STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

June 17, 1993

BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Pro New Mexico Inc.
141 E. Palace Avenue
Santa Fe, New mexico 87501

RECEIVED
JUN 28 1993
OIL CO. DIV.
DIST. 3

Attention: J. E. Gallegos

Re: $7,500 One-Well Plugging Bond
Pro New Mexico, Inc., Principal
Underwriters Indemnity Co., Surety
1800' FSL and 1600 FEL of
Sec. 32, T-26-N, R-11-W, San Juan Co.
Bond No. BO 4108

Dear Mr. Gallegos:

The Oil Conservation Division hereby approves the above-referenced plugging bond effective this date.

Sincerely,

WILLIAM J. LEMAY,
Director

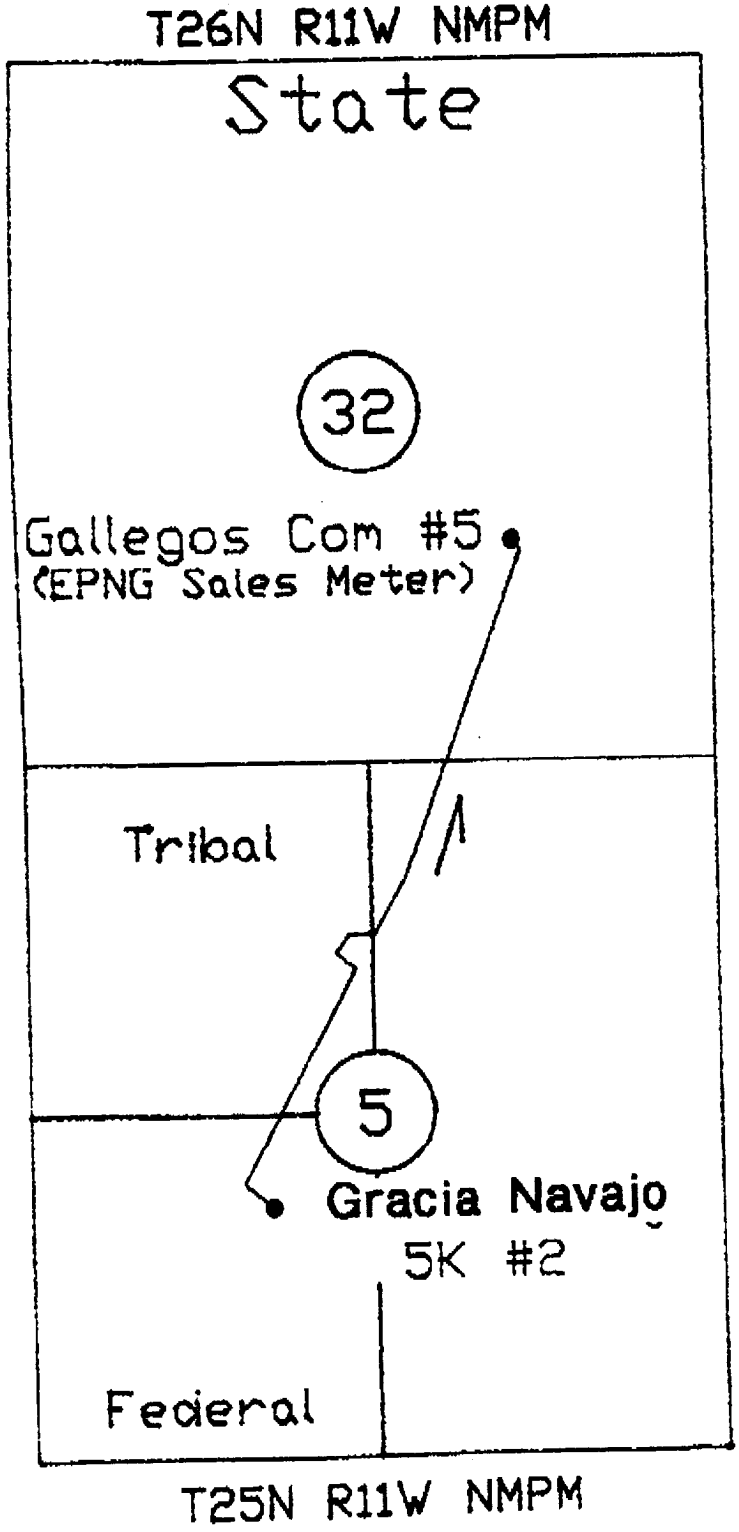
dr/

cc: Oil Conservation Division
Aztec, New Mexico

Underwriters Indemnity Co.

PRO New Mexico, Inc.

Schematic of Facilities and Mineral Leases for Allocation of Production



PRO New Mexico, Inc.

Schematic of Facilities and Mineral Leases for Allocation of Production

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:

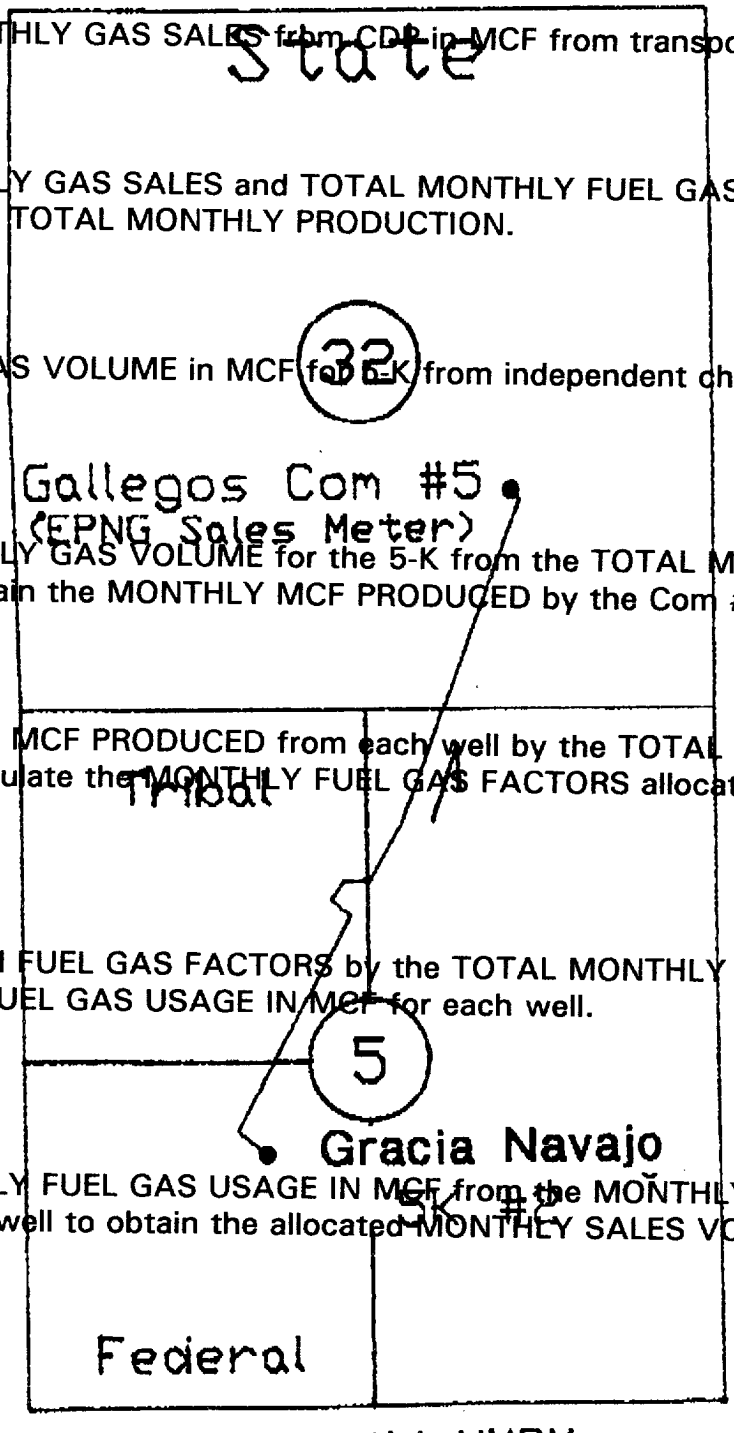
Divide the MONTHLY MCF PRODUCED from each well by the TOTAL MONTHLY PRODUCTION to calculate the MONTHLY FUEL GAS FACTORS allocated to each well.

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.



SAMPLE CALCULATION

ASSUMPTIONS:
Total Monthly Sales at CDP: 10,000 MCF
Monthly Gas Production from 5-K: 2,400 MCF
Fuel Gas Usage for Month: 390 MCF

STEP #1:

TOTAL MONTHLY GAS SALES at CDP = 10,000 MCF

STEP #2:

TOTAL MONTHLY PRODUCTION = 10,000 MCF + 390 MCF
= 10,390 MCF

STEP #3:

MONTHLY GAS VOLUME for 5-K = 2,400 MCF

STEP #4:

MONTHLY MCF PRODUCED by Com #5 = 10,390 - 2,400
= 7,990

STEP #5:

MONTHLY FUEL GAS FACTOR for 5-K = 2,400/10,390 = .2310
MONTHLY FUEL GAS FACTOR for Com #5 = 7,990/10,390 = .7690

STEP #6:

MONTHLY FUEL GAS USAGE by 5-K = 390 * .2310 = 90.09 MCF
MONTHLY FUEL GAS USAGE by Com #5 = 390 * .7690 = 299.91MCF

STEP #7:

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

STATE OF NEW MEXICO

ENERGY, MINERALS and NATURAL RESOURCES DIVISION

OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

Date:_____

Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504-2088

RE: Proposed MC_____ Proposed DHC_____
Proposed NSL_____ Proposed SWD_____
Proposed WFX_____ Proposed PMX_____
Proposed NSP_____ Proposed DD_____
Proposed Pooled Area Commingle

Gentlemen:

I have examined the application received on 12/2/97

for the PRO New Mexico Gracia Navajo #5K and #2 K-5-25-11
OPERATOR LEASE & WELL NO.

Gallegos Com #5 J-32-26-11 and my recommendations are as follows:
UL-S-T-R

Approve

Yours truly,