



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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

IN REPLY REFER TO:
Candado 1
3162.7 (07100)

Mr. J.C Ridens
Cordillera Energy, Inc.
5802 Highway 64
Farmington, NM 87401



January 7, 2002

RE: Candado - Accept downhole commingle applications & allocation factors

Dear Mr. Ridens:

The Candado 1 well was reviewed for downhole commingling of the Blanco Mesaverde and Basin Dakota formations. After reviewing the production history for this well, we concur with the allocation factors established for gas in your application. The effective date is the date that downhole commingling actually occurs. The well and the approved allocation factors are listed below.

Well Name	Lease	Location	API#	Formation Allocation	Formation Allocation
Candado 1	NMSF079160A	sec 15, T26N, R7W	3003906445	MV gas 6.6 % oil 0.2%	DK gas 93.4% oil 99.8%

If you have any questions, please contact Adrienne Garcia at (505) 599-6358 or the undersigned with this office at (505) 599-6367.

Sincerely,

/s/ Jim Lovato

Jim Lovato
Team Leader, Petroleum Management Team

cc: NMOCD, Santa Fe, NM
NMOCD, Aztec, NM

bcc: 1 well file
DOMR
07100:AGarcia:1/7/02:x6358Cordillera