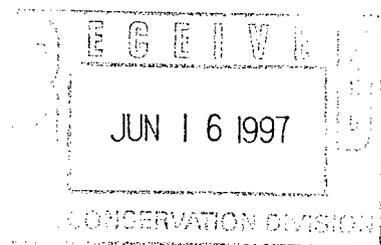


DHC 7/7/97

# Chateau Oil and Gas, Inc.

June 12, 1997

William J. LeMay  
New Mexico Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, New Mexico 87505-6429



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

Dear Mr. LeMay:

Chateau Oil and Gas, Inc. hereby requests authorization to downhole commingle the Basin Dakota and Blanco Mesaverde formations within the above referenced well. The gas streams are presently producing as a dual completion. Enclosed is the completed Form C-107-A along with the various supporting attachments.

We would like to allocate 92.0% of the gas and 89.5% of the oil to the Dakota formation; 8.0% of the gas and 10.5% of the oil to the Mesaverde formation, based on the cumulative production history. From December 1985 to May 1997 the Dakota has produced 921,673 MCF of gas and 12,132 barrels of oil. The Mesaverde has produced 80,285 MCF of gas and 1,419 barrels of oil.

The ownership, working interest, royalty and overriding royalty are the same for both zones but the percentages of ownership are different. All owners have been notified by certified letter of the proposed commingling and have been provided a copy of the Form C-107-A.

The tubing strings for both zones will be pulled. The Dakota zone will be re-perforated and acidized prior to running the production string back in the hole.

If you have any questions, please contact me at 214-891-3370.

Sincerely,

John V. Peters  
Vice President - Operations

cc: N.M. Oil Conservation Division, Aztec  
BLM, Farmington

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

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107-A  
New 3-12-96

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

OIL CONSERVATION DIVISION

2040 S. Pacheco  
Santa Fe, New Mexico 87505-6429

APPROVAL PROCESS:

Administrative  Hearing

DISTRICT III  
1000 Rio Brazos Rd, Aztec, NM 87410-1693

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE

YES  NO

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

Lease Candado Well No. 1E Unit Ltr. - Sec - Twp - Rge J 15-26N-7W County Rio Arriba

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 Oil Zones - Artificial Lift: Gas & Oil - Flowing: All Gas Zones: Estimated Current Measured Current Estimated Or Measured Original	a. (Current) 822 psi	a. -	a. 649 psi
	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)  * 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  * If Producing, give date and oil/gas/water rates of recent test (within 60 days)	yes	-	yes
	Date: 9/96 Rates: 12 Mcfpd	Date: - Rates: -	Date: - Rates: -
	Date: - Rates: -	Date: - Rates: -	Date: 6/5/97 Rates: .5 bopd 133 Mcfpd
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  No

11. 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  No

13. 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 *John V. Peters* TITLE Vice President DATE June 12, 1997

TYPE OR PRINT NAME John V. Peters TELEPHONE NO. ( 214 ) 891-3370



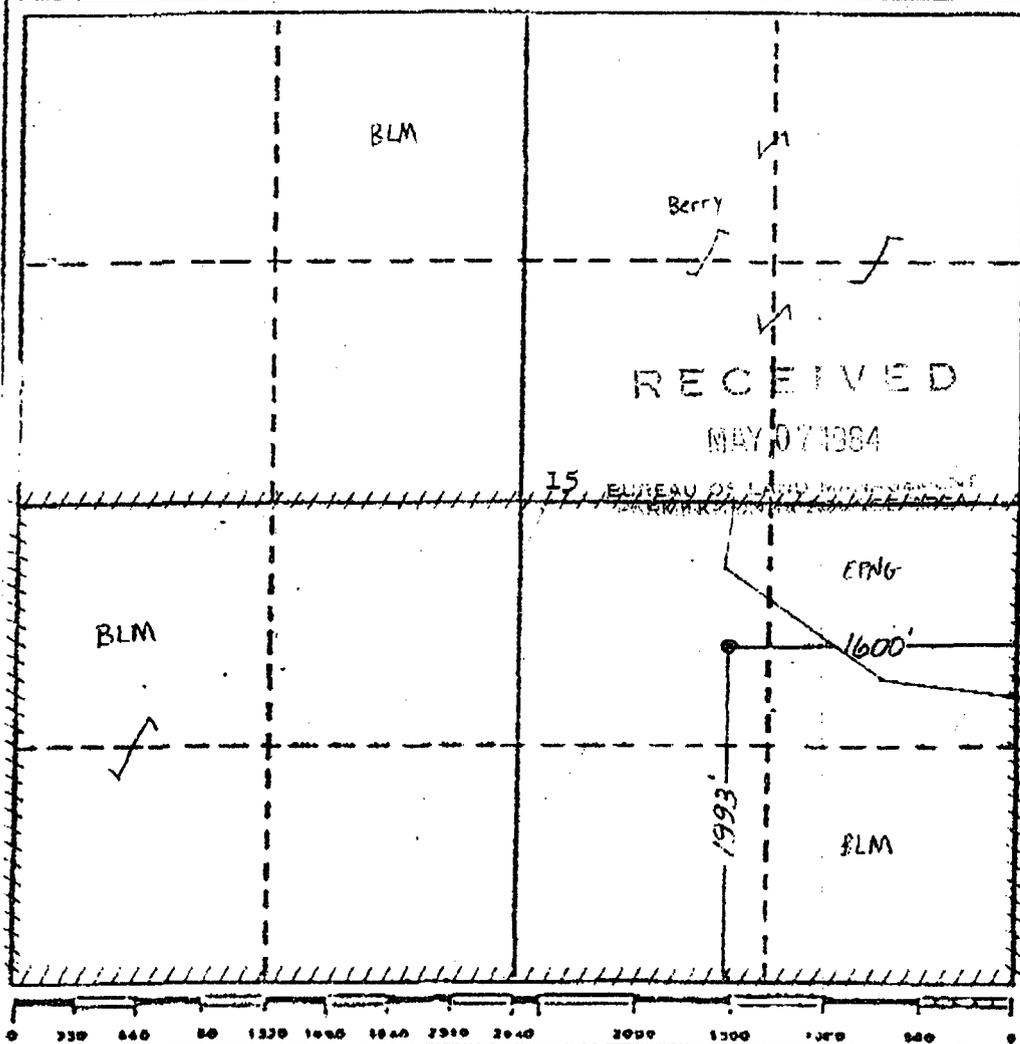
All distances must be from the outer boundaries of the Section.

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

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- 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.

*Barney Jones*  
Name  
**Barney Jones**

Position  
**Drilling Foreman**

Company  
**Consolidated Oil & Gas, Inc.**

Date  
**May 1, 1984**

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

*Michael Daly*  
Date Surveyed  
**May 2, 1984**

Registered Professional Engineer and/or Land Surveyor

**Michael Daly**

Certificate No.  
**5992**

Interests must be from the entire boundaries of 1 section.

CONSOLIDATED OIL & GAS, INC.			Lease CANDADO		Well No. 1E
Letter J	Section 15	Township 26 NORTH	Range 7 WEST	County RIO ARRIBA	

Actual Postage Location of Well:

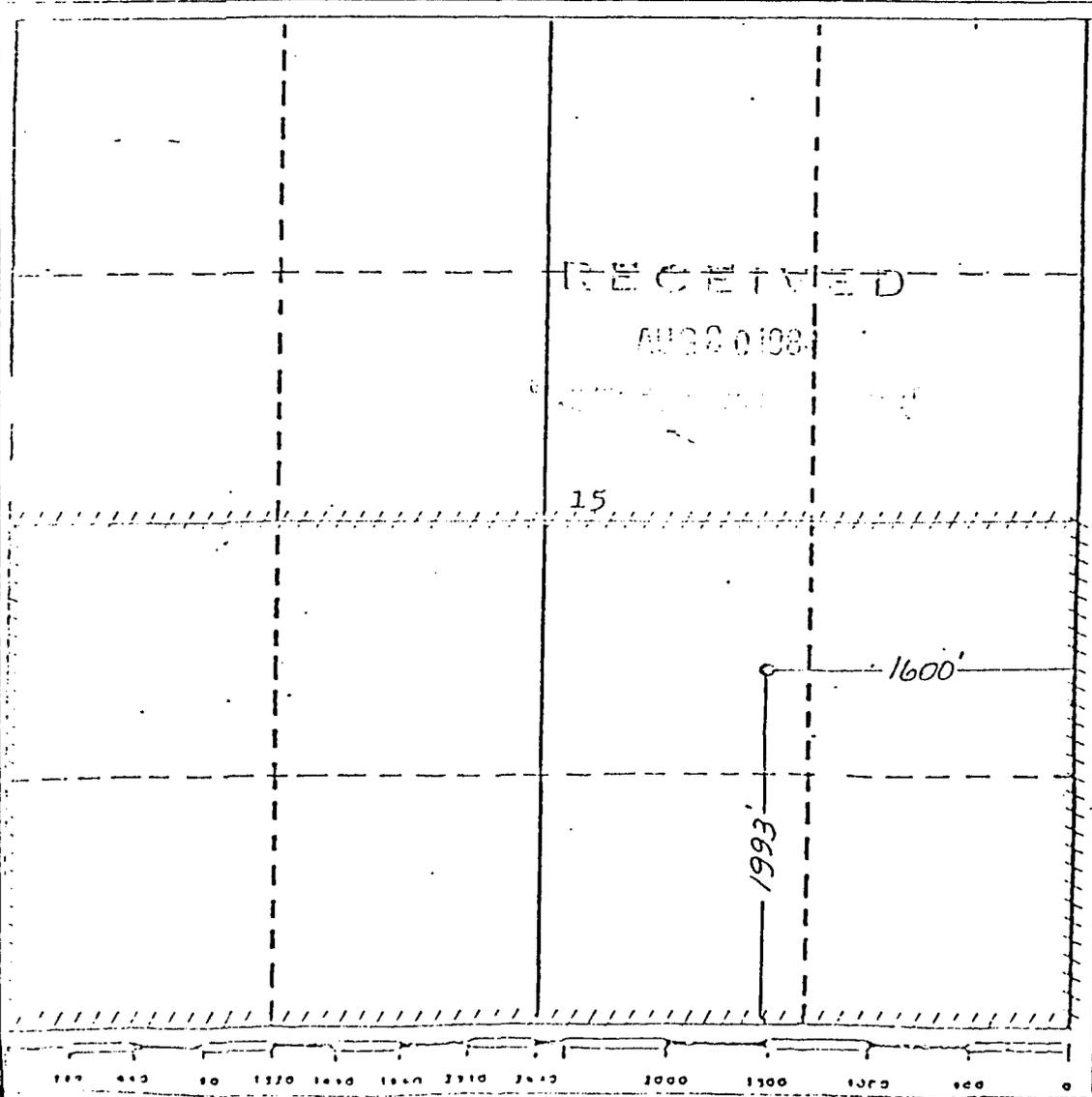
1993 feet from the SOUTH line and 1600 feet from the EAST line

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 hachure 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 Director.



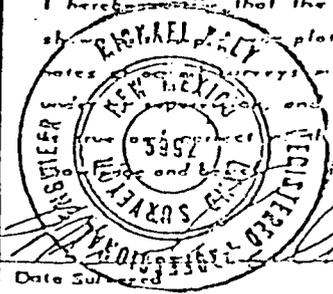
CERTIFICATION

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  
Company  
Consolidated Oil & Gas, Inc.  
Date  
7-30-84

I hereby certify that the well location plotted hereon is based on the notes and maps of surveys made by me and that the same are true and correct to the best of my knowledge and belief.

*Michael Daly*  
Date Surveyed  
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>
<b><u>Dakota Formation</u></b>	12132	89.5	921673	92.0
<b><u>Mesaverde Formation</u></b>	1419	10.5	80285	8.0
<b><u>TOTAL</u></b>	13551	100.00	1001958	100.0

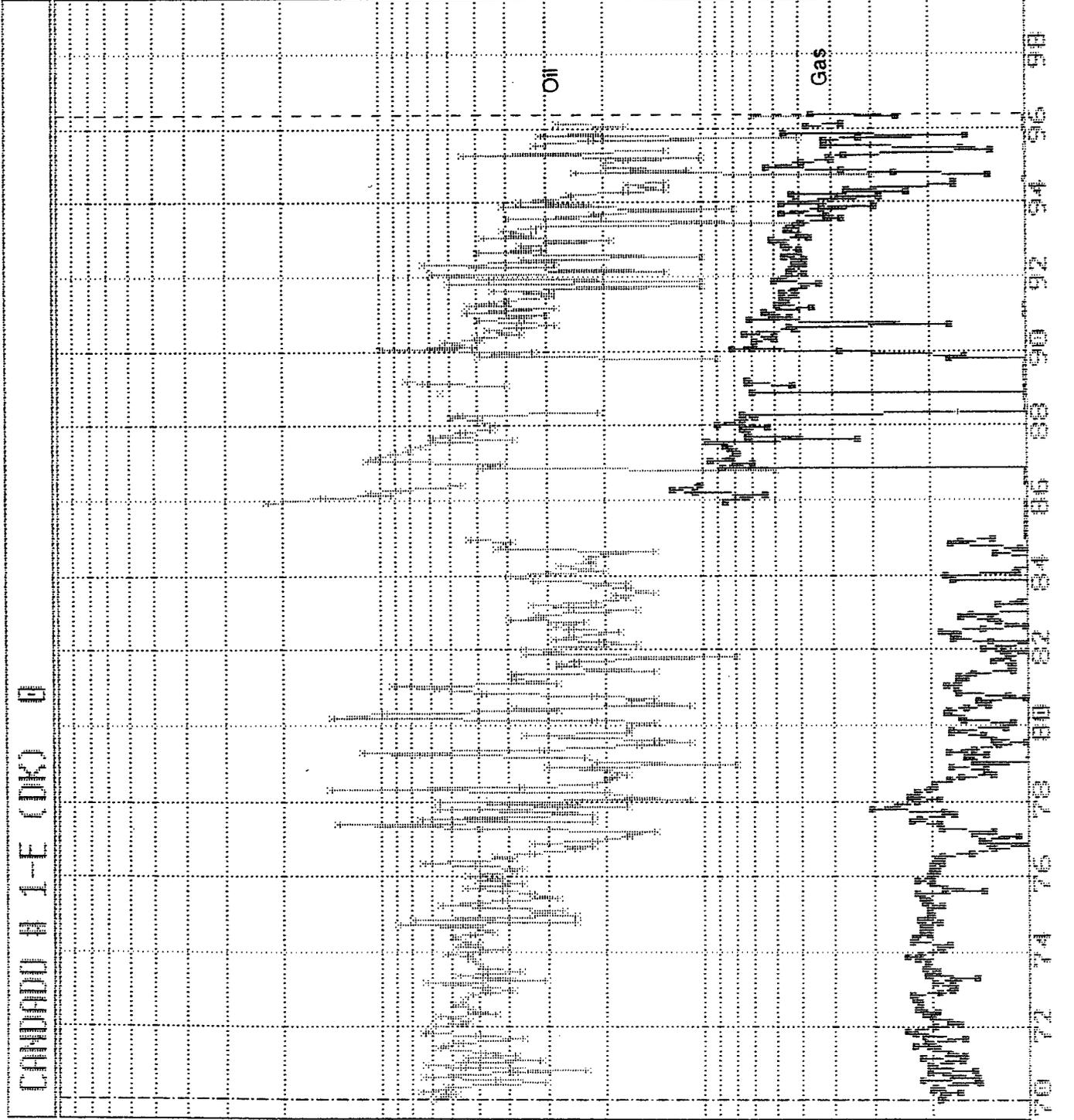
# Candado 1E Dakota

Prop 311

CANDADO H 1-E (DK) 0

- OIL Bbl/M
- GAS Mcf/M
- OIL/GAS
- WATER Bbl/M

RateTime  
Semi Log



Major = GAS

10000 100000  
1000 10000  
100 1000  
10 100

# Candado 1E Mesaverde

CANDADO H 1-E (MW) 0

• OIL  
• GAS  
• OIL/GAS  
• WATER

100000  
10000  
1000  
100

100000  
10000  
1000  
100

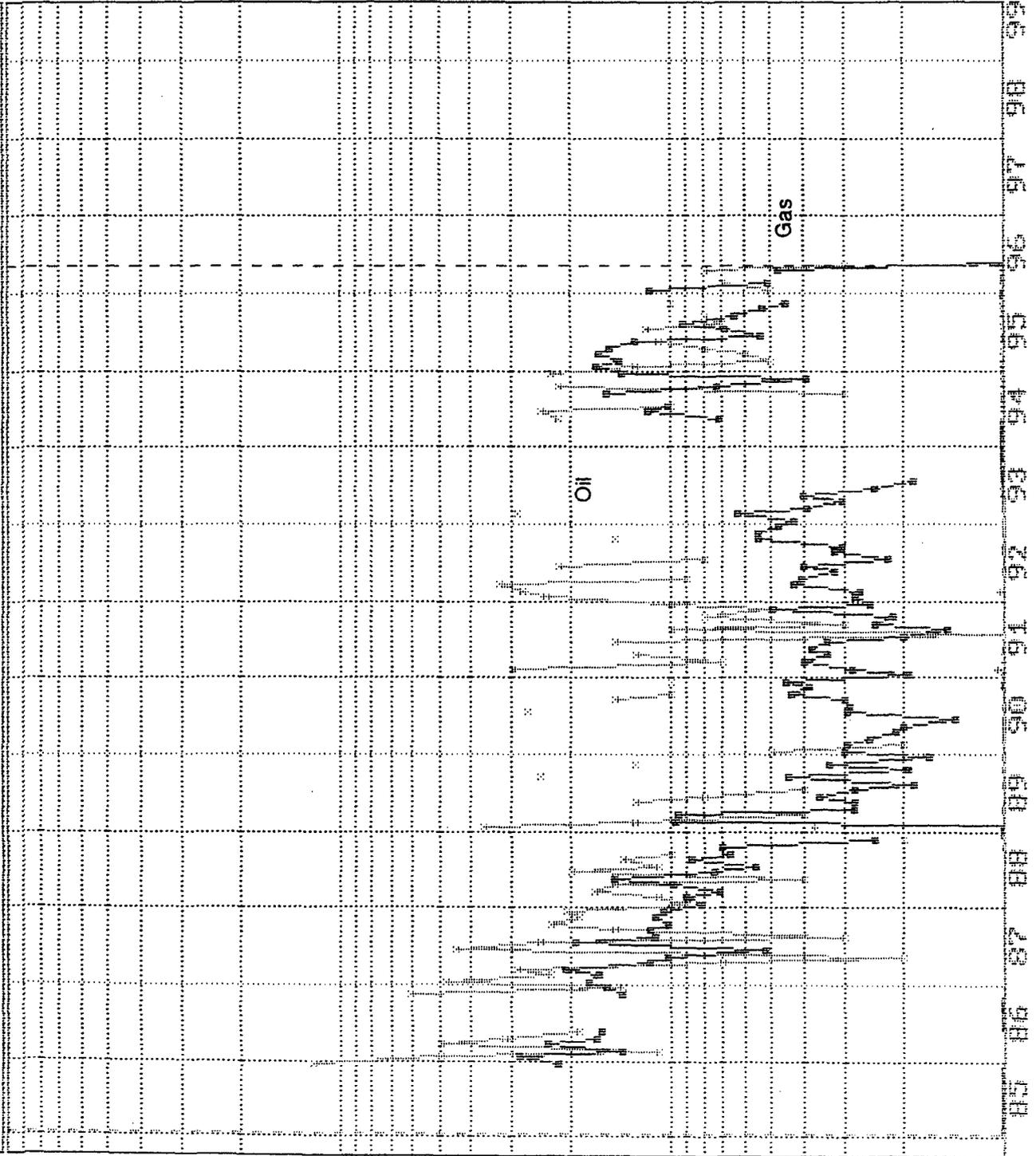
100000  
10000  
1000  
100

PROP 1202

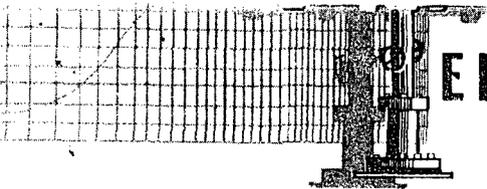
- OIL Bbl/m
- GAS Mcf/m
- OIL/GAS
- WATER Bbl/m



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 Tefteller

NT/lw



MIDLAND, TEXAS

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

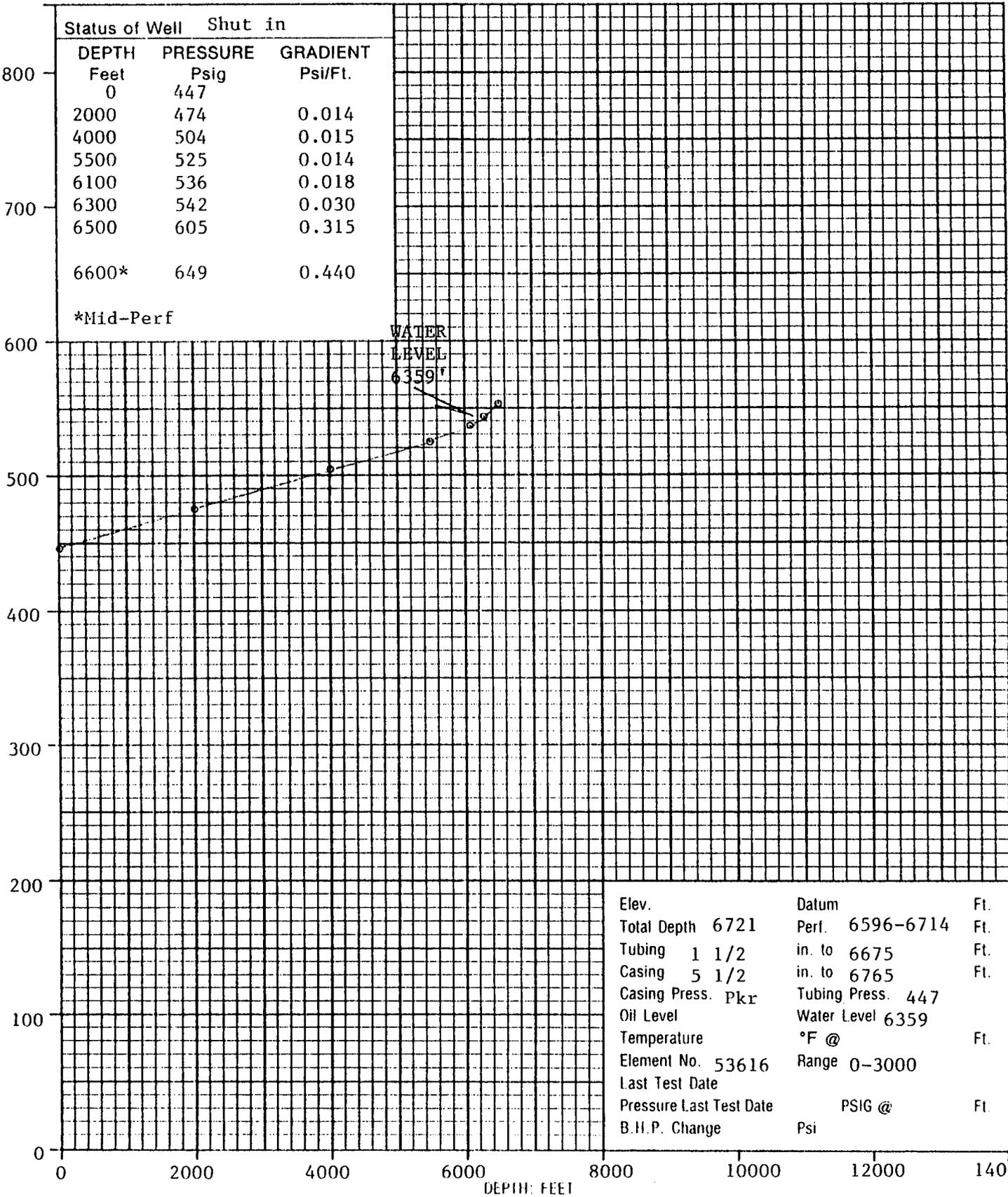
Status of Well Shut in

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

WATER  
LEVEL  
6359'



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	

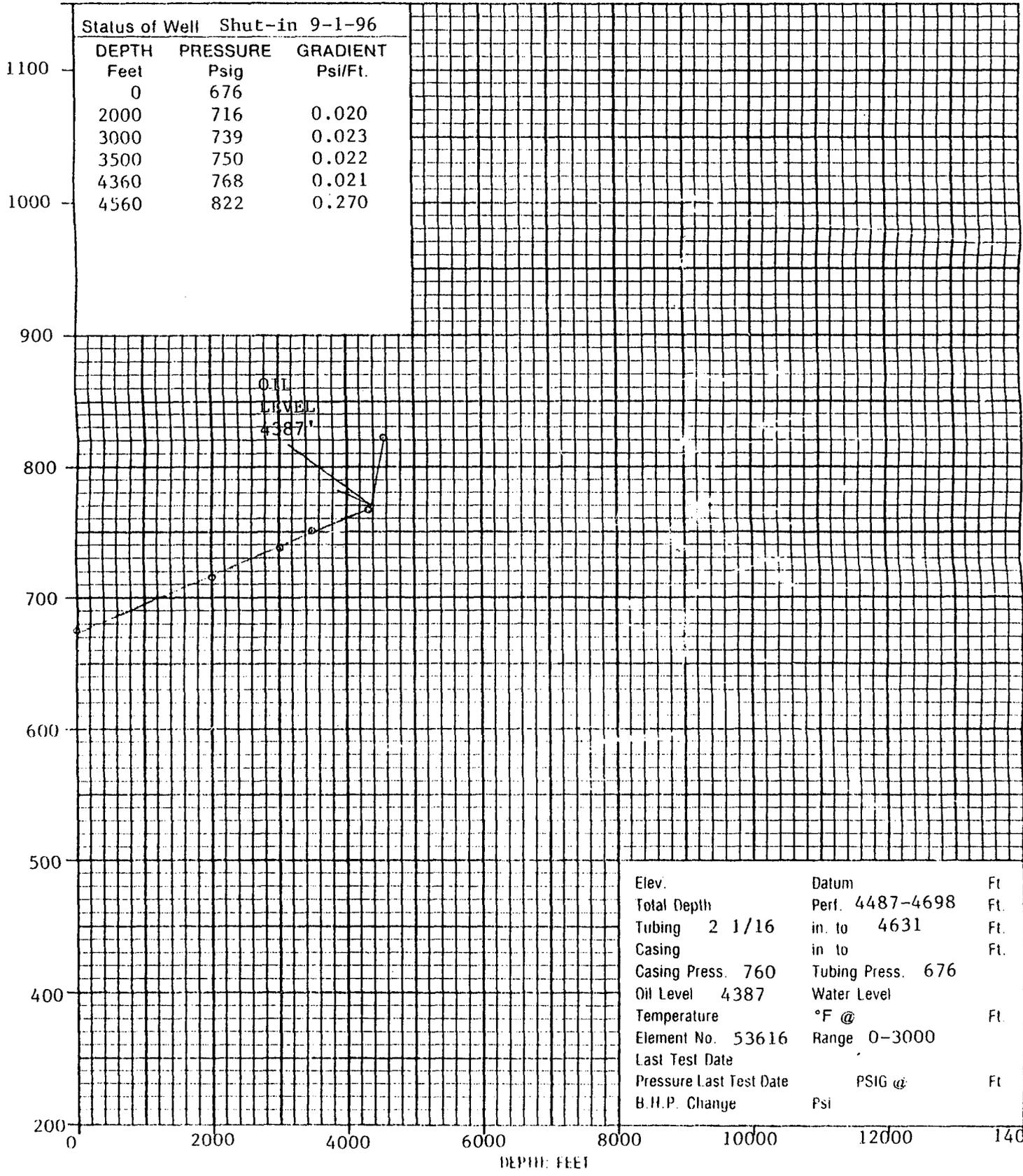


Company Chateau Oil & Gas, Inc. Lease Canado Well No. 1-E  
 Field \_\_\_\_\_ County Rio Arriba State New Mexico  
 Formation Mesa Verde Test Date April 25, 1997

Status of Well Shut-in 9-1-96

DEPTH Feet	PRESSURE Psig	GRADIENT 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



Elev.	Datum	Ft
Total Depth	Perf. 4487-4698	Ft.
Tubing 2 1/16	in. to 4631	Ft.
Casing	in. to	Ft.
Casing Press. 760	Tubing Press. 676	
Oil Level 4387	Water Level	
Temperature	°F @	Ft.
Element No. 53616	Range 0-3000	
Last Test Date		
Pressure Last Test Date	PSIG @	Ft
B.H.P. Change	Psi	

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: 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	(C)3)-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

CARBONATE INDEX	TEMP	
CALCIUM CARBONATE SCALING	86 °F 30 °C	120 °F 48.8 °C
SULFATE INDEX	-0.25	0.142
CALCIUM SULFATE SCALING	UNLIKELY	LIKELY
	-27.0	-28.0
	UNLIKELY	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: 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

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	17.3
MANGANESE	(MN)		
IONIC STRENGTH = 0.255			

SCALING INDEX		TEMP.	
CARBONATE INDEX		86° F 30° C	120° F 48.8° C
CALCIUM CARBONATE SCALING		0.310	0.711
		LIKELY	LIKELY
SULFATE INDEX		-45.0	-46.0
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: 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	(C3)-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.	
		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

**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:

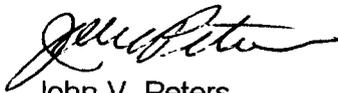
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Sincerely,

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

UNOCAL  
P.O. Box 850  
Bloomfield, NM 87413

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**

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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

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

**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:

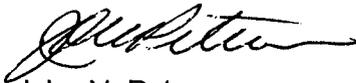
Chateau Oil and Gas, Inc. is applying to the New Mexico Oil Conservation Division, as outlined in the NMOCD Rule 303C, for administrative approval to commingle production from the Dakota and Mesaverde zones in the subject well. These zones have already been approved by the Commission for downhole commingling 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

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

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

**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

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

**Royalty Owners - Dakota**

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  
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R.K.C., Inc.  
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Minerals Management Service  
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3569 Foothill Road  
Santa Barbara, CA 93105

George A. Locke  
2740 Belmont Canyon Road  
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.



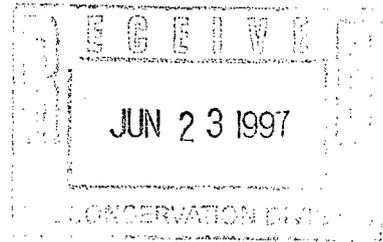
John V. Peters  
Vice President - Operations

JVP/jp

Enclosures

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

WAIVER OF OBJECTION AND  
CONSENT TO COMMINGLE THE  
DUAL COMPLETION



For Chateau Oil and Gas, Inc.

The undersigned, as an offset operator/lease holder of a lease near:

Candado 1E, DK/MV Dual  
1993' FSL & 1600' FEL  
Sec 15, T26N, R7W  
Rio Arriaba, New Mexico

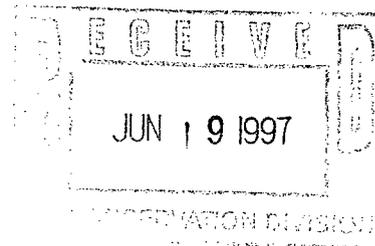
Does hereby acknowledge receipt of the letter requesting approval of commingling of the above captioned well.

The undersigned hereby waives any objection to this application and voluntarily consents to the commingling of the above captioned well.

SIGNED: John M Hamilton  
NAME: JOHN M HAMILTON  
TITLE: OWNER  
FIRM: WB HAMILTON ESTATE  
DATE: 6-19-97

Please find enclosed self addressed envelopes. Mail one copy to William J. LeMay  
New Mexico Oil Conservation Division, 2040 S. Pacheco, Santa Fe, New Mexico 87505-  
6429 and John V. Peters, Chateau Oil and Gas, Inc., 5950 Berkshire Lane, Dallas, Texas  
75225

WAIVER OF OBJECTION AND  
CONSENT TO COMMINGLE THE  
DUAL COMPLETION



For Chateau Oil and Gas, Inc.

The undersigned, as an offset operator/lease holder of a lease near:

Candado 1E, DK/MV Dual  
1993' FSL & 1600' FEL  
Sec 15, T26N, R7W  
Rio Arriaba, New Mexico

Does hereby acknowledge receipt of the letter requesting approval of commingling of the above captioned well.

The undersigned hereby waives any objection to this application and voluntarily consents to the commingling of the above captioned well.

SIGNED: Robert L. Verquer  
NAME: Robert L. Verquer  
TITLE: Superintendent  
FIRM: Caulkins Oil Company  
DATE: June 17, 1997

Please find enclosed self addressed envelopes. Mail one copy to William J. LeMay  
New Mexico Oil Conservation Division, 2040 S. Pacheco, Santa Fe, New Mexico 87505-  
6429 and John V. Peters, Chateau Oil and Gas, Inc., 5950 Berkshire Lane, Dallas, Texas  
75225