CHACE OIL COMPANY, INC.

313 Washington S.E.

Albuquerque, New Mexico 87108

(505) 266-5562

February 17, 1983

Mr. Gilbert Quintana
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

Mr. Frank T. Chavez
Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Gentlemen:

The following report is submitted to document and present an allocation of production formula for five (5) commingled wells owned and operated by Chace Oil Company, Inc.

The subject wells are completed in the Chacon Dakota Associated Pool, as well as an Undesignated Gallup Member or Members. Descriptions of the well locations and Conservation Division Order Numbers are listed below:

Well:	Description:	Order No.:
#1-47-JV	I-12-23N-04W	DHC-388
Chace Apache 15-2	I-20-23N-04W	R-7178
Chace Apache 15-3	F-20-23N-03W	DHC-389
Chace Apache 54-10	I- 3-22N-03W	DHC-393
Chace Apache 54-11	K- 3-22N-03W	DHC-394

Evaluation of the production histories of the offset wells and the subject wells, nearby test data, and our (in house) reserves study of the producing zones has enabled us to conclude that the Gallup and Dakota zones are capable of low to marginal production only, and that allocation of production attributable to each zone has been derived by reserve determination for oil and test data for gas.

The allocation of production formula for the two zones is presented below for each well:

Well:		Gallup:	Dakota:
#1-47-JV			
	Oil	25%	75%
	Gas	TSTM	TSTM
Chace Apache 15-2			
	Oil	21%	79%
	Gas	44%	56%
Chace Apache 15-3			
	Oil	21%	79%
	Gas	44%	56%
Chace Apache 54-10			
	Oil	27%	73%
	Gas	44%	56%
Chace Apache 54-11			
	Oil	18%	82%
	Gas	44%	56%

This report is submitted in compliance with the conditions set forth in the Oil Conservation Commission Orders, (referenced above), which grant Chace Oil Company, Inc. approval for downhole commingling in the subject wells.

Very truly yours,

Ron Gordon
Geologist

Ross Easterling
Landman

RE/ss

PRODUCTION HISTORY

Field: Chaco

Well: Chaco Apache 54-11

Initial Production: 7/1982

Zones Completed: Dakota, Tocito

Production History:

	Oil/Bbls.	Gas/MCF
July	234	0
August	1106	0
September	581	0
October	620	1787
November	627	463
December	536	161
Total:	3704	2411

CHACE OIL COMPANY
RESERVE DATA & OIL RESERVES
VOLUMES @ 14.73 PSIA & 60° F.

AREA Chacon '54' area

STATE New Mexico DATE Reserves as of 1-1-83

Geological Age	Gallup Assoc. 54-10	Dakota 54-10	Gal.Assoc. 54-11	Dakota 54-11		
Reservoir Name						
Average Depth						
Limiting Contact						
No. Wells Producing	40	160	40	160		
Productive Area, Acres	30	22	11	14		
Average Net Sand, Feet	1200	3520	440	2240		
Reservoir Volume, Ac. Ft.						
Average Porosity, %	6.0	8.0	6.0	8.0		
Average Connate Water, %	60	50	60	50		
Liquid Specific Gravity, API						
Formation Volume Factor	1.160	2.105	1.160	2.105		
Orig. Oil in Place, Bbl./Ac. Ft.	160	147	160	147		
Orig. Oil in Place Reservoir, Bbls.	192000	517440	70400	329280		
Oil Recovery Factor, %	10	10	10	10		
Orig. Recoverable Oil, Bbls.	19200	51744	7040	32928		
Cum. Oil Production, Bbls.	898	2427	667	3037		
Remaining Rec. Oil, Bbls.	18302	49317	6373	29891		
% of O.R.R. attributable to each formation	27%	73%	18%	82%		

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Commingling Study

PRODUCTION - OFFSETTING WELLS

Chace Well	Offsetting Well	Location	Date I. P.	1-1-83 Cum. Prod.	Zones Completed
47-1-JV	None				
15-2	Chace 15-1	NE,NE Sec. 20 T23N,R4W	4/1977	17,931 B. O. 106,980 MCF	Dakota
15-3	As above				
54-10	Chace 54-1	NE,NE Sec. 3 T22N,R3W	11/1978	9,558 B. O. 84,276 MCF	Dakota
54-11	Chace 54-9	NE,NW Sec. 3 T22N,R3W	8/1981	9,009 B. O. 4,854 MCF	Dakota

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Commingling Study

TEST DATA

Well: Amoco Production Company
#2-396 Jicarilla

Location: SE/4, Section 8, T23N,R3W
Rio Arriba County, New Mexico

Dakota Zone - Pressure @ 7600' 2094 PSIA

Date	Choke	FTP	Oil Rate Bbls/Day	Gas Rate MCFD
8-14-82	20/64	220	22	663
8-15-82	20/64	220	20	606
8-16-82	20/64	200	15	630
8-17-82	20/64	200	16	583
8-21-82	20/64	210	13	591
8-22-82	20/64	210	13	591
8-23-82	20/64	210	14	548
8-24-82	20/64	210	20	571

Gallup Zone - Pressure @ 7400' 2010 PSIA

Date	Choke	FTP	Oil Rate Bbls/Day	Gas Rate MCFD
9-3-82	20/64	240	22	539
9-4-82	20/64	225	15	447
9-5-82	20/64	210	15	427
9-6-82	20/64	210	18	478
9-7-82	20/64	190	13	427
9-8-82	20/64	240	22	539
9-9-82	20/64	200	11	427