



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

ADMINISTRATIVE ORDER DHC-1607

Chateau Oil & Gas, Inc.  
5950 Berkshire Lane, Suite 275  
Dallas, Texas 75225

Attention: Mr. John V. Peters

Re: *Candado #1E*  
*Unit J, Section 15, Township 26 North, Range 7 West, NMPM,*  
*Rio Arriba County, New Mexico.*  
*Blanco-Mesaverde (Prorated Gas - 72319) and*  
*Basin-Dakota (Prorated Gas - 71599) Pools*

Dear Mr. Peters:

Reference is made to your recent application for an exception to Rule 303.A. of the Division Rules and Regulations to permit the above described well to commingle production from the subject pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303.C., and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the zones is hereby placed in abeyance.

The maximum amount of gas which may be produced daily from the well shall be determined by Division Rules and Regulations or by the gas allowable for each respective prorated pool as printed in the Division's San Juan Basin Gas Proration Schedule.

Assignment of allowable to the well and allocation of production from the well shall be on the following basis:

Blanco - Mesaverde Pool	Oil 11%	Gas 8%
Basin - Dakota Pool	Oil 89%	Gas 92%

REMARKS: The operator shall notify the Aztec District Office of the Division upon implementation of the commingling process.

*Administrative Order DHC-1607*

*Chateau Oil & Gas, Inc.*

*July 24, 1997*

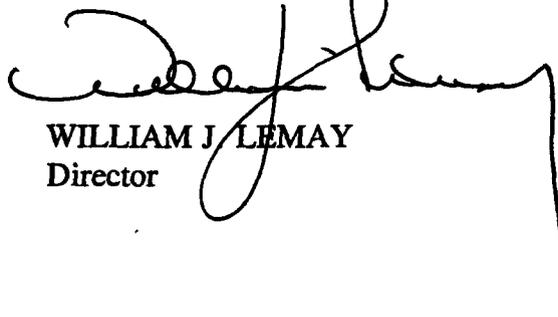
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Pursuant to Rule 303.H., the commingling authority granted herein may be rescinded by the Division Director if, in his opinion, conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 24th day of July, 1997.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY  
Director

S E A L

WJL/EB

cc: Oil Conservation Division - Aztec  
Bureau of Land Management - Farmington