



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

COMMINGLING ORDER PLC-203

Pendragon Energy Partners
C/o Walsh Engineering & Production Corp.
7415 East Main
Farmington, New Mexico 87402

Attention: Mr. Paul Thompson:

Pendragon Energy Partners is hereby authorized to surface commingle production from the following three (3) wells and associated acreage within the following two (2) pools:

Gallegos-Fruitland Sand Pictured Cliffs, South (Gas - 77310)
Joe Whitney Well No. 1 API: 30-045-27113
Dedicated to the SW/4 Section 35, Township 27 North, Range 12 West NMPM

Basin-Fruitland Coal (Gas - 71629)
Pete Well No. 1R API: 30-045-25663
Dedicated to the SE/4 Section 35, Township 27 North, Range 12 West NMPM

Basin-Fruitland Coal (Gas - 71629)
Gallegos Fruitland Coal Well No. 1 API: 30-045-28232
Dedicated to the W/2 Section 35, Township 27 North, Range 12 West NMPM

Production allocation shall be as follows: Each well shall have its own separator and gas allocation meter. Gas sales through the CDP shall be allocated back to each well based on these allocation meters. Fuel gas shall be allocated to each well and gas production calculated and reported from sales plus fuel gas. Condensate and water shall be separated from the gas at each well site then measured and trucked.

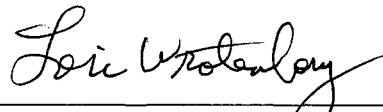
The compressor will be located near the Joe Whitney No. 1 in the NW/4 SW/4 of Section 35 and

the CDP will be located near the Pete No. 1R in the NE/4 SE/4 of Section 35.

NOTE: This installation shall be installed and operated in accordance with the applicable provisions of Rule 309-B of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities." It is the responsibility of the producer to notify the transporter of this commingling authority.

FURTHER: The operator shall notify the supervisor of the Aztec district office prior to implementation of the commingling process.

DONE at Santa Fe, New Mexico, on this 21st day of May 2002.



LORI WROTENBERY,
Division Director

LW/WVJ

cc: Oil Conservation Division – Aztec
BIA Indian Minerals Office – Farmington
Bureau of Land Management - Farmington