

DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II

811 South First St., Artesia, NM 88210-2835

DISTRICT III

1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429Form C-107-A
New 3-12-96

APPROVAL PROCESS:

☒ Administrative ☐ Hearing

EXISTING WELLBORE

☒ YES ☐ NO

APPLICATION FOR DOWNHOLE COMMINGLING

Chateau Oil and Gas, Inc. 5950 Berkshire Lane, Suite 275 Dallas, TX 75225

Operator

Address

Candado

1E

J

15-26N-7W

Rio Arriba

Lease

Well No.

Unit Ltr. - Sec - Twp - Rge

County

OGRID NO. 159819

Property Code 010236

API NO. 30-039-23497

Spacing Unit Lease Types: (check 1 or more)

Federal ☒ State ☐ Land/Or Fee ☐

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Blanco Mesaverde 72319		Basin Dakota 71599
2. Top and Bottom of Pay Section (Perforations)	4484' - 4698'		6596' - 6714'
3. Type of production (Oil or Gas)	Gas		Gas
4. Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
5. Bottomhole Pressure	a. (Current) 822 psi	a. -	a. 649 psi
Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated Or Measured Original	b. (Original) 991 psi (est)	b. -	b. 2627 psi
6. Oil Gravity (°API) or Gas BTU Content	1184 BTU	-	1182 BTU
7. Producing or Shut-In?	Shut-in	-	Producing
Production Marginal? (yes or no)	yes	-	yes
* If Shut-In, give date and oil/gas/water rates of last production Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data	Date: 9/96 Rates: 12 Mcfcpd	Date: Rates: -	Date: Rates: -
* If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: Rates: -	Date: Rates: -	Date: 6/5/97 Rates: .5 bopd 133 Mcfcpd
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 10.5% Gas: 8.0%	Oil: - % Gas: - %	Oil: 89.5% Gas: 92.0%

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? ☐ Yes ☒ No
If not, have all working, overriding, and royalty interests been notified by certified mail? ☒ Yes ☐ No
Have all offset operators been given written notice of the proposed downhole commingling? ☒ Yes ☐ No11. Will cross-flow occur? ☒ Yes ☐ No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. ☒ Yes ☐ No (If No, attach explanation)12. Are all produced fluids from all commingled zones compatible with each other? ☒ Yes ☐ No13. Will the value of production be decreased by commingling? ☐ Yes ☒ No (If Yes, attach explanation)14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. ☒ Yes ☐ No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S).

16. ATTACHMENTS:

- * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- * Production curve for each zone for at least one year. (If not available, attach explanation.)
- * For zones with no production history, estimated production rates and supporting data.
- * Data to support allocation method or formula.
- * Notification list of all offset operators.
- * Notification list of working, overriding, and royalty interests for uncommon interest cases.
- * Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE

TITLE Vice President

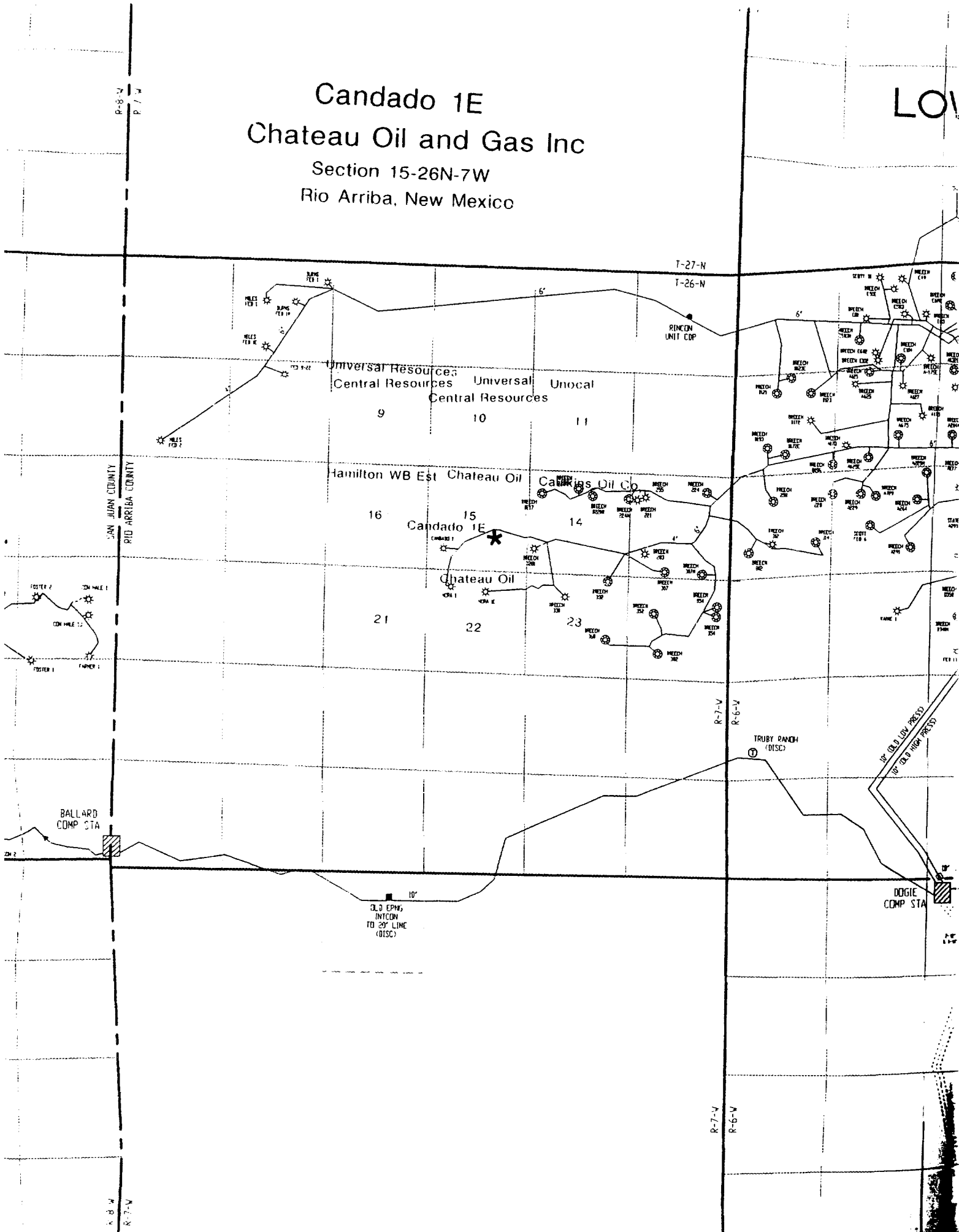
DATE June 12, 1997

TYPE OR PRINT NAME John V. Peters

TELEPHONE NO. (214) 891-3370

Candado 1E
Chateau Oil and Gas Inc
Section 15-26N-7W
Rio Arriba, New Mexico

LOI



All distances must be from the outer boundaries of the Section.

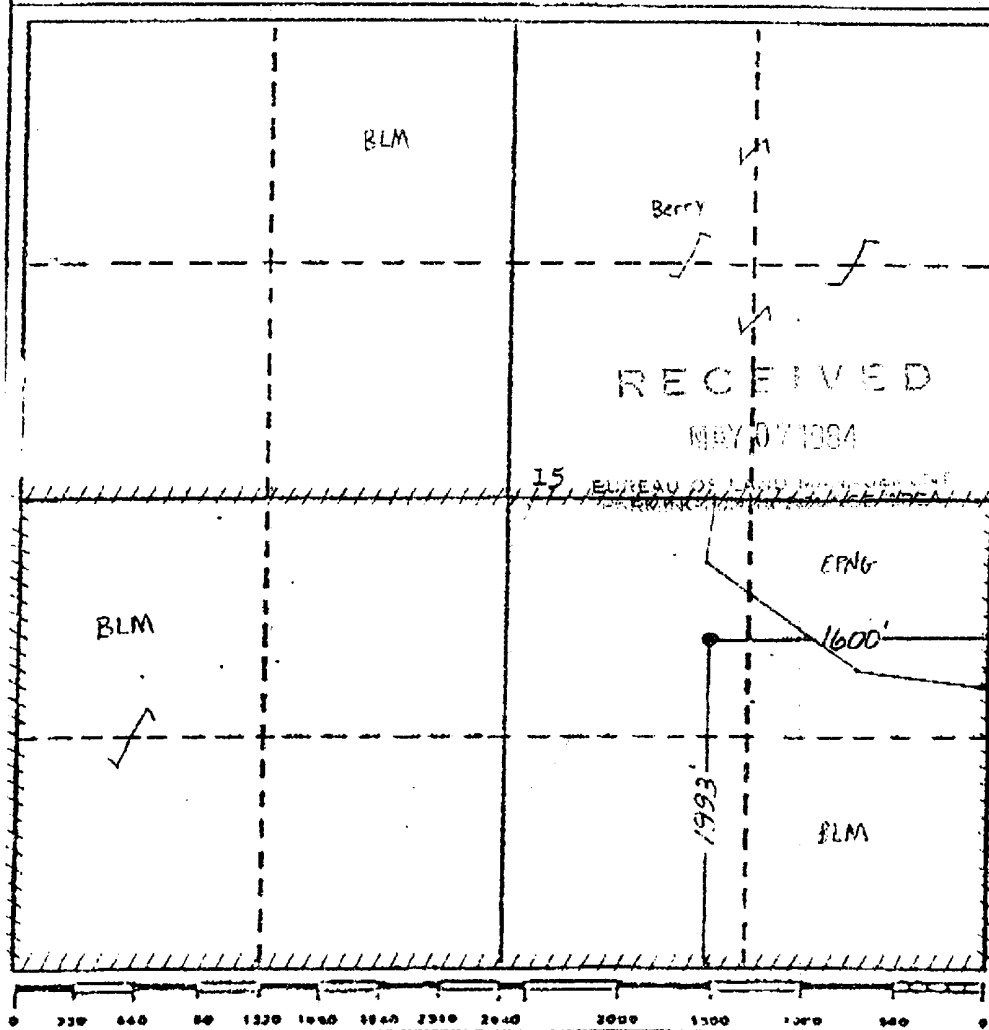
Operator CONSOLIDATED OIL & GAS, INC.			Lease CANDADO		Well No. 1E
Unit Letter J	Section 15	Township 26 NORTH	Range 7 WEST	County RIO ARriba	
Actual Footage Location of Well:					
1993 feet from the SOUTH		line and 1600		feet from the EAST	
Ground Level Elev. 6106	Producing Formation Dakota		Pool Basin Dakota		Dedicated Acreage: 320 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name
Barney JonesPosition
Drilling ForemanCompany
Consolidated Oil & Gas, Inc.Date
May 1, 1984

I hereby certify that the well location shown on this plat was plotted from field notes and surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.

Date
May 2, 1984Registered Professional Engineer
and/or Land Surveyor**Michael Daly**Certificate No.
5992

Distances must be from the outer boundaries of the section.

Consolidated Oil & Gas, Inc.			Lease CANDADO		Well No. 1E
Letter J	Section 15	Township 26 NORTH	Range 7 WEST	County RIO ARriba	

Actual Footage Location of Well:

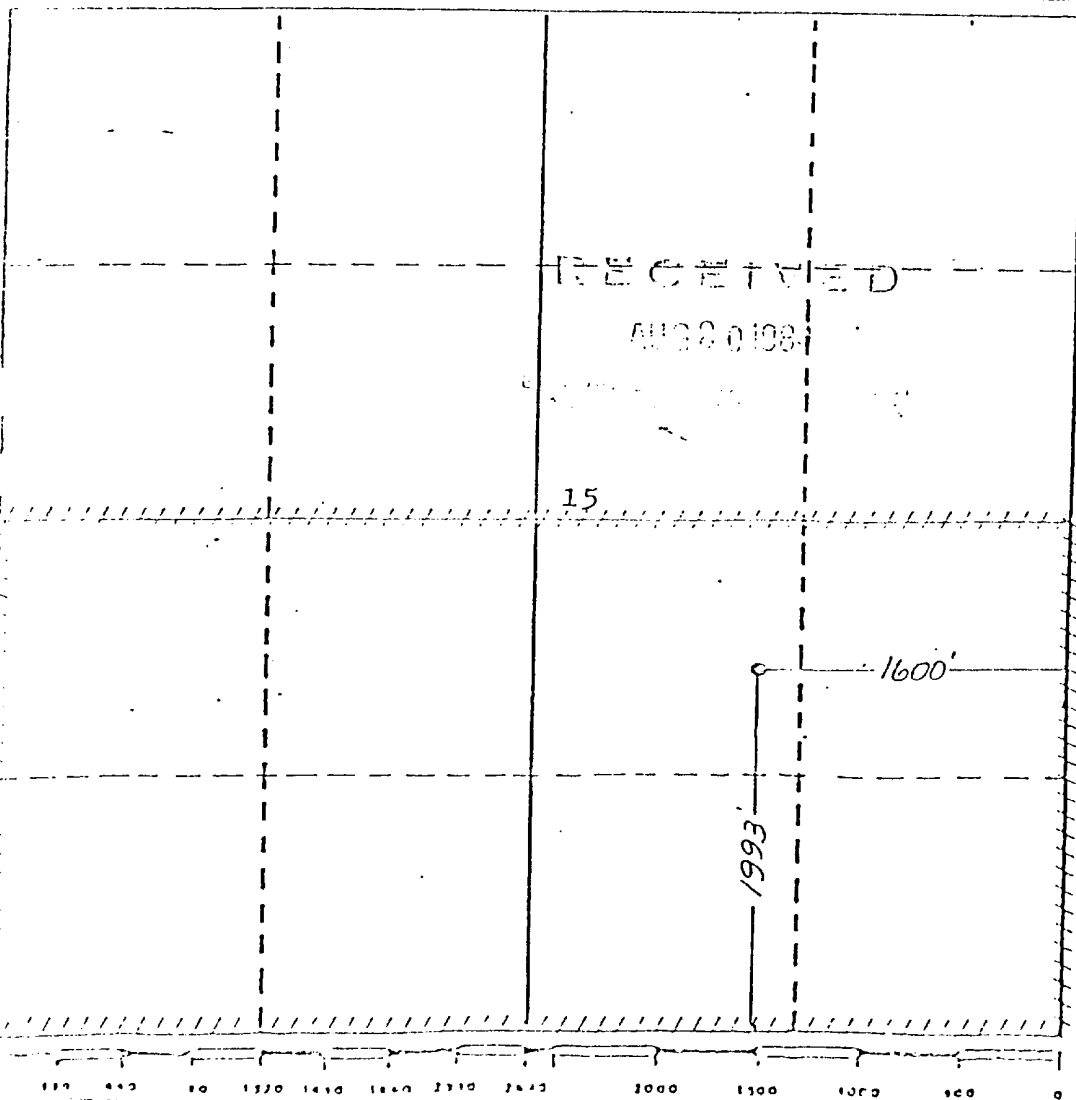
1993	feet from the SOUTH	line and	1600	feet from the EAST	line
Ground Level Elev. 6106	Producing Formation Mesa Verde	Pool Blanco Mesa Verde	Dedicated Acreage: 320		

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to well interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No . If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, force-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Barbara Rex
Name

Barbara Rex

Position

Production & Drilling T

Company

Consolidated Oil & Gas, Inc.

Date

7-30-84

I hereby certify that the well location is as shown on the plat and that the same is in accordance with the survey made by me and that the same is in accordance with the best of my knowledge and belief.



May 2, 1984

Registered Professional Engineer and/or Land Surveyor

Michael Daly

Certificate No.

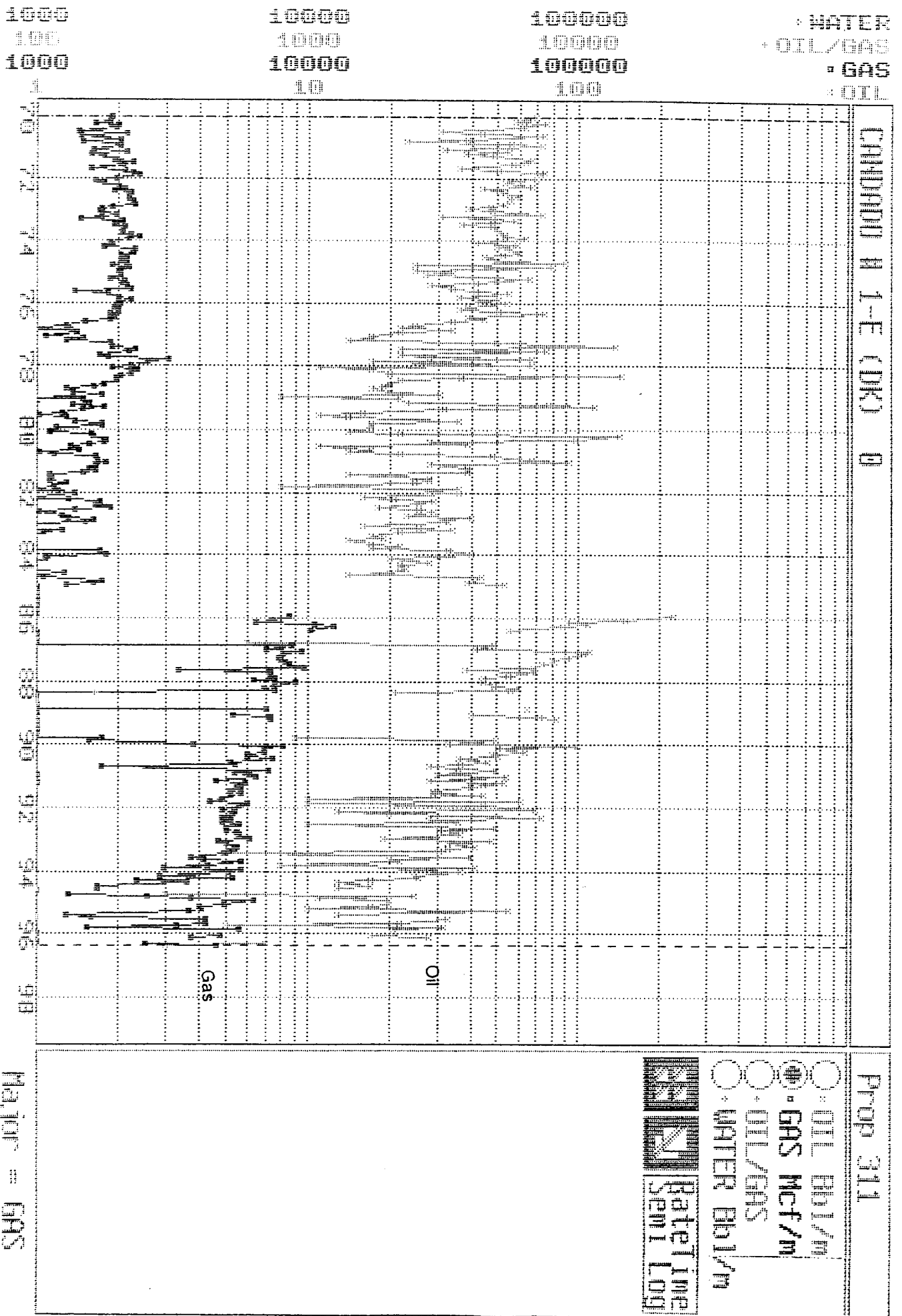
5992

Candado 1 E
Fixed Percentage Allocation Formula

Cumulative Production as of May 1997

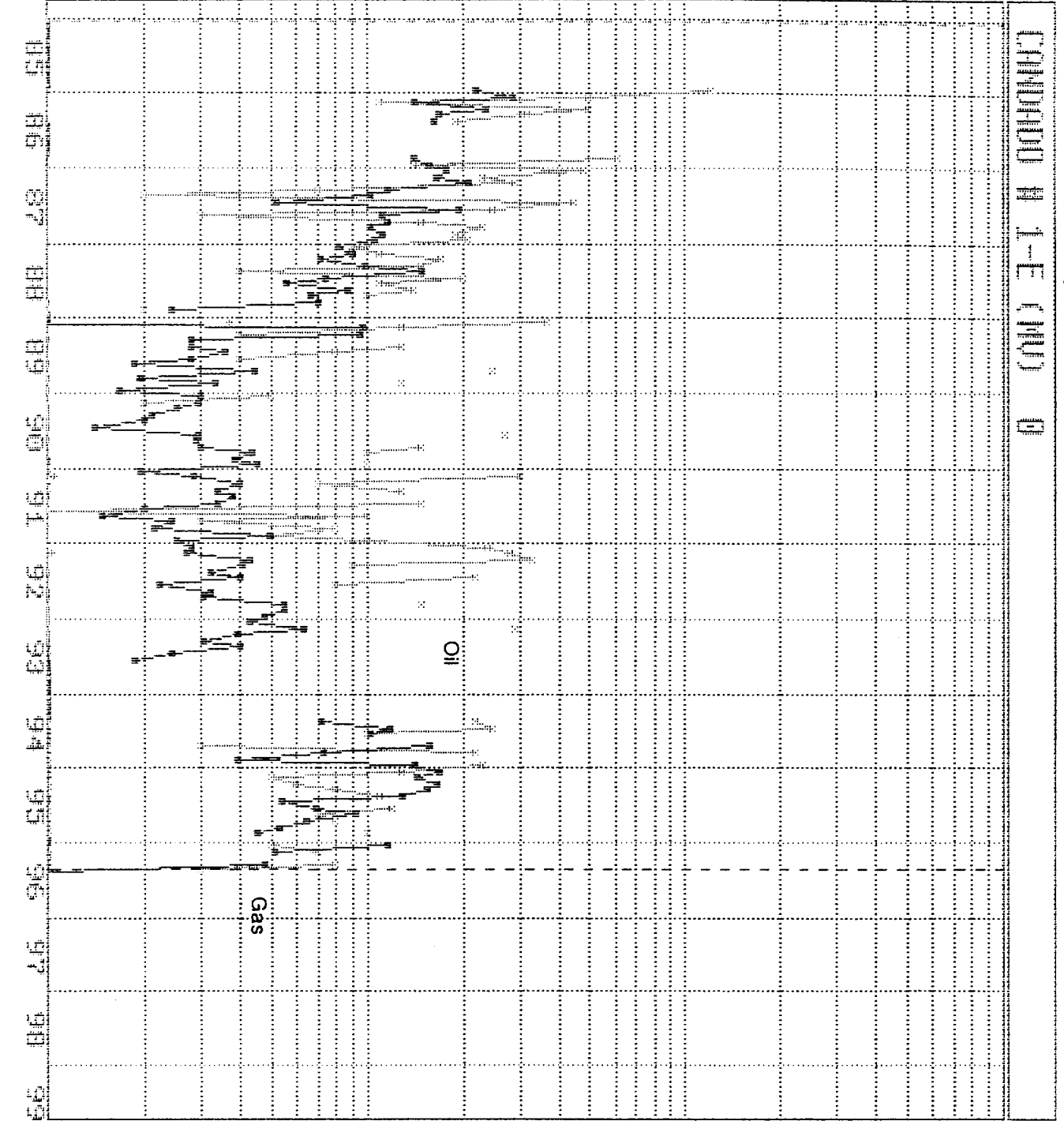
	<u>Oil (Barrels)</u>	<u>%</u>	<u>Gas (MCF)</u>	<u>%</u>
<u>Dakota Formation</u>	12132	89.5	921673	92.0
<u>Mesaverde Formation</u>	1419	10.5	80285	8.0
<u>TOTAL</u>	13551	100.00	1001958	100.0

Candado 1E Dakota



Candado 1E Mesaverde

1000 10000 100000 WATER
 100 1000 10000 OIL/GAS
 100 1000 10000 GAS
 1 10 100 OIL

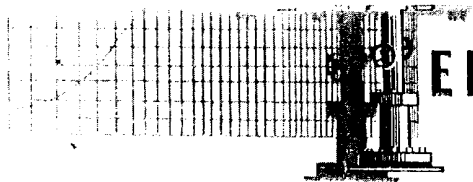


Prop 1202

- ☐ OIL Bbl/m
- ☒ GAS Mcf/m
- ☐ OIL/GAS
- ☐ WATER Bbl/m

RateTime
Semi Log

Major = GAS



TEFTELLER, INC.

reservoir engineering data

MIDLAND, TEXAS / FARMINGTON, NEW MEXICO
GRAND JUNCTION, COLORADO

P. O. Box 5278
Midland, Texas 79704-5278
(915) 694-0477

Midland Fax (915) 694-7602
Farmington Fax (505) 325-1148
Grand Junction Fax (970) 241-7634

April 28, 1987

Chateau Oil & Gas, Inc.
5802 Highway 64
Farmington, NM 87401

Attn: Mr. Jerry Nelson

Subject: Bottomhole Pressure Measurements
Canado No. 1-E
Dakota and Mesa Verde Formations
Rio Arriba County, New Mexico
Our File No. 2-30026-P

Dear Mr. Nelson:

Attached hereto are the results of a bottomhole pressure measurement which was made on the above captioned well (two formations) on April 25, 1997.

The data presented are in tabular and graphical form.

It has been our pleasure to have conducted this service for you. If we may be of further assistance, please call us at any time.

Respectfully submitted,

TEFTELLER, INC.

Neil Tefeller

NT/lw

Serving the Permian Basin & Rocky Mountain Area



Page 1 of 2
File 2-30026-P

MIDLAND, TEXAS

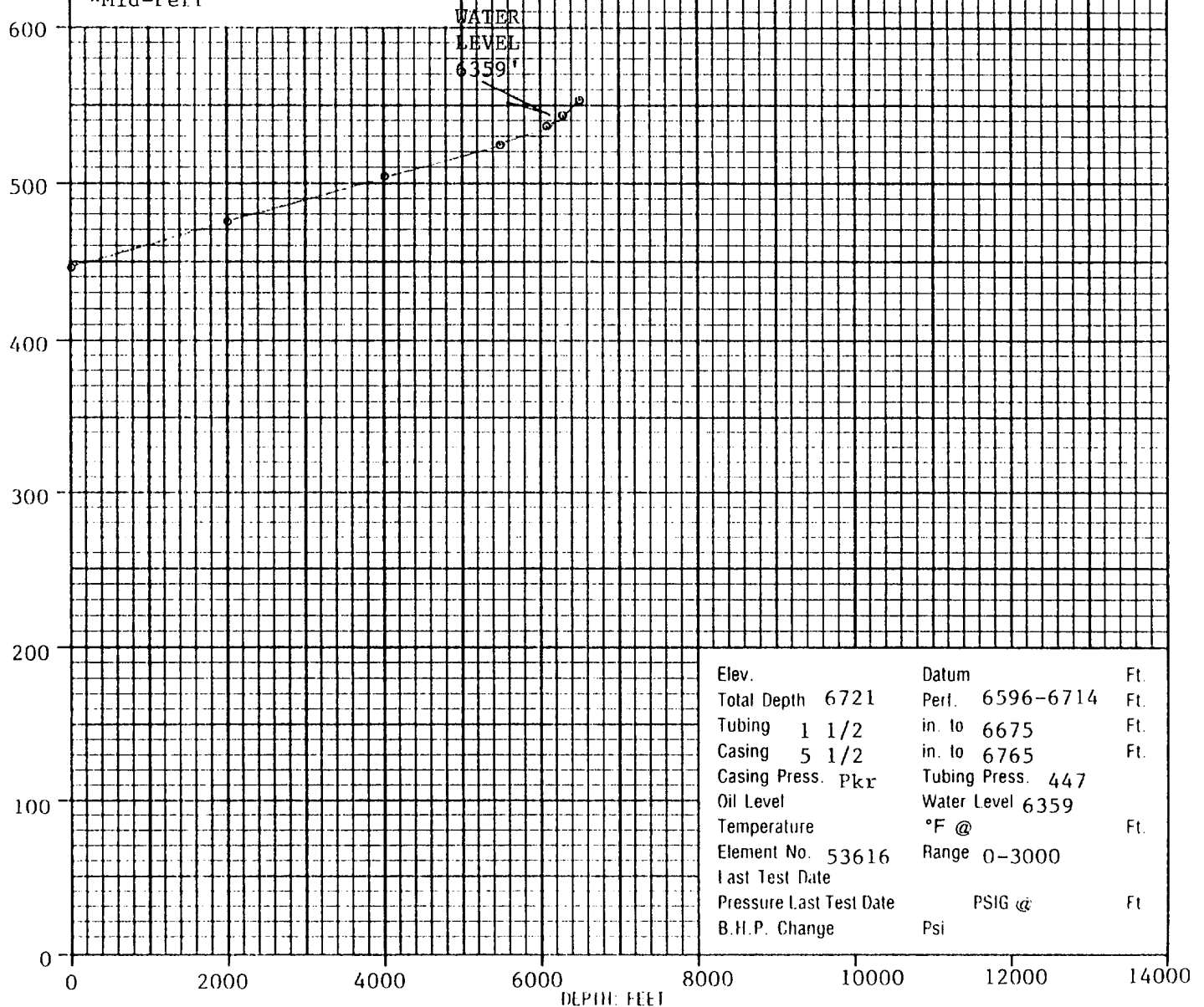
Company Chateau Oil & Gas, Inc. Lease Canado Well No. 1-E
Field _____ County Rio Arriba State New Mexico
Formation Dakota Test Date April 25, 1997

Status of Well Shut in

DEPTH	PRESSURE	GRADIENT
Feet	Psig	Psi/Ft.
0	447	
2000	474	0.014
4000	504	0.015
5500	525	0.014
6100	536	0.018
6300	542	0.030
6500	605	0.315
6600*	649	0.440

*Mid-Perf

PRESSURE POUNDS PER SQUARE INCH GAUGE



Elev.	Datum	Ft.
Total Depth 6721	Perf. 6596-6714	Ft.
Tubing 1 1/2	in. to 6675	Ft.
Casing 5 1/2	in. to 6765	Ft.
Casing Press. Pkr	Tubing Press. 447	
Oil Level	Water Level 6359	
Temperature	°F @	Ft.
Element No. 53616	Range 0-3000	
Last Test Date		
Pressure Last Test Date	PSIG @	Ft.
B.H.P. Change	Psi	

DEPTH: FEET

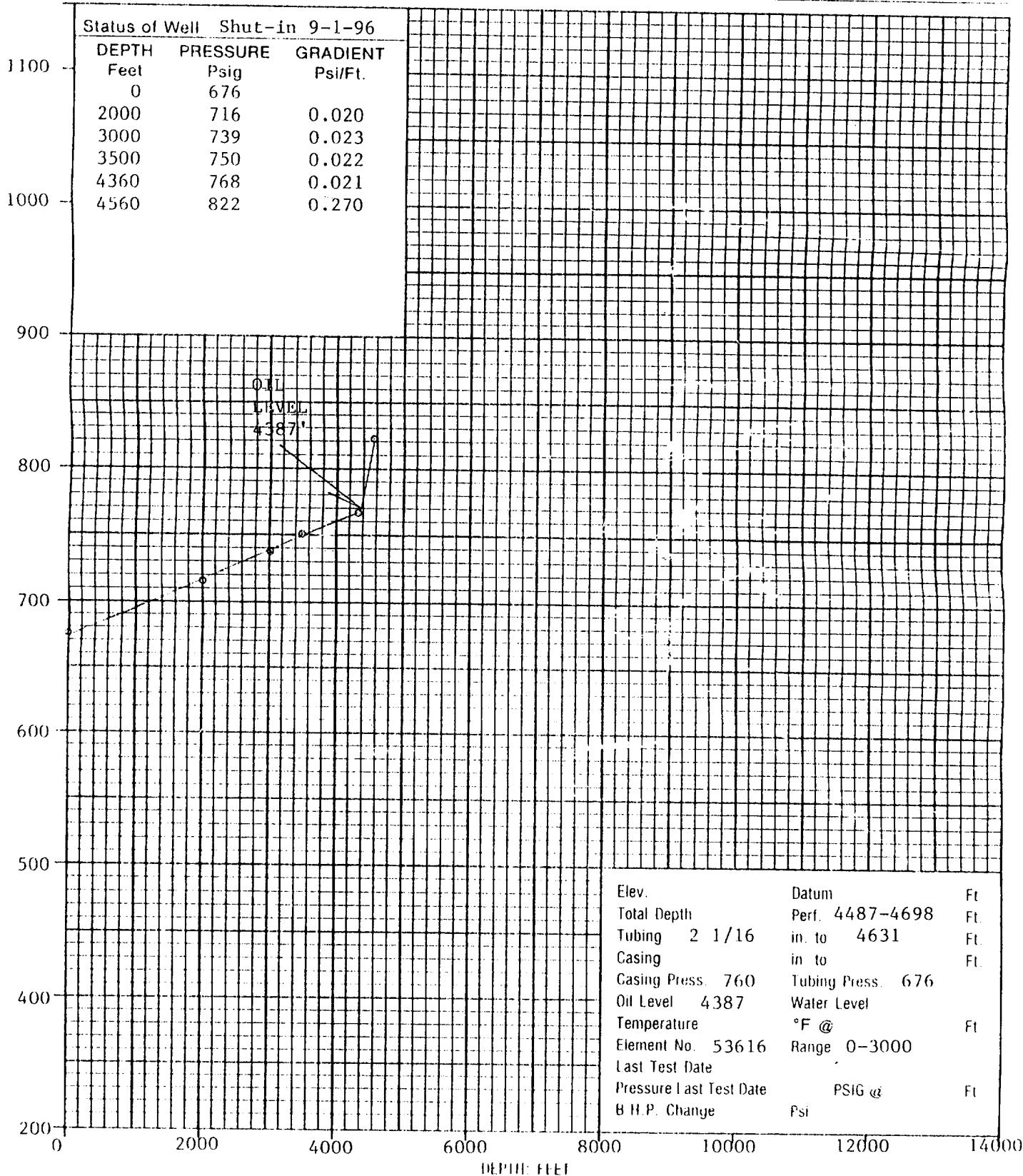


Company Chateau Oil & Gas, Inc. Lease Canado Well No. 1-E
Field _____ County Rio Arriba State New Mexico
Formation Mesa Verde Test Date April 25, 1997

Status of Well Shut-in 9-1-96

DEPTH	PRESSURE	GRADIENT
Feet	Psig	Psi/Ft.
0	676	
2000	716	0.020
3000	739	0.023
3500	750	0.022
4360	768	0.021
4560	822	0.270

PRESSURE POUNDS PER SQUARE INCH GAUGE



UNICHEM INTERNATIONAL

1215 Basin Road

P.O. Box 421

FARMINGTON, N.M. 87401

COMPANY: COLUMBUS ENERGY

DATE: 4-9-86

FIELD, LEASE AND WELL: CANDADO 1E MESA VERDE

SAMPLING POINT: WELLHEAD

DATE SAMPLED: 3-27-86

SPECIFIC GRAVITY: 1.009

TOTAL DISSOLVED SOLIDS: 14,335

PH = 7.04

		ME/L	MG/L
CATIONS			
CALCIUM	(CA)+2	5.6	112.0
MAGNESIUM	(MG)+2	4.4	53.4
SODIUM	(NA), CALC.	221.0	5101.0

ANIONS			
BICARBONATE	(C3)-1	13.4	817.0
CARBONATE	(CO3)-2		
HYDROXIDE	(OH)-1		
SULFATE	(SO4)-2	38.5	1850.0
CHLORIDES	(CL)-1	180.0	6400.0

DISSOLVED GASES			
CARBON DIOXIDE	(CO2)		
HYDROGEN SULFIDE	(H2S)		
OXYGEN	(O2)		
IRON	(FE)		61.0
BARIUM	(BA)+2		0.2
MANGANESE	(MN)		
IONIC STRENGTH = 0.26			
SCALING INDEX		TEMP	
		86° F 30° C	120° F 48.8° C
CARBONATE INDEX		-0.25	0.142
CALCIUM CARBONATE SCALING		UNLIKELY	LIKELY
SULFATE INDEX		-27.0	-28.0
CALCIUM SULFATE SCALING		UNLIKELY	UNLIKELY

UNICHEM INTERNATIONAL

1215 Basin Road

P.O. Box 421

FARMINGTON, N.M. 87401

COMPANY: COLUMBUS ENERGY

DATE: 4-9-86

FIELD, LEASE AND WELL: CANDADO 1E DAKOTA

SAMPLING POINT: WELLHEAD

DATE SAMPLED: 3-27-86

SPECIFIC GRAVITY: 1.009

TOTAL DISSOLVED SOLIDS: 15,092

PH = 7.95

		ME/L	MG/L
CATIONS			
CALCIUM	(CA)+2	1.6	32.0
MAGNESIUM	(MG)+2	2.4	29.1
SODIUM	(NA), CALC.	245.0	5632.0

		ME/L	MG/L
ANIONS			
BICARBONATE	(C)3)-1	21.0	1281.0
CARBONATE	(CO3)-2		
HYDROXIDE	(OH)-1		
SULFATE	(SO4)-2	0	0
CHLORIDES	(CL)-1	228.0	8100.0

DISSOLVED GASES

CARBON DIOXIDE	(CO2)	
HYDROGEN SULFIDE	(H2S)	
OXYGEN	(O2)	
IRON	(FE)	35.1
BARIUM	(BA)+2	0.25
MANGANESE	(MN)	17.3
IONIC STRENGTH = 0.255		

SCALING INDEX

CARBONATE INDEX	0.310
CALCIUM CARBONATE SCALING	LIKELY
SULFATE INDEX	-45.0
CALCIUM SULFATE SCALING	UNLIKELY

TEMP.
86°F 30°C
0.310
LIKELY
-45.0
UNLIKELY

120°F 48.8°C
0.711
LIKELY
-46.0
UNLIKELY

U N I C H E M I N T E R N A T I O N A L

1215 Basin Road

P.O. Box 421

FARMINGTON, N.M. 87401

COMPANY: COLUMBUS ENERGY

DATE: 4-9-86

FIELD, LEASE AND WELL: 50% CANDADO 1E MESA VERDE/50% CANDADO 1E DAKOTA

SAMPLING POINT: WELLHEAD

DATE SAMPLED: 3-27-86

SPECIFIC GRAVITY: 1.009

TOTAL DISSOLVED SOLIDS: 14,764

PH = 7.495

		ME/L	MG/L
CATIONS			
CALCIUM	(CA)+2	3.6	72.1
MAGNESIUM	(MG)+2	3.4	41.4
SODIUM	(NA), CALC.	233.0	5367.0

ANIONS			
BICARBONATE	(C)3)-1	17.2	1049.0
CARBONATE	(CO3)-2		
HYDROXIDE	(OH)-1		
SULFATE	(SO4)-2	19.2	925.0
CHLORIDES	(CL)-1	204.0	7300.0

DISSOLVED GASES

CARBON DIOXIDE	(CO2)		
HYDROGEN SULFIDE	(H2S)		
OXYGEN	(O2)		
IRON	(FE)		48.0
BARIUM	(BA)+2	0.12	8.7
MANGANESE	(MN)		
IONIC STRENGTH 0.258			

	TEMP.	
SCALING INDEX	86°F 30°C	120°F 48.8°C
CARBONATE INDEX	0.115	0.517
CALCIUM CARBONATE SCALING	LIKELY	LIKELY
SULFATE INDEX	-36.0	-36.0
CALCIUM SULFATE SCALING	UNLIKELY	UNLIKELY

Candado 1E Offset Operators

Universal Resources
2601 N.W. Expwy, Suite 700E
Oklahoma City, OK 73112

Sec 9-26N-7W Dakota
Sec 10-26N-7W Dakota

Central Resources
2200 Hwy 64
Farmington, NM 87401

Sec 9-26N-7W Mesaverde
Sec 10-26N-7W Mesaverde

UNOCAL
P.O. Box 850
Bloomfield, NM 87413

Sec 11-26N-7W Dakota and Mesaverde

Caulkins Oil Co.
2001 E. Blanco
Bloomfield, NM 87413

Sec 14-26N-7W Dakota and Mesaverde

Hamilton WB Est.
Hamilton Bldg. Suite 710
Wichita Falls, TX 76301

Sec 16-26N-7W Dakota

Chateau Oil and Gas, Inc.

Sec 22-16N-7W Dakota and Mesaverde

Chateau Oil and Gas, Inc.

June 12, 1997

Universal Resources
2601 N.W. Expwy, Suite 700E
Oklahoma City, OK 73112

Re: **Waiver for Administrative Approval of Downhole Commingling for
Chateau Oil and Gas, Inc. Candado 1E, Basin Dakota & Blanco
Mesaverde Dual, 1993' FSL & 1600' FEL, Sec 15, T26N, R7W, Rio Arriba
County, New Mexico**

Gentlemen:

Chateau Oil and Gas, Inc. is applying to the New Mexico Oil Conservation Division, as outlined in the NMOCD Rule 303C, for administrative approval to commingle production from the Dakota and Mesaverde zones in the subject well. These zones have already been approved by the Commission for downhole commingling in the adjacent section to the south under Administrative Order No. DHC-610 on May 12, 1986. We are therefore notifying your office of our intent to commingle the same zones in the referenced well, and would like you to sign and return one copy of the Waiver of Objection in each of the self addressed envelopes.

Please mail the waivers to William J. LeMay, New Mexico Oil Conservation Division, 2040 S. Pacheco, Santa Fe, New Mexico 87505-6249 and John V. Peters, Chateau Oil and Gas, Inc., 5950 Berkshire Lane, Dallas, Texas 75225.

If you have any questions concerning this request, please contact John V. Peters at 214-891-3370.

Sincerely,

CHATEAU OIL AND GAS, INC.



John V. Peters
Vice President - Operations

JVP/jp

Enclosures

cc: N.M. Conservation Division, Santa Fe
N.M. Conservation Division, Aztec
BLM, Farmington

Chateau Oil and Gas, Inc.

June 12, 1997

Central Resources
2200 Hwy 64
Farmington, NM 87401

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Chateau Oil and Gas, Inc. Candado 1E, Basin Dakota & Blanco
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John V. Peters
Vice President - Operations

JVP/jp

Enclosures

cc: N.M. Conservation Division, Santa Fe
N.M. Conservation Division, Aztec
BLM, Farmington

Chateau Oil and Gas, Inc.

June 12, 1997

UNOCAL
P.O. Box 850
Bloomfield, NM 87413

Re: **Waiver for Administrative Approval of Downhole Commingling for
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Vice President - Operations

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BLM, Farmington

Chateau Oil and Gas, Inc.

June 12, 1997

Caulkins Oil Co.
2001 E. Blanco
Bloomfield, NM 87413

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John V. Peters
Vice President - Operations

JVP/jp

Enclosures

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N.M. Conservation Division, Aztec
BLM, Farmington

Chateau Oil and Gas, Inc.

June 12, 1997

Hamilton WB Est.
Hamilton Bldg. Suite 710
Wichita Falls, TX 76301

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John V. Peters
Vice President - Operations

JVP/jp

Enclosures

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N.M. Conservation Division, Aztec
BLM, Farmington

Candado 1E

Working Interest Owners - Mesaverde

Chateau Energy, Inc.
5950 Berkshire Lane, Suite 275
Dallas, TX 75225

Hugoton Energy Corp.
Mr. Randy Click
301 N. Main, Suite 1900
Wichita, KS 67202

Albert K. Levine
10-46 Utopia Parkway
Whitestone, NY 11357

Beatrice D. Rubin
Century Village West
Exeter A, Apt 1007
Boca Raton, FL 33434

Segal Oil & Gas, Inc.
Attn: Mr. Andrew Segal
6 Peter Copper Road #11E
New York, NY 10010

Royalty Owners - Mesaverde

Jim C. Sharpe
105A West Hickory
Denton, TX 76201

American West Gas - 1993 LLC
P.O. Box 1020
Morrison, CO 80465

Tipperary Oil & Gas Corp.
633 Seventeenth St Ste 1550
Denver, CO 80202

R.K.C., Inc.
c/o Richard F. Kral
1527 Hillside Road
Fairfield, CT 64300

Minerals Management Service
Royalty Management Program
P.O. Box 5810
Denver, CO 80217-5810

Central Resources, Inc.
1775 Sherman Street
2600 Mellon Center
Denver, CO 80203-4313

Petrox Consulting, Inc.
39868 Highway 13
Meeker, CO 81641

Melody Locke Evans
3569 Foothill Road
Santa Barbara, CA 93105

George A. Locke
2740 Belmont Canyon Road
Belmont, CA 94002

Condado 1E

Working Interest Owners - Dakota

Chateau Oil And Gas, Inc.
5950 Berkshire Lane, Suite 275
Dallas, TX 75225

Chateau Energy, Inc.
5950 Berkshire Lane, Suite 275
Dallas, TX 75225

Hugoton Energy Corp.
Mr. Randy Click
301 N. Main, Suite 1900
Wichita, KS 67202

Albert K Levine
10-46 Utopia Parkway
Whitestone, NY 11357

Beatrice D. Rubin
Century Village West
Exeter A, Apt 1007
Boca Raton, FL 33434

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Belmont, CA 94002

Chateau Oil and Gas, Inc.

June 12, 1997

Working Interest and Royalty Owners

**Re: Administrative Approval of Downhole Commingling for
Chateau Oil and Gas, Inc. Candado 1E, Basin Dakota & Blanco
Mesaverde Dual, 1993' FSL & 1600' FEL, Sec 15, T26N, R7W, Rio Arriba
County, New Mexico**

Gentlemen:

Chateau Oil and Gas, Inc. is applying to the New Mexico Oil Conservation Division, as outlined in the NMOCD Rule 303C, for administrative commingle of the Dakota and Mesaverde zones in the subject well. These zones have already been approved by the Commission for downhole commingling in the adjacent section to the south under Administrative Order No. DHC-610 on May 12, 1986. We are therefore notifying you of our intent to commingle the same zones in the referenced well. Enclosed for your information is a copy of the Application for Downhole Commingling Form C-107-A. Shown on the Form is the Fixed Percentage Allocation Formula -% for each zone which has been calculated based on the historical cumulative production.

If you have any objection to this application, you may contact John V. Peters at Chateau Oil and Gas, Inc., 5950 Berkshire Lane, Dallas, Texas 75225. You may also contact Mr. William J. LeMay at the New Mexico Oil Conservation Division, 2040 S. Pacheco, Santa Fe, New Mexico 87505-6249.

If you have any questions concerning this request, please contact John V. Peters at 214-891-3370.

Sincerely,

CHATEAU OIL AND GAS, INC.



John V. Peters
Vice President - Operations

JVP/jp

Enclosures

cc: N.M. Conservation Division, Santa Fe
N.M. Conservation Division, Aztec
BLM, Farmington