

PRO NEW MEXICO INC.
OIL AND GAS PRODUCTION AND PROPERTIES

JUN 16 1997

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)

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

Edward PEARL GRAPEL accepts the allocation method as described.
(Printed Name)

By: 
Signature

Date: 6-12-97