

SECOND REVISED FORM NO. 38
CANCELLING FIRST REVISED FORM NO. 38

NOMINATION PROCEDURE AND FORMS

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This nomination procedure has been developed for use by transportation customers ("Transportation Customers") on New Mexico Gas the Company's ("NMGC" or the "Company") transmission and distribution systems ("Company's System"). It is the responsibility of the Transportation Customer to Tender sufficient supply to meet the demands at the delivery points on a daily basis and to adhere to these nomination procedures.

Capitalized terms used but not defined herein shall have the respective meaning assigned in NMGC Revised Sample Form No. 31 - On-System Standard Transportation Contract or in the NMGC Revised Rule No. 28 ("Rule 28").

WHO MAY MAKE NOMINATIONS

All nominations must be made by the Designated Representative of the Transportation Customer with whom the Company has a valid, executed transportation contract. The designated representative ("Designated Representative") must either be named in the Transportation Request Form on file with the Company or previously agreed to by the Company. The Designated Representative will be responsible for establishing and maintaining communication with NMGC's Transportation Department, concerning the quantity of gas to be Tendered to the Company at each Receipt Point and the quantity of gas to be delivered to each Delivery Point.

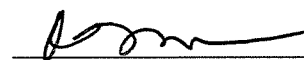
NOMINATION PROCEDURESGeneral Nomination Procedures:

1. Company will confirm the quantities nominated for Cycle 1 (timely nominations) through all five cycles (Timely, Evening, Intra Day 1, 2, 3(Day of Flow)) and after hours supply regardless of upstream cuts in scheduled quantities unless the Company receives a revised nomination for a subsequent cycle. x
2. Nominations received after at the Company's nomination deadline for a cycle will be processed for the following cycle. x
3. If nominations in the Company's Gas Management System and third-party pipeline system MMBtus do not match, the lesser of the two will be used for the scheduling of Gas.
4. If a confirmed nomination exceeds the contract MDQ, the Company will not schedule volume in excess of the contract MDQ unless prior approval is obtained from the Company's Transportation Services Department.
5. Scheduled volumes will be based on available capacity of the Company's System for On System Transportation Service Customers and confirmation of gas supply to the NMGC Receipt Point(s).
6. Imbalance nominations are allowed with NMGC approval.
7. All nominations are subject to Elapsed Prorated Scheduled Quantity. Elapsed-Prorated-Scheduled Quantity means that portion of the scheduled quantity that would have theoretically flowed up to the effective time of the intra-day nomination being confirmed, based upon a cumulative uniform hourly quantity for each nomination period affected.
8. Company approval when required under this Form shall not be unreasonably withheld.

First of the Month Nominations

1. For the purpose of nominating gas into the Company's system, the month will begin on the first day of the Month. In order to have gas delivered on this day; a nomination must to be entered into the Company's Gas Management System three (3) business days prior to the first day of the Month by 8:00 a.m. MST/MDT.
2. Monthly nominations must be made for each Month.

Advice Notice No. 56


Nicole Strauser
Director, Legal and Regulatory Affairs

NMGCO#3228375

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CONFIRMATION

Processing Plant Tailgate Receipt Points

Transportation Customers using processing plant tailgates based on an allocation methodology that is established by the plant operator must nominate in accordance with the nomination procedures set forth in this Nomination Procedure, and comply with NMGC's nomination schedule. The plant operator must then submit the NMGC Confirmation Form, attached in Exhibit I.

Interstate Pipeline Receipt Points

If the Receipt Point is an upstream pipeline, the Company will assume the volume will be confirmed by the upstream pipeline. The upstream pipeline's tariff, deadlines, and procedures govern the scheduling of gas on the upstream pipeline's system. It is the responsibility of the Transportation Customer to assure compliance with the upstream pipeline's requirements. The Company will allocate capacity for the Transportation Customer's gas based on nominations to NMGC.

IMBALANCE NOMINATIONS

If a Transportation Customer wishes to nominate to reduce an existing Imbalance as defined in NMGC's Rule No. 28, the nomination must be made in accordance with the nomination operation procedures set forth herein and with Company approval. All approved imbalance nominations will be nominated to a designated Receipt or Delivery Point by region, as applicable, as provided by the Company.

STANDBY NOMINATIONS

If a Transportation Customer has entered into a Standby Gas Contract and wishes to nominate Standby Gas, the nomination must be made in accordance with the procedures for nomination operation procedures set forth in this Nomination Procedure. The Standby Contract Number and Receipt Point will be used in the Company's nomination system and will be in accordance with the provisions of the Transportation Customer's Standby Contract and NMGC Rate No. 70, as revised and in effect from time to time pursuant to orders of the NMPRC.

EMERGENCY GAS SERVICE ("EGS") MAKE-UP NOMINATIONS

If a Transportation Customer wishes to nominate EGS, the Transportation Customer must follow the terms and conditions for nomination operation procedures set forth in this Nomination Procedure. When nominating EGS, the Transportation Customer will need to enter a nomination using the EGS Receipt Point as provided by the Company. If the EGS is approved, the Company will confirm the nomination in the Gas Management System. No EGS make-up will be permitted during a CSC Event as defined in NMGC's Rule No. 28.

Scheduling of EGS will be in accordance with the provisions of the NMGC Rate No. 70, as revised and in effect from time to time pursuant to the rules of the NMPRC.

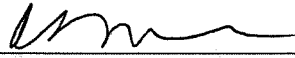
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