



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington District Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

July 3, 1997

IN REPLY REFER TO:
SF-078384 (WF)
3162.7-3 (07400)

Mr. Chester L. Deal
Superintendent
Chateau Oil & Gas, Inc.
5802 Highway 64
Farmington, NM 87401

Post-It® Fax Note	7671	Date	7/9	# of pages	5
To	ERNE BUSCH	From	C. DEAL		
Co./Dept.	NMOC D	Co.	CHATEAU OIL & GAS		
Phone #		Phone #			
Fax #	334-6170	Fax #	632-3031		

RE: Downhole Commingling Application
No. 2E Con Hale
M Section 15, T. 26 N., R. 8 W.
San Juan County, New Mexico

Dear Mr. Deal:

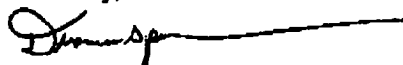
We have reviewed your application for downhole commingling of the Basin Dakota and Gallup formations in the referenced well. The measured bottom hole pressures are 591 psig for the Gallup and 718 psig for the Dakota. Estimated ultimate recovery for each formation are 391696 Mcf and 7461 BO for the Gallup and 285709 Mcf and 2857 BO for the Dakota. Using these values, the fixed allocation for each formation has been determined as shown in the table below.

FORMATION	GAS PRODUCTION	OIL PRODUCTION
GALLUP	58%	72%
DAKOTA	42%	28%

Approval to downhole commingle the Gallup and Dakota formations for the above referenced well is hereby granted.

If you have further questions regarding this matter, please contact Brian W. Davis at (505) 599-6367.

Sincerely,


Duane W. Spencer
Team Leader, Petroleum Management

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OIL CON. DIV.
DIST. 3

BLM CONDITIONS OF APPROVALOperator Chateau Oil & Gas, Inc.Well Name 2E Con HaleLegal Location 1040' FSL/ 884' FWLSec. 15, T. 26 N, R. 8 W.Lease Number SF-078384Field Inspection Date n/a

The following stipulations will apply to this well unless a particular Surface Managing Agency or private surface owner has supplied to the BLM and the operator a contradictory environmental stipulation. The failure of the operator to comply with these requirements may result in the assessments or penalties pursuant to 43 CFR 3163.1 or 3163.2. A copy of these conditions of approval shall be present on the location during construction, drilling and reclamation activity.

An agreement between operator and fee land owner will take precedence over BLM surface stipulations unless (In reference to 43 CFR Part 3160) 1) BLM determines that operator's actions will affect adjacent Federal or Indian surface, or 2) operator does not maintain well area and lease premises in a workmanlike manner with due regard for safety, conservation and appearance, or 3) no such agreement exists, or 4) in the event of well abandonment, minimal Federal restoration requirements will be required.

STANDARD STIPULATIONS FOR ALL WORKOVERS: All surface areas disturbed during workover activities and not in use for production activities, will be reseeded the first July-September period after the well has been put back into production. This should occur in the first 12 months after completion of workover activities.

SPECIAL STIPULATIONS FOR THIS SITE:

1. Pits will be fenced during work-over operation.
2. All disturbance will be kept on existing pad.
3. Empty and reclaim pit after work completed.

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