



PRO NEW MEXICO INC.
OIL AND GAS PRODUCTION AND PROPERTIES

May 8, 1997

William LeMay, Director
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87504

RE: Application for Administrative Approval
Surface Commingling of Gas Production
Buena Suerte 32-L No. 1 (NW/4SW/4, Sec. 32, T26N, R11W)
Gracia Navajo 5-K No. 2 (NE/4SW/4, Sec. 5, T25N, R11W)
Gallegos Com 5 (NW/4SE/4, Sec. 32, T26N, R11W)

s/2 71629 BASIN FRUIT LAND
s/2 BASIN DAKOTA 71599

Dear Mr. LeMay:

Pro New Mexico, Inc. (Pro), in 1994, obtained the required approvals to gather gas from the Gracia Navajo 5-K No. 1 (5-K) located in the NE/SW Sec. 5, T25N, R11W to a Central Delivery Point at the Gallegos Com No. 5 (Com 5) well located in Sec. 32, T26N, R11W. The method of allocation of production was approved by all necessary agencies and other entities.

Pro is now in the process of installing a gas gathering line from the Buena Suerte 32-L No. 1 well (32-L) located in the NW/4SW/4 of Section 32, T25N, R11W, terminating at the field compressor site and Central Delivery Point (CDP) at the Com 5. The Buena Suerte 32-L was previously connected to Giant Exploration and Production Company's (now Central Resources) Buena Suerte Gathering System. Pro is laying this new gathering line in order to minimize the costs of gathering, compression and transportation, and thus maximize revenues from the gas production. The layout of the facilities and mineral ownership of the dedicated acreage is shown on the attached schematic.

Due to the diverse mineral ownership and the fact that 32-L and the 5-K produce from the Fruitland Coal formation while the Com 5 produces from the Dakota formation, in accordance with New Mexico Oil Conservation Division Rule 309-B.3., we are requesting approval for allocation of the production as outlined on the attached method.

William LeMay
Page 2
May 8, 1997

In order to facilitate the most economic gas production levels from each well, as well as increasing the total reserve recovery, compression is required. None of the wells will withstand the cost of an individual compressor and as a result, a single compressor will be utilized for all three wells. This effort will produce a commingled gas stream delivered to the transmission company through a single sales meter.

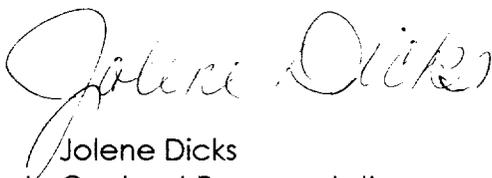
Our intention is to allocate the gas sales and production volumes for each well based on the sales meter set at the outlet of the compressor located on the Com 5 location and standard orifice meters located at the 5-K and the 32-L wells. The monthly calculations to be used for this allocation are shown on the attached sheet.

By copy of this letter of application, we are requesting concurrence to this method by royalty owners (Bureau of Land Management, Bureau of Indian Affairs and New Mexico State Land Office), working interest owners and overriding royalty owners.

We ask that royalty, working interest and overriding royalty owners indicate their concurrence 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.

Very truly yours,

PRO NEW MEXICO, INC.

By 
Jolene Dicks
Contract Representative

Enclosures

cc: Royalty, Working and Overriding Royalty Interest Owners

_____ accepts the allocation method as described.
(Printed Name)

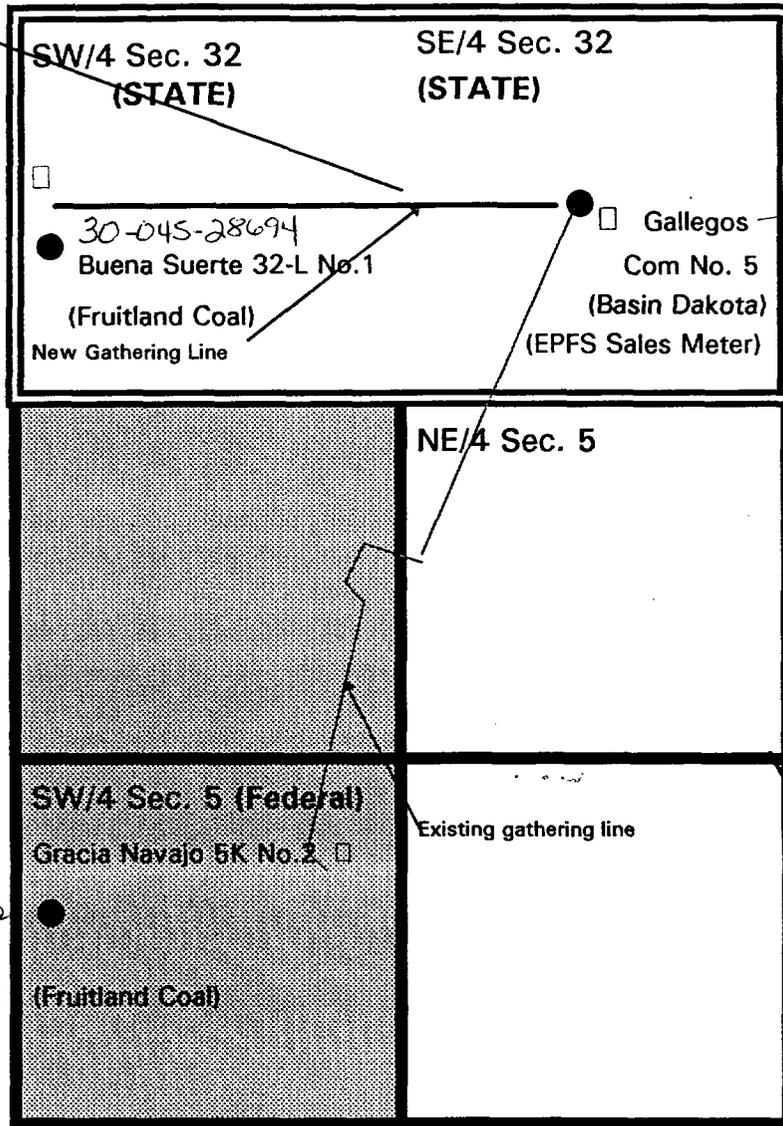
By: _____
Signature

Date: _____

PRO NEW MEXICO, INC.
 Schematic of Facilities and
 Mineral Leases
 for Allocation of Production

Township 26 North, Range 11 West NMPM

Section 32



30-045-21304

30-045-28913

Section 5

Township 25 North, Range 11 West NMPM
 San Juan County, New Mexico



320-acre proration unit dedicated to Gallegos Com 5 and Buena Suerte 32-L No. 1

320-acre proration unit dedicate to Gracia Navajo 5-K No. 2

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 obtain a combined TOTAL MONTHLY PRODUCTION.
- Step 3: Obtain MONTHLY MCF PRODUCED for Gracia Navajo 5-K No. 2 and for Buena Suerte 32-L No. 1 from independent chart integration company.
- Step 4: Subtract the MONTHLY MCF PRODUCED for the 5-K and 32-L 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 MONTHLY 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.

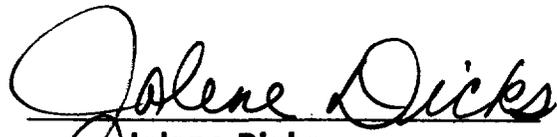
GALLEGOS COM 5/GRACIA NAVAJO 5-K 2/BUENA SUERTE 32-L 1
 SAMPLE VOLUME ALLOCATION

	@14.73	@15.025
TOTAL MONTHLY SALES FROM CDP	15,000	14,700
TOTAL MONTHLY FUEL GAS USAGE	600	588
SALES + FUEL GAS = TOTAL MONTHLY PRODUCTION	15,600	15,288
MCF PRODUCED - 5-K	2,978	2,920
MCF PRODUCED - 32-L	6,200	6,076
MCF PRODUCED - COM 5	6,422	6,292
FUEL GAS FACTOR - 5-K	0.1909	0.1910
FUEL GAS FACTOR - 32-L	0.3974	0.3974
FUEL GAS FACTOR - COM 5	0.4117	0.4116
FUEL GAS - 5-K	(115)	(112)
FUEL GAS - 32-L	(238)	(234)
FUEL GAS - COM 5	(247)	(242)
MCF SALES - 5-K	2,863	2,808
MCF SALES - 32-L	5,962	5,842
MCF SALES - COM 5	6,175	6,050
CHECK (TOTAL SALES)	15,000	14,700

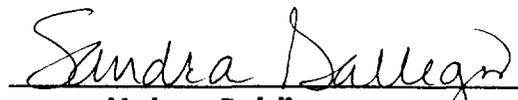
STATE OF NEW MEXICO)
)ss
COUNTY OF SANTA FE)

AFFIDAVIT OF MAILING

I, Jolene Dicks, Contract Representative for Pro New Mexico, Inc., do hereby swear that on May 8, 1997, I did mail, certified, returned receipt requested, copies of Pro New Mexico, inc.'s Application for Administrative Approval for Surface Commingling of Gas Production to the royalty, working and overriding royalty interest owners in the Buena Suerte 32-L No. 1, Gracia Navajo 5-K No. 2 and Gallegos Com 5 well as shown on the attached lists.


Jolene Dicks

Subscribed and sworn to before me this 8th day of May, 1997 by Jolene Dicks, Contract Representative for Pro New Mexico, Inc.


Notary Public

My commission expires:

11-5-98

BUENA SUERTE 32-L NO. 1

ROYALTY INTEREST OWNERS

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

WORKING INTEREST OWNERS

Martin Proyect
P.O. Box 98
Santa Fe, NM 87504

Betty Brewer Chumney
c/o W T Chumney, Jr.
40 NE Loop 410, Ste. 200
San Antonio, TX 78216

India Brewer DeMarigny
c/o W T Chumney, Jr.
40 NE Loop 410, Ste. 200
San Antonio, TX 78216

Winifred Chumney Meaden
c/o W T Chumney, Jr.
40 NE Loop 410, Ste. 200
San Antonio, TX 78216

Rebecca Brewer, Ind. Exec.
R P Brewert III Estate
c/o W T Chumney, Jr.
40 NE Loop 410, Ste. 200
San Antonio, TX 78216

Elizabeth H. Chumney
c/o W T Chumney, Jr.
40 NE Loop 410, Ste. 200
San Antonio, TX 78216

OVERRIDING ROYALTY INTEREST OWNERS

Harry A. Ells, Jr.
518 17th Street, Room #10
Denver, CO 80202-41113

Energy Search & Management, Inc.
1905 Sherman Street, Ste. 900
Denver, CO 80203

GALLEGOS COM NO. 5

ROYALTY INTEREST OWNERS

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

OVERRIDING ROYALTY INTEREST OWNERS

Maureen G. Wright Revocable Trust
2816 Kentucky Street, NE
Albuquerque, NM 87110-3408

Henry B. Krause
1405 S. Mountain
Castle Rock, CO 80104-9951

GRACIA NAVAJO 5-K NO. 2

ROYALTY INTEREST OWNERS

U.S.A.

Bureau of Indian Affairs in Trust
for Rena F. Etcitty
Farmington Indian Minerals Office
1235 LaPlata Hwy, Suite B
Farmington, NM 87401

U.S.A.

Bureau of Land Management
1235 laPlata Hwy
Farmington, NM 87401

WORKING INTEREST OWNERS

Martin Proyect
P.O. Box 98
Santa Fe, NM 87504

GRACIA NAVAJO 5-K NO. 2

OVERRIDING ROYALTY INTEREST OWNERS

Achtschin, Leo A.
6335 W. Northwest Hwy. #1917
Dallas, TX 75225

Ashby, Kathryn D.
P.O. Box 1854
Midland, TX 79702-2097

Aycock, Haley
P.O. Box 2097
Midland, TX 79702

Barron Properties, Ltd.
c/o FCNB
P.O. Box 10966
Midland, TX 79702

Barton, Enid Carol
174 Summit Ave.
Summit, NJ 07901

Buchenau, Harriet
P.O. Box 8675385
Plano, TX 75086-7585

Chambers, Sandra
Route 3, Box 344
Snyder, TX 79549

Dublier, William and Florence
126 E. 56th
New York, NY 10022

Dunken, Sidney Haley
Hwy 42 North, P.O. Box 4130
Jackson, GA 30233

Energy Search and Management, Inc.
1905 Sherman Street, Suite 900
Denver, CO 80203

ES One Colorado, Inc.
c/o Energy Search and Management, Inc.
1905 Sherman Street, Suite 900
Denver, CO 80203

Fabbricatore, Susan Ellen
29 John Street
New York, NY 10038

Fasken, Robert Murray
500 West Texas
Suite 1160
Midland, TX 79701

Fitz-Gerald Trust
9125 Evangeline, NE
Albuquerque, NM 87111

Graham, Maxine
1504 Sopló Road, SE
Albuquerque, NM 87123

Grapel, Edward and Pearl
7051 Environ Blvd., Apt. 536
Ft. Lauderdale, FL 33319

Hedberg, Lee Etta
P.O. Box 470337
Ft. Worth, TX 76147

Home, Anna Lou
109 S. McCadden Place
Los Angeles, CA 90004

Jensis, Heirs of
1615 Putnam Ave.
Brooklyn, NY 11227

Kirschenbaum, Sam and Sarah
101 W. 31st St.
New York, NY 10001

Langfelder, Murray
2665 Homecrest Avenue
Brooklyn, New York 11235

Levine, William
5716 Over Downs Drive
Dallas, TX 75230

Licht, Sidney E.
1401 Ocean Avenue
Brooklyn, NY 11230

Licht, William V.
c/o Martin C. Licht
Herzfeld & Rubin
40 Wall Street
New York, NY 10005

Lidell, Myron and Nelly
40 East 88th Street
New York, NY 10008

Lowe Partners
P.O. Box 2923
Houston, TX 77252

Maralo, Inc.
P.O. Box 2923
Houston, TX 77252

Martin, James R.
P.O. Box 8617
Horshoe Bay, TX 78654

Mims Revocable Trust
c/o William L. Madsen or
Sarah S. Mims, Co-Trustees
P.O. Box 111846
Carrollton, TX 75011-1846

Mudge-Boedeker Trust
9550 Forest Lane, Suite 227
Dallas, TX 75243-5905

Pace, John A.
6700 Golf Drive
Dallas, TX 75205

Pienkowski, Benjamin and Helen
35 Broad Street, Apt. 10
Freehold, NJ 07728

Postelle, Heirs of
823 South Water, Apt. 2-B
Corpus Christi, TX 78401
Postelle, Jessie

Schultz, Frank, Trustee
500 N. Akard, Suite 2160, LB-1
Lincoln Plaza
dallas, TX 75201-3318

Simpson, Julia E.
12300 Radoyka Drive
Saratoga, CA 95070

Stewart, Viola
P.O. Box 2460
Uvalde, TX 78802

Weill, Marie-Helene
50 E. 79th St., Apt. 20A
New York, NY 20033

Weill, Guy A. Custodian
50 E. 79th St., Apt. 20A
New York, NY 20033

Weill, Guy A.
50 E. 79th St., Apt. 20A
New York, NY 20033

Wood, Patti Jo Peck
P.O. Box 1099
Rising Star, TX 76471

Zacharek, Stanely and Ann
166 Jewett Avenue
Jersey City, NJ 07304