

STRICT I
 1625 N. French Dr., Hobbs, NM 88240
DISTRICT II
 811 South First St., Artesia, NM 88210
DISTRICT III
 1000 Rio Brazos Rd, Aztec, NM 87410
DISTRICT IV
 2040 S. Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-107-A
 Revised August 1999

OIL CONSERVATION DIVISION

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

APPROVAL PROCESS:
 Administrative Hearing
 EXISTING WELLBORE
 YES NO

APPLICATION FOR DOWNHOLE COMMINGLING

Greystone Energy, Inc.

5802 Highway 64, Farmington, NM 87401

Operator

Address

Arnstein

1

K - 18 - 31N - 12W

San Juan

Lease

Well No.

Unit Ltr. - Sec - Twp - Rge

County

Spacing Unit Lease Types (check 1 or more)

OGRID NO. 173252 Property Code 24019 API NO. 30-045-1072500 Federal State (and/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)	4,435' - 4,880'		6,470' - 6,844'
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: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated Or Measured Original	a. (Current) 550 PSI		a. 660 PSI
	b. (Original) 600 PSI		b. 1700 PSI
6. Oil Gravity (EAPI) or Gas BTU Content	1190		1191
7. Producing or Shut-In?	PRODUCING		SHUT-IN
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: Rates:	Date: Rates:	Date: 9/99 Rates: 0.26 BOPD / 165 MCFD
	Date: 3/00 Rates: 0 BOPD / 27 MCFD	Date: Rates:	Date: Rates:
8. Fixed Percentage Allocation Formula - % for each zone (total of %'s to equal 100%)	Oil: Gas: SEE ATTACHED	Oil: % Gas: %	Oil: Gas:

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
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 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 Brian H. Ary TITLE VICE PRESIDENT DATE 3-28-00

TYPE OR PRINT NAME BRIAN H. ARY TELEPHONE NO. (505) 632 - 8056