

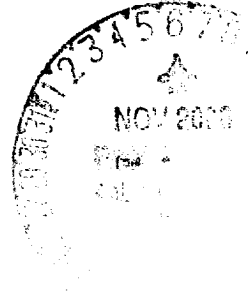
A. R. KENDRICK

P. O. Box 516  
Aztec, New Mexico 87410

November 2, 2000

Ms. Lori Wrotenbery  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: Application for Surface Commingling  
P-R-O Management, Inc.  
Nickles #1M, O-11-31N-13W  
Blanco-Mesaverde and Basin-Dakota Gas Pools  
Lease No. NM-24907



Dear Ms. Wrotenbery:

11 P-R-O Management Inc. hereby requests authority to commingle on the surface the production from the Blanco-Mesaverde and Basin-Dakota Gas Pools from the subject well due to the need for compression to allow the zones to produce into the pipeline.

The enclosed chart shows the recent production rates of the individual zones. The produced products are compatible, and the value will not be changed by commingling.

The costs of installation and maintenance of two compressors along with separators and dehydrators would be a marginal if not negative investment.

An enclosed plat shows the acreage dedication to be the southeast quarter of section 11, T 31N, R 13W, being 153.27 acres as provided by Order R-8380, copy enclosed.

The lease is federal, NM-24907. The ownership in both zones is common and identical.

Also enclosed is a schematic of the wellbore for your convenience.

It is suggested that the allocation formula be assigned by the Aztec office of the Oil Conservation Division after the production is combined for a period of 30 to 60 days. The Mesaverde formation has been produced through a compressor for a period of time to develop some history for the subtraction formula system to serve well.

If there are questions, please contact me by phone or fax at (505) 334-2555.

Yours very truly,

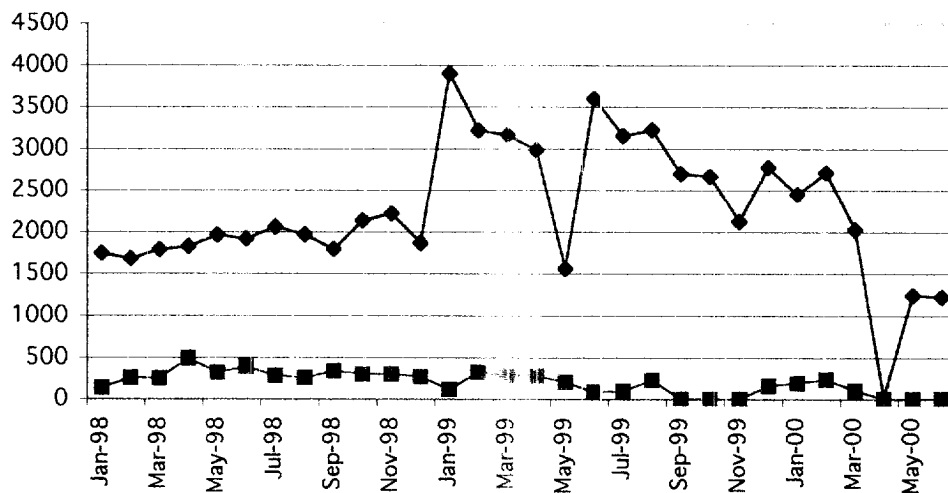
A. R. Kendrick  
Agent for P-R-O Management, Inc.

Enclosures as stated

cc: Oil Conservation Division, 1000 Rio Brazos Road, Aztec, NM 87410  
Bureau of Land management, 1235 La Plata Highway, Farmington, NM 87401

RECENT PRODUCTION  
P-R-O MANAGEMENT, INC.  
NICKLES #1M, O-11-31N-13W

MONTH	BLANCO-MESAVERDE		BASIN-DAKOTA	
	GAS	OIL	GAS	OIL
Jan-98	1743		135	
Feb-98	1681		255	
Mar-98	1785		251	
Apr-98	1825		489	
May-98	1962		320	
Jun-98	1912		392	
Jul-98	2053		282	
Aug-98	1969	2	257	
Sep-98	1794	3	341	
Oct-98	2129	4	302	1
Nov-98	2216		302	
Dec-98	1866		267	
Jan-99	3902		114	
Feb-99	3215	1	325	
Mar-99	3167		288	
Apr-99	2987		283	
May-99	1558		206	
Jun-99	3592		81	
Jul-99	3153		97	
Aug-99	3221		231	
Sep-99	2699		0	
Oct-99	2665		0	
Nov-99	2121		0	
Dec-99	2774		161	
Jan-00	2449		192	
Feb-00	2710		237	
Mar-00	2024		102	
Apr-00	15		0	
May-00	1244		0	
Jun-00	1227		0	
TOTALS	67658	10	5910	1



## Mesaverde and Dakota Acreage Dedications

<div>Greystone Energy Corp. Freeman #1M * N-320 Ac. (Joint)</div>		<div>Greystone Energy Corp. Freeman #1R * N-320 Ac. (Joint)</div>	
<div>Fuller Production Inc. Nickles #1 * SW-160 Acres (R-8379)</div>		<div>11</div> <div>P-R-O Management * Nickles #1M SE-153.27 Ac. (R-8380)</div>	

(6) The applicant further seeks an exception to the General Rules for prorated Gas Pools in Northwest New Mexico, as promulgated by Division Order No. R-8170, as amended, permitting the application of a full deliverability factor in the formula utilized in determining the allowable in both the Blanco-Mesaverde and Basin-Dakota Pools for said unit.

(7) In utilizing the current formula for calculating gas allocations in both the Blanco-Mesaverde and Basin-Dakota Pools as contained in said Order No. R-8170, there exists an inequity in the gas allowable assigned to a standard 320-acre proration unit containing two wells as compared to the total gas allowable assigned to two 160-acre non-standard proration units which, in effect, gives an allowable advantage to the standard 320-acre unit.

(8) In order to arrive at a more equitable gas allocation to be assigned to the proposed 153.27-acre non-standard gas proration unit, the gas allocation formula for this particular unit should be modified to assign the full deliverability as the (AD) factor for allowable calculations.

(9) Approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the Blanco-Mesaverde and Basin-Dakota Pools, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of P-R-O Management, Inc. for a 153.27-acre non-standard gas proration unit in the Blanco-Mesaverde and Basin-Dakota Pools comprising the SE/4 of Section 11, Township 31 North, Range 13 West, NMPM, San Juan County, New Mexico, is hereby approved, said unit to be dedicated to its existing dually completed Nickles Well No. 1-M located 800 feet from the South line and 1570 feet from the East line (Unit O) of said Section 11.

(2) For purposes of calculating the gas allowable for both pools to be assigned to this non-standard unit the acreage factor shall be equal to .48, and the acreage times deliverability factor shall be equal to the deliverability of the well multiplied by 1.0.

(3) Jurisdiction of this cause is retained for the entry of such further order as the Division may deem necessary.

Schematic  
P-R-O Management Inc.  
Nickles #1M  
800' FSL 1570' FEL 11-31N-13W

