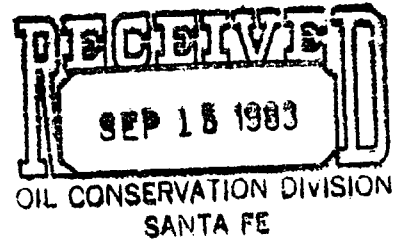


CHACE OIL COMPANY, INC.

313 Washington S.E.

Albuquerque, New Mexico 87108

(505) 266-5562



September 13, 1983

Mr. Joe D. Ramey, Director
Oil Conservation Division
State of New Mexico Energy and
Minerals Dept.
P.O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Please find your copy, or copies, of Chace Oil Company's application requesting authority for downhole commingling.

Neither of these wells has been spud in, however, we hope to begin drilling operations this week. Should you find that we need to supply any further information please advise.

Cordially,

CHACE OIL COMPANY

Ross Easterling
Landman

cc: Mr. F. T. Chavez
Oil Conservation Division
Aztec, N.M.

RE:gs

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION OF CHACE OIL COMPANY, INC.

FOR ADMINISTRATIVE APPROVAL OF DOWNHOLE COMMINGLING

September 8, 1983

The applicant, Chace Oil Company, Inc., desires to drill two development wells to the base of the Dakota formation and commingle oil and gas in the well bore of each. Commingled production will be from the Chacon Dakota associated pool and an undesignated Gallup member.

Each well is a direct offset to the Chace Oil Company, Inc. # 1-47-JV well which is commingled from the same zones by the authority of Oil Conservation Division order number DHC-388.

Chace Oil Company, Inc. requests administrative approval for downhole commingling in wells # 6-47-JV and # 7-47-JV.

The application is presented in the order that the requirements are outlined in the Oil Conservation Division's Rules and Regulations, dated March 1, 1982.

Rule: 303-C

Section I

(a) For wells involving oil zones:

1. Lowermost pool (estimated depths). Bbl/day limit

Base Dakota - Chacon Dakota	7500'	50
Base Greenhorn (under Gallup)	7180'	50

Neither of the zones above are expected to exceed the Bbl/day limit.

2. Each zone requires artificial lift. Neither is capable of flowing.
3. "Neither zone produces more water than the combined oil limit as determined in paragraph (1) above."
4. The fluids from each zone are similar and compatible. Fluids will not react with each other to cause damage in either reservoir.
5. The total value of the crude will not be reduced by commingling.

6. Ownership of each zone is common.

7. The commingling will not jeopardize the efficiency of any future secondary recovery operations.

Section 2, paragraphs A-J 'For approval of downhole commingling':

(a) Chace Oil Company, Inc.

313 Washington, S.E.

Albuquerque, New Mexico 87108

(b) Lease name: Jicarilla Tribal Contract # 47

Well number: 6-JV

Location: Section 12, Township 23 North, Range 4 West

Unit 'G' 1850' FNL & 1850' FEL, Elevation 7353 GL

Rio Arriba County, New Mexico

Lease name: Jicarilla Tribal Contract # 47

Well number: 7-JV

Location: Section 13, Township 23 North, Range 4 West

Unit 'A' 790' FNL & 790' FEL, Elevation 7385 GL

Rio Arriba County, New Mexico

Pools to be commingled:

Chacon Dakota, Undesignated Gallup

(c) Plat indicating location of # 1-47-JV well commingled under authority of Oil Conservation Division order number DHC-388. Plat also indicates location of wells subject to this application. Attached p. 4.

(d) Gas Oil Ratio Form C-116 to be submitted to the Oil Conservation Division no sooner than 20 days or later than 30 days of the completion of each well in accordance with the Oil Conservation Division's Rules and Regulations.

(e) A complete resume of the wells' completion histories including description of treating, testing, etc., of each zone, and a prognostication from each zone shall be submitted.

(f) Estimated Bottom Hole Pressure for each artificially lifted zone (PSIA).

Undesignated Gallup	2181
Chacon Dakota	2400

(g) Fluid Characteristics:

All zones produce oil of 40° - 45° gravity with little or no water.

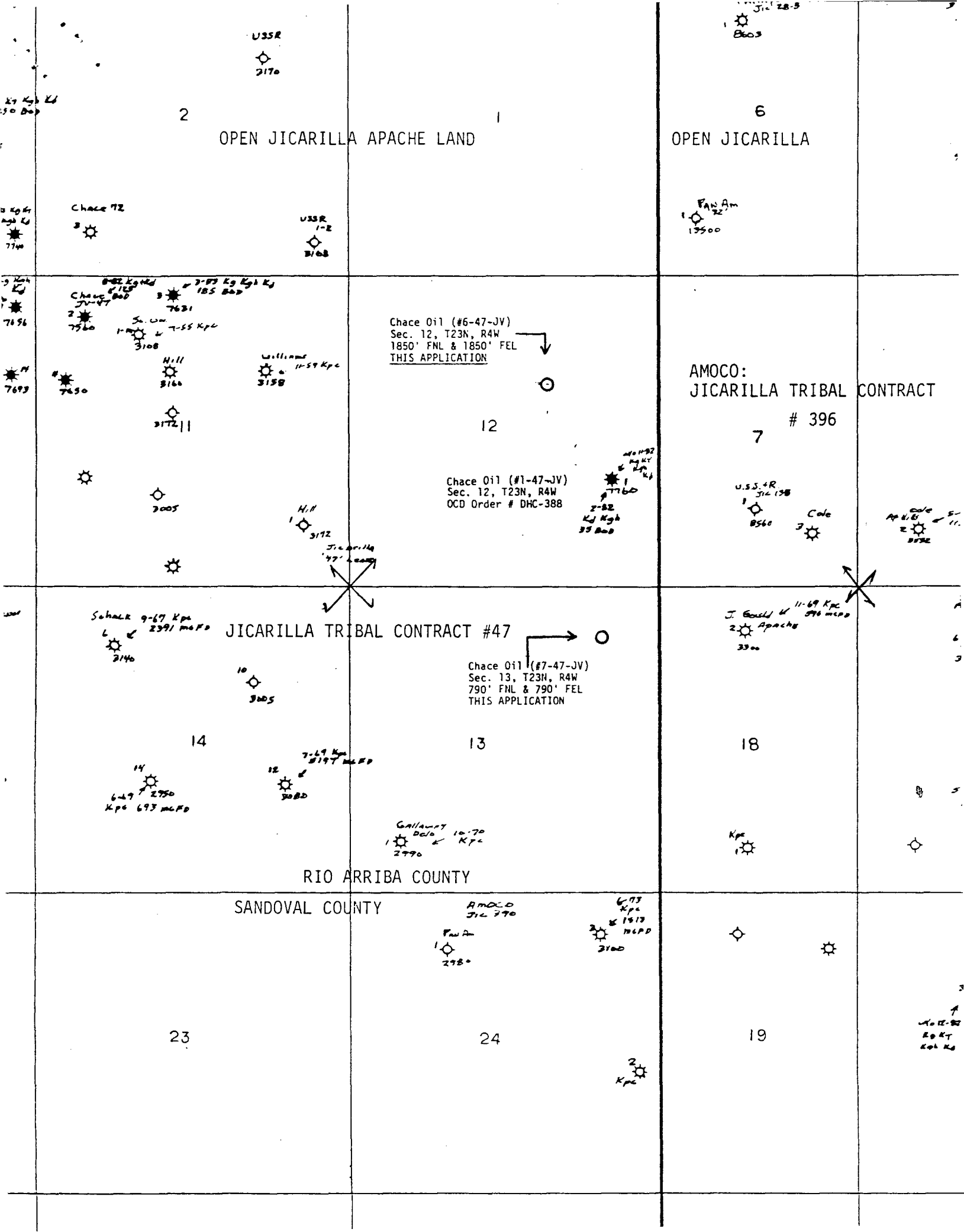
- (h) Individual production of each zone would not increase or decrease the value of the production. The price per barrel of oil is the same for each producing horizon.
- (i) Allocation of production for the offset to these wells has been determined to be:

	<u>Gallup</u>	<u>Dakota</u>
Oil	25%	75%
Gas	44%	56%

Chace will test and determine the production from each pool and submit an allocation of production formula within a time period specified by the Oil Conservation Division.

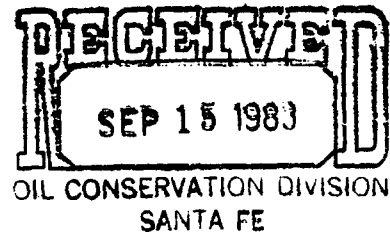
- (j) Notification of Proposed Commingling:

All offset operators have been notified by copy of Notification of Intent to Commingle Letter submitted to the Bureau of Land Management.



CHACE OIL COMPANY, INC.

313 Washington S.E.
Albuquerque, New Mexico 87108
(505) 266-5562



September 13, 1983

Amoco Production Company
Amoco Building
1670 Broadway
Denver, Colorado 80202

Attention: Bruce Carney

RE: Well # 6-47-JV
Section 12, Township 23 North, Range 4 West
Unit 'G' 1850' FNL & 1850 FEL, Elevation 7353 GL
Rio Arriba County, New Mexico


Well # 7-47-JV
Section 13, Township 23 North, Range 4 West
Unit 'A' 790' FNL & 790 FEL, Elevation 7385 GL
Rio Arriba County, New Mexico

Gentlemen:

This is to notify Amoco Production Company that Chace Oil Company, Inc. has applied for authority to commingle Chacon Dakota Production with an undesignated Gallup member in the well base of the above referenced wells.

Should Amoco have any questions regarding our application, please call.

Yours very truly,

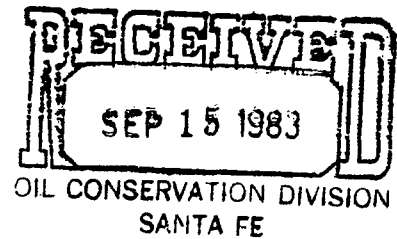

Ross Easterling
Landman

RE:gs



CHACE OIL COMPANY, INC.

313 Washington S.E.
Albuquerque, New Mexico 87108
(505) 266-5562



September 13, 1983

Mr. John S. Keller
U.S. Dept. of the Interior
Bureau of Land Management
P.O. Drawer 600
Farmington, New Mexico 87401

RE: Jicarilla Tribal Contract # 47
Well # 6-JV - Section 12, Township 23 North, Range 4 West
Unit 'G' 1850' FNL & 1850' FEL
Rio Arriba County, New Mexico

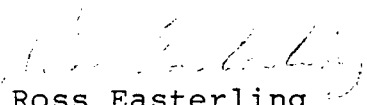
Gentlemen:

This is to notify the Bureau of Land Management that Chace Oil Company, Inc., has applied under the Oil Conservation Commission rule 303-C for authority to commingle Chacon Dakota production with an undesignated Gallup member in the above referenced well.

Chace will spud this well sometime during the week of September 12, 1983.

Yours very truly,

CHACE OIL COMPANY


Ross Easterling
Landman

RE:gs
Via Certified Mail



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

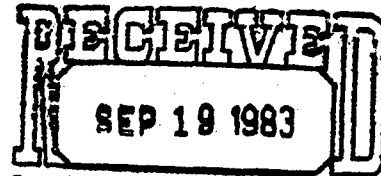
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

OIL CONSERVATION DIVISION
BOX 2088
SANTA FE, NEW MEXICO 87501

DATE

9-16-83



OIL CONSERVATION DIVISION
SANTA FE

RE: Proposed MC
Proposed DHC a
Proposed NSL
Proposed SWD
Proposed WFX
Proposed PMX

Gentlemen:

I have examined the application dated Sept. 15, 1983
for the Chaco Oil Co. Inc. Tract 47 #1617 G-12-A-13-220-9
Operator Lease and Well No. Unit, S-T-R

and my recommendations are as follows:

Approve. Require nothing of at least one year.

Yours truly,

3000.1. [Signature]