PROPERTY MANAGEMENT & CONSULTING, INC.
P. O. BOX 2596
FARMINGTON, NEW MEXICO 87499-2596
(505) 325-5220

94 JAN 1[illegible] [illegible] 3:45
070 FARM[illegible]ON, NM

January 13, 1994

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

26N ~~25N~~ 11W - 32

Attn: Mr. Ken Townsend

Re: PRO New Mexico Application for approval to Surfac[illegible] Commingle Gas Production from the Gracia Navajo 5k #2 and Galleg[illegible] Com #5.

Dear Ken:

Here are copies of the original letters submitted [illegible]y PRO New Mexico in September and December 1993. The package i[illegible]ludes the proposed allocation formula's and plats showing t[illegible] proposed facility layout. At this time PRO is planning on ma[illegible]taining a dual reporting system. We will allocate production f[illegible] reporting purposes by the method (MCF) prescribed in our December [illegible]etter and we will allocate revenue for royalty and tax purposes [illegible]sed on the MMBTU method proposed in our September letter. This [illegible]ethod has been approved by the State Land Office and is in the f[illegible]al stages of approval at the NMOCD.

The Federal gas involved in this proposed proj[illegible] will be measured directly by a metering facility on the Gracia [illegible]ajo 5k #2 location. The gas quality will be determined and [illegible]he meter facility calibrated on a quarterly schedule to coinci[illegible] with the schedule on the CDP meter station at the Gallegos Com [illegible].

In our opinion the Federal gas will be protect[illegible] by this proposal and we request your concurrence at yo[illegible] earliest convenience. Would you please notify Mary Lou Dryw[illegible]er at the Navajo Area Office of the BIA in Gallup (602-871-51[illegible] of your approval since they are awaiting a technical revie[illegible] from your office.

JAN 18 1994
OIL CON. DIV.
DIST. 3

Sincerely,

R. E. Fielder

R.E. Fielder
Agent for PRO New Mexico, Inc.

[illegible]ED FO[illegible] [illegible]ORD
JAN 2[illegible]
FARMINGTON [illegible]
BY Sm

NMOCD

PRO NEW MEXICO INC.
OIL & GAS PRODUCTION AND PROPERTIES
(505) 988-4171 • FAX (505) 988-4548 • 141 E. Palace Ave. • Santa Fe, NM 87501

CERTIFIED - RETURN RECEIPT REQUESTED

December 6, 1993

Bureau of Land Management
235 La Plata Highway
Farmington, NM 87401

Re: Allocation of Production from the
Gracia Navajo 5-K #2 Well (SW Sec. 5, T25N, R11W) and the
Gallegos Com #5 Well (S/2 Sec. 32, ~~T25N~~ 26N, R11W)
San Juan County, New Mexico

Gentlemen:

In accordance with consultation with Mr. Frank Chavez, District Supervisor of the New Mexico Oil Conservation Commission, we have revised our September 30, 1993 proposal for allocation of production from the Gracia Navajo 5-K #2 well and the Gallegos Com #5 wells. The revised allocation method is based on volumes produced (Mcf's), rather than on the heat content of the individual gas streams (MMBtu's).

A copy of our revised application, with allocation calculations and a sample calculation is enclosed for your review. Pursuant to New Mexico Oil Conservation Division Rule 309-B.4., any objections to our proposal should be made within twenty (20) days.

If you have any questions concerning this matter please do not hesitate to contact us.

Very truly yours,

PRO NEW MEXICO, INC.

By Jolene Dicks
Jolene Dicks
Contract Representative

Enclosures

cc: Mr. Frank Chavez, NM Oil Conservation Commission

SAMPLE CALCULATION

CDP: 10,000 MCF
from 5-K: 2,400 MCF
th: 390 MCF

SALES at CDP = 10,000 MCF

DUCTION = 10,000 MCF + 390 MCF
= 10,390 MCF

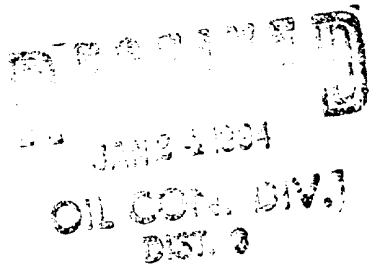
IE for 5-K = 2,400 MCF

CED by Com #5 = 10,390 - 2,400
= 7,990

ACTOR for 5-K = 2,400/10,390 = .2310
ACTOR for Com #5 = 7,990/10,390 = .7690

SAGE by 5-K = 390 * .2310 = 90.09 MCF
SAGE by Com #5 = 390 * .7690 = 299.91MCF

JME by 5-K = 2,400 - 90.09 = 2,309.91 MCF
JME by Com #5 = 7,990 - 299.91 = 7,690.09 MCF



PRO NEW MEXICO, INC.
Allocation Calculations

STEP #1:

Obtain TOTAL MONTHLY GAS SALES from CDP in MCF from transporter.

STEP #2:

Add TOTAL MONTHLY GAS SALES and TOTAL MONTHLY FUEL GAS USAGE to obtained a combined TOTAL MONTHLY PRODUCTION.

STEP #3:

Obtain MONTHLY GAS VOLUME in MCF for 5-K from independent chart integration company.

STEP #4:

Subtract the MONTHLY GAS VOLUME for the 5-K from the TOTAL MONTHLY PRODUCTION to obtain the MONTHLY MCF PRODUCED by the Com #5.

STEP #5:

Divide the MONTHLY MCF PRODUCED from each well by the TOTAL MONTHLY PRODUCTION to calculate the MONTHLY FUEL GAS FACTORS allocated to each well.

STEP #6:

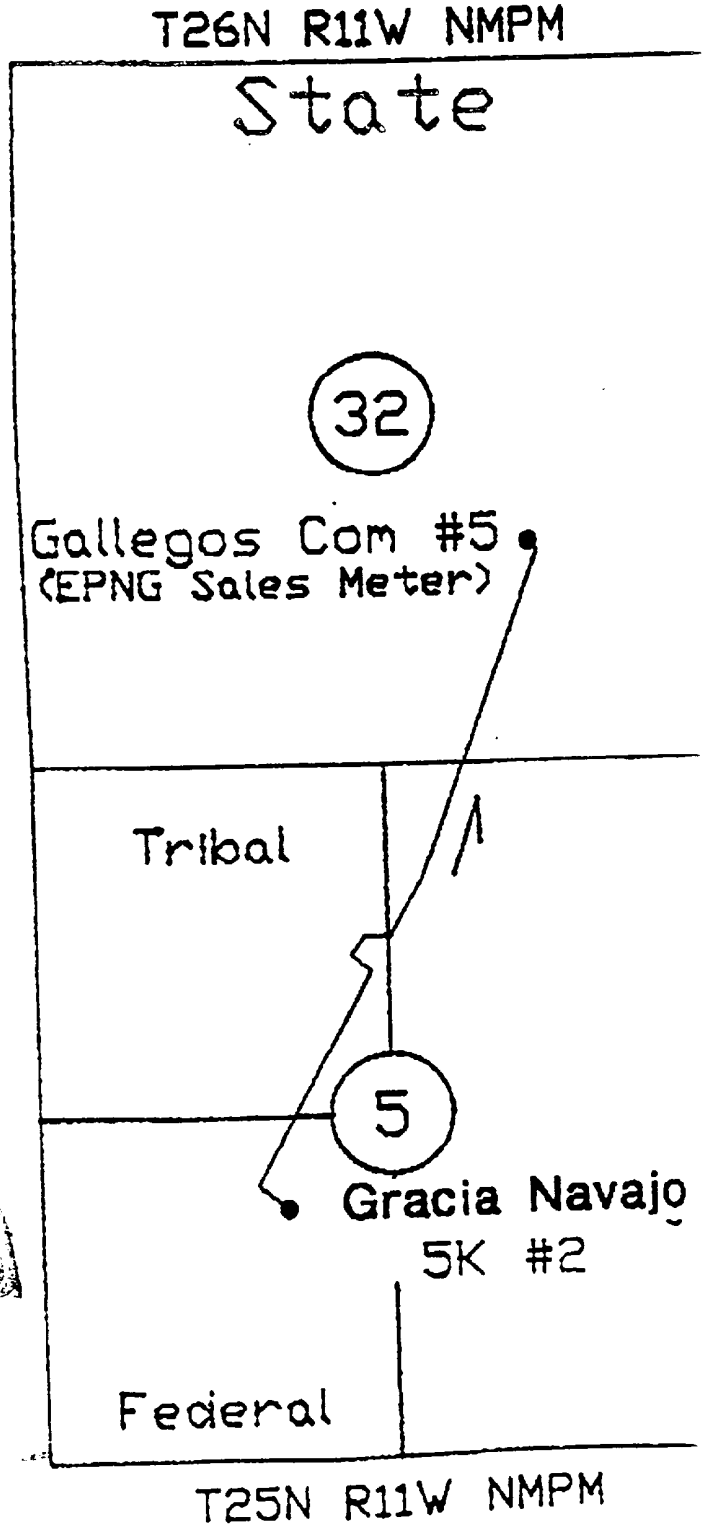
Multiply the individual FUEL GAS FACTORS by the TOTAL MONTHLY FUEL GAS to obtain a MONTHLY FUEL GAS USAGE IN MCF for each well.

STEP #7:

Subtract the MONTHLY FUEL GAS USAGE IN MCF from the MONTHLY MCF PRODUCED for each well to obtain the allocated MONTHLY SALES VOLUMES in MCF for each well.

PRO New Mexico, Inc.

Schematic of Facilities and Mineral Leases for Allocation of Production



TOTAL P.

PRO NEW MEXICO INC.

OIL & GAS PRODUCTION AND PROPERTIES

(505) 988-4171 • FAX (505) 988-4548 • 141 E. Palace Ave. • Santa Fe, NM 82

ED - RETUR. RECEIPT REQUESTED

September 30, 1993

of Land Management
: Plata Highway
ton, NM 87401

len:

Pro New Mexico, Inc. is in the process of obtaining the necessary ls to install a gas gathering line from the Gracia Navajo 5-K #2 (5K) located E/SW Sec. 5, T25N, R11W and terminating at a field compressor site and Delivery Point (CDP)) at the Gallegos Com #5 (Com #5) located in Sec. 32, R11W. The layout of the facilities and mineral ownership of the dedicated is shown on the attached schematic. Due to the diversified mineral hip and the fact that the 5K is producing from the Fruitland Coals while the is producing from the Dakota, in accordance with New Mexico Oil ation Division Rule 309-B.3., we are requesting your concurrence for on of the production as outlined on the attached method.

In order to facilitate the most economic gas production levels from ell, as well as increasing the total reserve recovery, compression is required. nately neither well will withstand the cost of an individual compressor and uit efforts are being made to utilize a single compressor for both wells. ort produces a commingled gas stream delivered to the transmission y through a single sales meter.

Our intention is to allocate the gas sales and production volumes for ell based on the sales meter set at the outlet of the compressor located on n #5 location and a standard orifice meter located on the 5K location. The on will be based on the heat content of the individual gas streams (MMBTU) to facilitate proper credits being given the wells. A gas analysis will be d on a quarterly basis approximately the same time as the transmission y samples the CDP. The monthly calculations to be used for this allocation wn on the attached sheet.

APPROVED

OCT 1993

DISTRICT

Please indicate your concurrence to this method by signing, dating and returning one copy of this letter to our office. Pursuant to New Mexico Oil Conservation Division Rule 309-B.4., any objections to our proposal should be made within twenty (20) days. We appreciate your prompt attention to this matter. A self-addressed stamped envelope is enclosed for your convenience in responding.

Very truly yours,

PRO NEW MEXICO, INC.

By

Jolene Dicks
Contract Representative

Enclosures

_____ accepts the allocation method as described.

By:_____

Date:_____

PRO NEW MEXICO, INC.
ALLOCATION CALCULATIONS

STEP #1:
Obtain TOTAL MONTHLY GAS SALES From CDP in MMBTU from transporter.

STEP #2:
Multiply estimated TOTAL MONTHLY FUEL GAS USAGE by BTU/MCF used by transporter to obtain TOTAL MONTHLY FUEL GAS MMBTU.

STEP #3:
Add TOTAL MONTHLY GAS SALES and TOTAL MONTHLY FUEL GAS USAGE to obtain a combined TOTAL MONTHLY MMBTU PRODUCTION.

STEP #4:
Obtain MONTHLY GAS VOLUME in MCF for 5K from independent chart integration company.

STEP #5:
Multiply MONTHLY GAS VOLUME from 5K by the BTU/MCF from quarterly gas analysis to obtain the MONTHLY MMBTU produced by the 5K.

STEP #6:
Subtract the MONTHLY MMBTU for the 5K from the TOTAL MONTHLY MMBTU PRODUCED to obtain the MONTHLY MMBTU PRODUCED by the COM #5.

STEP #7:
Divide the TOTAL MONTHLY MMBTU PRODUCED by the MONTHLY MMBTU PRODUCED from each well to calculate the MONTHLY FUEL GAS FACTORS allocated to each well.

STEP #8:
Multiply the individual FUEL GAS FACTORS by the TOTAL MONTHLY FUEL GAS MMBTU to obtain a MONTHLY FUEL GAS USAGE in MMBTU for each well.

STEP #9:
Subtract the MONTHLY FUEL GAS USAGE in MMBTU from the MONTHLY MMBTU PRODUCED for each well to obtain the allocated MONTHLY MMBTU SALES from each well.

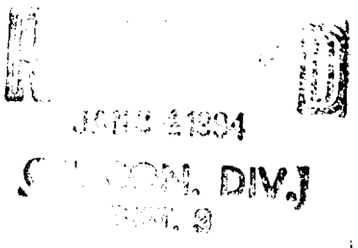
STEP #10:
Divide the MONTHLY MMBTU SALES by the heat content values obtained from the individual gas analysis to obtain MONTHLY SALES VOLUMMES in MCF for each well.

STEP #11:
Divide the MONTHLY MMBTU FUEL GAS by the heat content values obtained from the individual gas analysis to obtain MONTHLY FUEL GAS VOLUMMES in MCF for each well.

STEP #12:
Add the MONTHLY SALES VOLUME to the MONTHLY FUEL GAS VOLUME to obtain a MONTHLY PRODUCED VOLUME in MCF.

SAMPLE CALCULATION

ASSUMPTIONS:
Total Monthly Sales MMBTU at CDP: 10,080
Monthly Gas Production from 5K: 3200 MCF
Gas Analysis at CDP: 1160 BTU/SCF
Gas Analysis for 5K: 1050 BTU/SCF
Gas Analysis for COM 5: 1300 BTU/SCF
Fuel Gas Usage for Month: 390 MCF



CALCULATIONS

STEP #1:
TOTAL MONTHLY GAS SALES at CDP = 10,080 MMBTU

STEP #2:
TOTAL MONTHLY FUEL GAS MMBTU = 390,000 * 1160 = 452,400,000 BTU
= 452.4 MMBTU

STEP #3:
TOTAL MONTHLY MMBTU PRODUCTION = 10,080 + 452.4 = 10,532.4 MMBTU

STEP #4:
MONTHLY GAS VOLUME for 5K = 3,200 MCF

STEP #5:
MONTHLY GAS PRODUCED from 5K in MMBTU = 3,200 * 1050 BTU/SCF
= 3,360,000,000 BTU
= 3,360 MMBTU

STEP #6:
TOTAL MONTHLY MMBTU PRODUCED by the COM #5 = 10,532.4 - 3,360
= 7,172.4 MMBTU

STEP #7:
MONTHLY PORTION of the FUEL GAS by 5K = 3,360/10,532.4 =.3190
MONTHLY PORTION of the FUEL GAS by COM5 = 7,172.4/10,532.4 =.6810

STEP #8:
MONTHLY FUEL GAS USAGE by 5K = 452.4 * .3190 = 144.32 MMBTU
MONTHLY FUEL GAS USAGE by COM5 = 452.4 * .6810 = 308.08 MMBTU

STEP #9:
MONTHLY MMBTU SALES by 5K = 3,360 - 144.32 = 3,215.68 MMBTU
MONTHLY MMBTU SALES by COM5 = 7,172.4 - 308.08 = 6,864.32 MMBTU

STEP #10:
SALES VOLUME for 5K = 3,215,680,000 /1050 = 3,062,552 SCF
= 3,062.55 MCF
SALES VOLUME for COM5 = 6,864,320,000 /1300 = 5,280,246 SCF
= 5,280.25 MCF

STEP #11:
FUEL GAS VOLUME for 5K = 144,320,000 /1050 = 137,448 SCF
= 137.45 MCF
FUEL GAS VOLUME for COM5 = 308,080,000 /1300 = 236,984 SCF
= 236.98 MCF

STEP #12:
MONTHLY PRODUCED VOLUME by 5K = 3,062.55 + 137.45 = 3,207 MCF
MONTHLY PRODUCED VOLUME by COM5 = 5,280.25 + 308.08 = 5,280 MCF.