Navajo 14-2 with each other and with production from the following existing West Kutz Pictured Cliffs – Basin Fruitland Coal wells: FRPC 20-3, RPC 17-3, RPC 18-3, FRPC 29-2, Navajo 13-1, Navajo Tribal H-5, Navajo 14-2, Benally 14-3, WF Navajo 23-1, ROPCO 18-4, FRPC 19-1, FRPC 29-3 plus planned additions West Kutz Pictured Cliffs wells: Navajo 13-4, Navajo 24-2 and Navajo 24-4 plus planned additions West Kutz Pictured Cliffs – Basin Fruitland Coal wells: ROPCO 18-4, FRPC 19-1, FRPC 19-2, FRPC 19-3, FRPC 29-3, FRPC 30-1, FRPC 30-2, FRPC 30-4, Navajo 24-1, and Navajo 24-3 for the mutual conservation benefit of centralized compression through Richardson's centralized compressor station located on the Eaton White No. 1 well location.

In addition, Richardson Operating Company is requesting approvals to surface commingle natural gas production from the following West Kutz Pictured Cliffs wells: RPC 17-4 and Eaton White 3 with each other and with production from the following West Kutz Pictured Cliffs – Basin Fruitland Coal wells: Eaton White 2 and FRPC 21-3 and with production from the wells listed above (1st paragraph) for the mutual conservation benefit of sharing a gathering line and CDP meter and to enable continuous gas sales for the wells listed above (1st paragraph).

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 through two (2) Central Delivery Point sales meters one (PNM Navajo) being located on the Eaton White No. 1 location and the other (El Paso Bluffs) being in the NE/NE Sec 29-T29N-13W on Fed Lease No. NMSF 0 079065. Production allocation, to proportionally distribute "beneficial use" gas will be made from the respective CDP meters to the wells involved (those receiving the benefits of centralized compression), except those wells on Navajo Tribal Lease 14-20-603-2198.

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

Included in Richardson's application is a request that authorization for subsequent additions to the gathering system is being sought (the proposed parameters for such additions are listed in Attachment No. 3 of the enclosed application) where only the interest owners in the wells to be added will require notification, provided the NMOCD finds that the subsequent additions will not, in reasonable probability, reduce the value of commingled production or otherwise adversely affect the interest owners. This will greatly simplify adding wells to the gathering system and should not affect the interests authorized to operate on the gathering system.

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. 49759

STATE OF NEW MEXICO
County of San Juan:

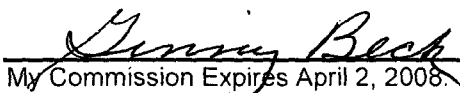
CONNIE PRUITT, being duly sworn says:
That she is the CLASSIFIED MANAGER of
THE DAILY TIMES, a daily newspaper of
general circulation published in English at
Farmington, said county and state, and that
the hereto attached Legal Notice was
published in a regular and entire issue of the
said DAILY TIMES, 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 \$139.62.



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


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 the State Land Office (SLO) for regulatory approvals to surface commingle natural gas production from the following existing West Kutz Pictured Cliffs wells: Eaton White 1, FRPC 19-4, Navajo 13-2, Navajo Tribal H-12 and WF Navajo 14-2 with each other and with production from the following existing West Kutz Pictured Cliffs - Basin Fruitland Coal wells: FRPC 20-3, RPC 17-3, RPC 18-3, FRPC 29-2, Navajo 13-1, Navajo Tribal H-5, Navajo 14-2, Benally 14-3, WF Navajo 13-4, Navajo 24-2 and Navajo 24-4 plus planned additions West Kutz Pictured Cliffs - Basin Fruitland Coal wells: ROPCO 18-4, FRPC 19-1, FRPC 19-2, FRPC 19-3, FRPC 29-3, FRPC 30-1, FRPC 30-2, FRPC 30-4, Navajo 24-1, and Navajo 24-3 for the mutual conservation benefit of centralize compression through Richardson's centralized compressor station located on the Eaton White No. 1 well location (SE/NE Sec 20, T29N, R13W).

In addition, Richardson Operating Company is requesting approvals to surface commingle natural gas production from the following West Kutz Pictured Cliffs wells: RPC 17-4 and Eaton White 3 with each other and with production from the following West Kutz Pictured Cliffs - Basin Fruitland Coal wells: Eaton White 2 and FRPC 21-3 and with production from the wells listed above 91st paragraph) for the mutual conservation benefit of sharing a gathering line and CDP meter and to enable continuous gas sales for the wells listed above (1st paragraph).

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, except those wells being on Navajo Tribal Lease 14-20-603-2198, through two (2) Central Delivery Point sales meters one (PNM Navajo) being located on the Eaton White No. 1 location (SE/NW Sec 20, T29N, R13W) and the other (El Paso Bluffs) being located NE/NE Sec 29-T29N-13W. Production allocation, to proportionally distribute "beneficial use" gas will be made from the respective CDP meters to the wells involved (those receiving the benefits of centralized compression), except those wells on Navajo Tribal Lease 14-20-603-2198. There will be no commingling of oil or condensate.

All wells are located upon one of the following Leases held by Richardson Operating Company: NMSF 0 79065, NMNM 0 468128, NMNM 102885, State V0-6637-0000, State E0-3149-0011, State B1-1017-0059, State B1-1017-0057, Navajo Tribal 14-20-603-2198 and numerous fee leases. The wells, leases, facilities and gathering systems are located within Sections 17, 18, 19, 20, 21, 29 & 30 of T29N, R13W; plus Sections 13, 14, 23 & 24 of T29N, R14W, all located in San Juan County, New Mexico.

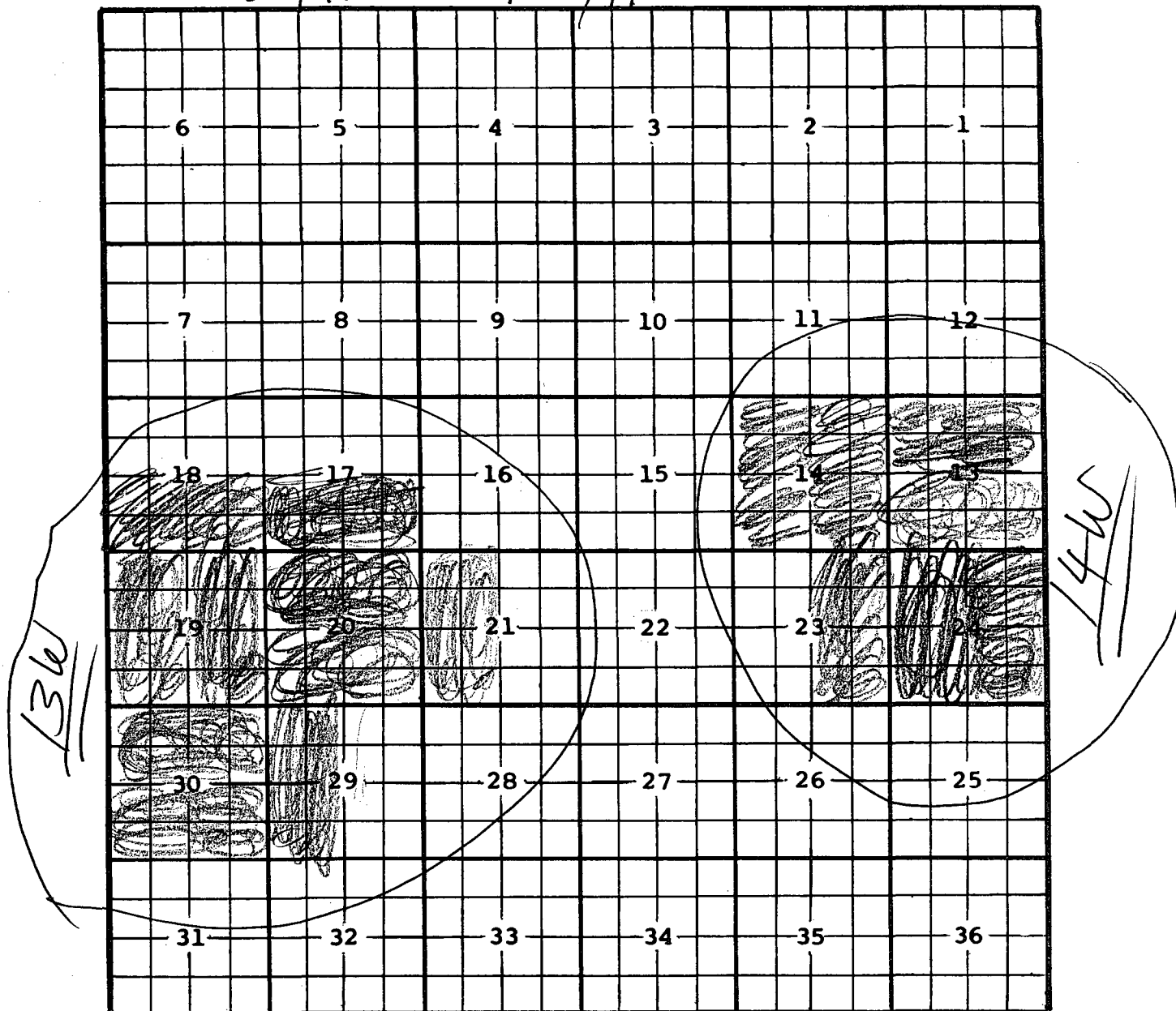
Included in Richardson's application is a request for authorization for subsequent additions to the gathering system where only the interest owners in the wells to be added will require notification, provided the NMOCD finds that the subsequent additions will not, in reasonable probability, reduce the value of commingled production or otherwise adversely affect the interest owners.

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 Blvd, Suite 470, Denver, Colorado 80237. Any objections 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. 49759 published in The Daily Times, Farmington, New Mexico on Friday, April 30, 2004.

RANGE 13 W/T/W NMPM

RANGE 13w/14w NMPM

[illegible]