



GREYSTONE ENERGY, INC.

1801 Broadway, Suite 630 • Denver, CO 80202

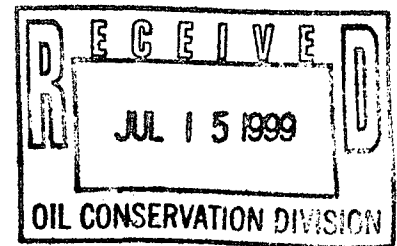
Bus: 303-296-6762 • Fax: 303-296-6971

DHC 8/4/99

2419

July 12th, 1999

Ms. Lori Wrotenberry
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505



RE: Administrative Approval to Downhole Commingle
Greystone Energy, Inc.
Champlin 3
1060' FNL, 1850' FEL, Sec.35B, T27N, R4W, N.M.P.M.
Rio Arriba County, New Mexico

Dear Ms. Wrotenberry:

Greystone Energy, Inc. requests to downhole commingle the Tapacito Pictured Cliffs and the Blanco Mesaverde pools in the subject well. The well is currently producing as a Pictured Cliff / Mesaverde dual completion. The subject well has recently failed a packer integrity test and the NMOCD is requiring action. The Mesaverde zone does exhibit signs of liquid loading problems and it is felt that downhole commingling will eliminate excessive operational problems and help mechanically configure the well in a way that will help keep the Mesaverde unloaded and producing at optimal rates.

To comply with the New Mexico Oil Conservation Rules, Greystone Energy, Inc. is submitting the following data for your approval of the proposed commingling:

1. Form C-107 – Application for Downhole Commingling
2. Form C-102 – Location Plat showing each spacing unit and dedicated acreage
3. Production Curves for both the Pictured Cliff and Mesaverde
4. Offset operator list
5. Well spot map for offset operators
6. Working and Royalty Interest owner notification list
7. Bottom hole pressure data

In accordance with New Mexico Oil Conservation Division Rule 303C, all offset operators are being notified of this application by certified mail. As an offset operator, if you have no objection to this application, you do not have to respond to this notification.

If additional information is needed, please contact me.

Sincerely,

Brian D. Voigt
Vice President

CC: NMOCD-Aztec, BLM – Albuquerque, Offset Operators

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980
DISTRICT II
811 South First St., Artesia, NM 88210-2835
DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department
OIL CONSERVATION DIVISION
2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Form C-107A
New 3-12-96

APPROVAL PROCESS:
☒ Administrative ☐ Hearing

EXISTING WELLBORE
☒ YES ☐ NO

APPLICATION FOR DOWNHOLE COMMINGLING

GREYSTONE ENERGY, INC. 1801 BROADWAY, STE: 630 DENVER, C.O. 80202

Operator Address
CHAMPLIN 3 B-35-27N-4W RIO ARRIBA
Lease Well No. Unit Ltr. - Sec - Twp - Rge County
Spacing Unit Lease Type: (Check 1 or more)
OGRID NO. 173252 Property Code 24023 API NO. 30-039-06849 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	Tapacito (Pictured Cliffs) 85920		Blanco (Mesa Verde) 72319
2. Top and Bottom of Pay Section (Perforations)	3914' - 3984'		6068' - 6178'
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) 480 psi b. (Original) 1000 psi	a. b.	a. 480 psi b. 1100 psi
6. Oil Gravity (API) or Gas BTU Content	1196 BTU		1210 BTU
7. Producing or Shut-in?	PRODUCING		PRODUCING
Production Marginal? (yes or no)	YES		YES
* If Shut-In give date and oil/gas/ water rates or last production Note: For new zones with no production history applicant shall be required to attach production estimates and supporting data	Date: Rates:	Date: Rates:	Date: Rates:
* If Producing, give date and oil/gas/ water rates of recent test (Within 60 days)	Date: 5/31/99 Rates: 0 bopd / 31 mcf/d	Date: Rates:	Date: 5/31/99 Rates: .5 bopd / 92 mcf/d
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 0 % Gas: 38 %	Oil: % Gas: %	Oil: 100 % Gas: 62 %

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 Brian D. Voigt TITLE VICE PRESIDENT DATE 7/12/99
TYPE OR PRINT NAME BRIAN D. VOIGT TELEPHONE NO. (303)296-6762

Well Location and Acreage Dedication

Section A.

Date December 18, 1962

Operator CONSOLIDATED OIL & GAS, INC. Lease Champlin
 Well No. 3 Unit Letter B Section 35 Township 27 NORTH Range 4 WEST NMPM
 Located 1060 Feet From the NORTH Line, 1850 Feet From the EAST Line
 County RIO ARRIBA G. L. Elevation 7080.0 Dedicated Acreage 160 Acres
 Name of Producing Formation Pictured Cliffs Pool Tapicito

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below?
 Yes X No _____
2. If the answer to question one is "no", have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes _____ No _____. If answer is "yes", Type of Consolidation.
3. If the answer to question two is "no", list all the owners and their respective interests below:

OwnerLand Description

Section B.

Note: All distances must be from outer boundaries of section.

This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

Consolidated Oil & Gas, Inc.

(Operator)

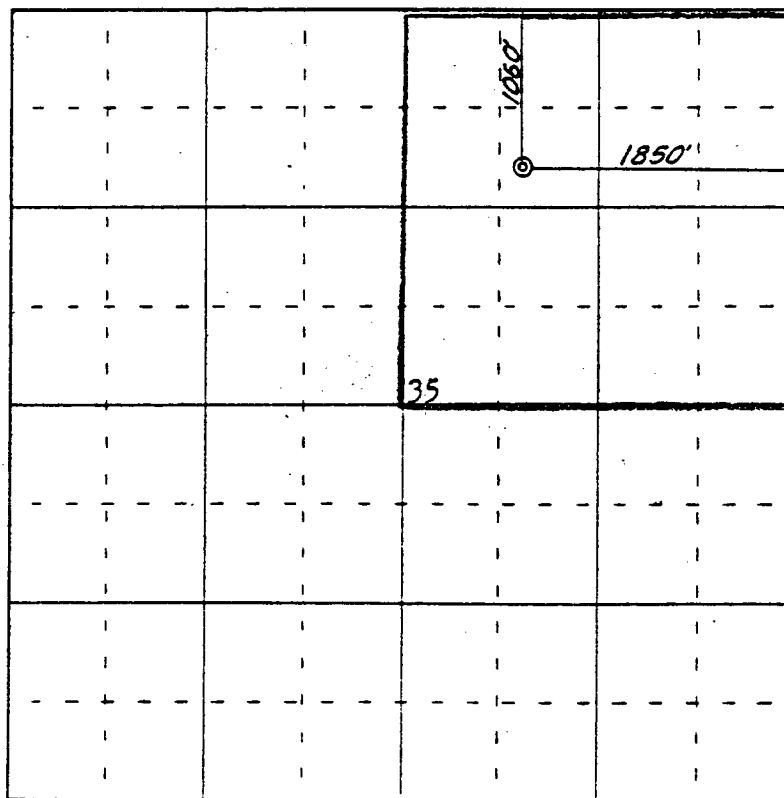
(Representative)

Chief Engineer

(Address)

4150 East Mexico AvenueDenver 22, Colorado

Ref. GLO Plat Dated 8 Feb. 1884



0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0

Scale 4 inches equal 1 mile

This is to certify that the above plat was prepared from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.

Date Surveyed 31 July 1962

James P. Leese
 Registered Professional Engineer and/or Land Surveyor
 James P. Leese N. Mex. Reg. No. 1463
 San Juan Engineering Company

Well Location and Acreage Dedication Plat

Section A.

Date December 18, 1962

Operator CONSOLIDATED OIL & GAS, INC. Lease Champlin
 Well No. 3 Unit Letter B Section 35 Township 27 NORTH Range 4 WEST NMPM
 Located 1060 Feet From the NORTH Line, 1850 Feet From the EAST Line
 County RIO ARriba G. L. Elevation 7080.0 Dedicated Acreage 320 Acres
 Name of Producing Formation Mesaverde Pool Blanco

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below?

Yes X No _____

2. If the answer to question one is "no", have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes _____ No _____. If answer is "yes", Type of Consolidation.

3. If the answer to question two is "no", list all the owners and their respective interests below:

OwnerLand Description

Section B.

Note: All distances must be from outer boundaries of section.

This is to certify that the information
 in Section A above is true and complete
 to the best of my knowledge and belief.

Consolidated Oil & Gas, Inc.

(Operator)

W. McMillan

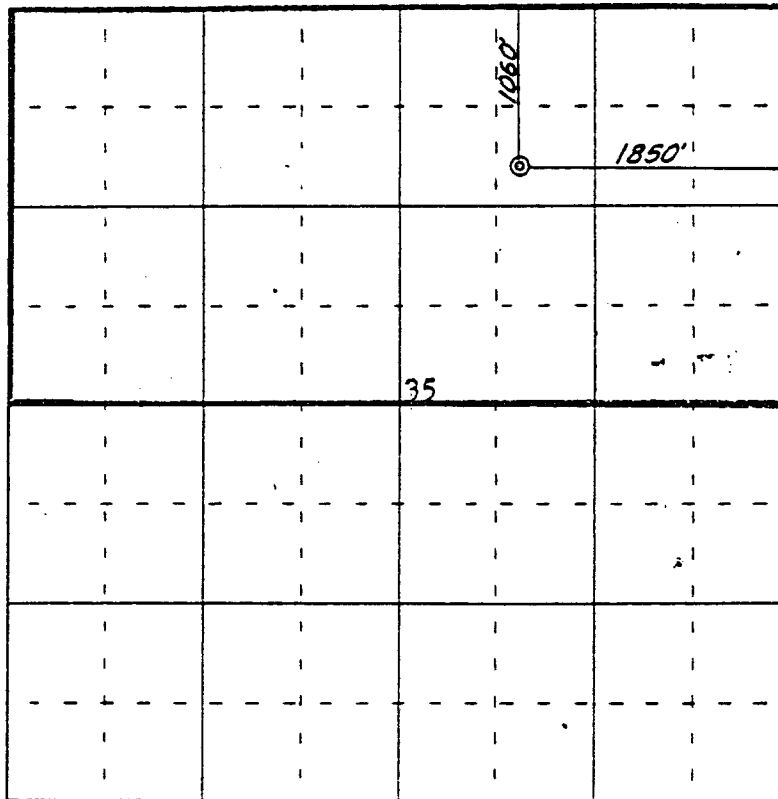
(Representative)

Chief Engineer

(Address)

4150 East Mexico AvenueDenver 22, Colorado

Ref. GLO Plat Dated 8 Feb. 1884



0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0

Scale 4 inches equal 1 mile

This is to certify that the above plat was prepared from field notes of actual surveys
 made by me or under my supervision and that the same are true and correct to the best
 of my knowledge and belief.

Date Surveyed 31 July 1962

James P. Leese
 Registered Professional Engineer and/or Land Surveyor
 James P. Leese N. Mex. Reg. No. 1403
 San Juan Engineering Company

Champlin 3 MV / PC

Fixed Percentage Allocation Formula

	<table><tr><th>Oil (Barrels)</th><th>%</th></tr></table>		Oil (Barrels)	%	<table><tr><th>Gas (MCF)</th><th>%</th></tr></table>		Gas (MCF)	%
Oil (Barrels)	%							
Gas (MCF)	%							
Mesaverde Formation	3,089	100%	1,127,336	62%				
Pictured Cliffs Formation	-	0%	701,441	38%				
	3,089	100%	1,828,777	100%				

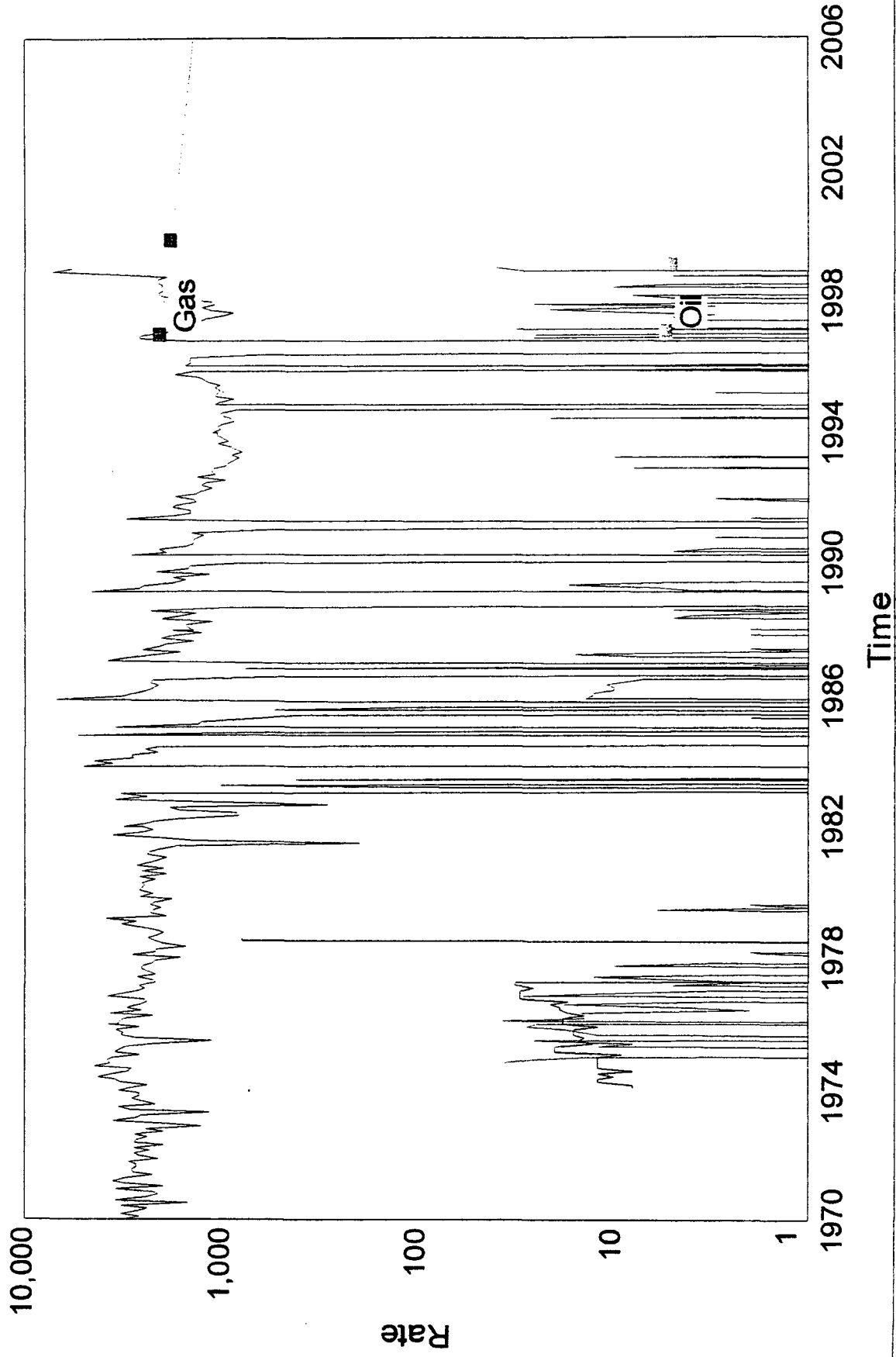
Based on production through Jan - 1999

Lease Name: CHAMPLIN (3)
County, ST: RIO ARRIBA, NM
Location: 27N-4W-35

Field Name:
Operator:

BLANCO (MESAVERDE) MV
CHATEAU OIL & GAS INC

CHAMPLIN - BLANCO (MESAVERDE) MV



Time

Pressure/Cum Graph

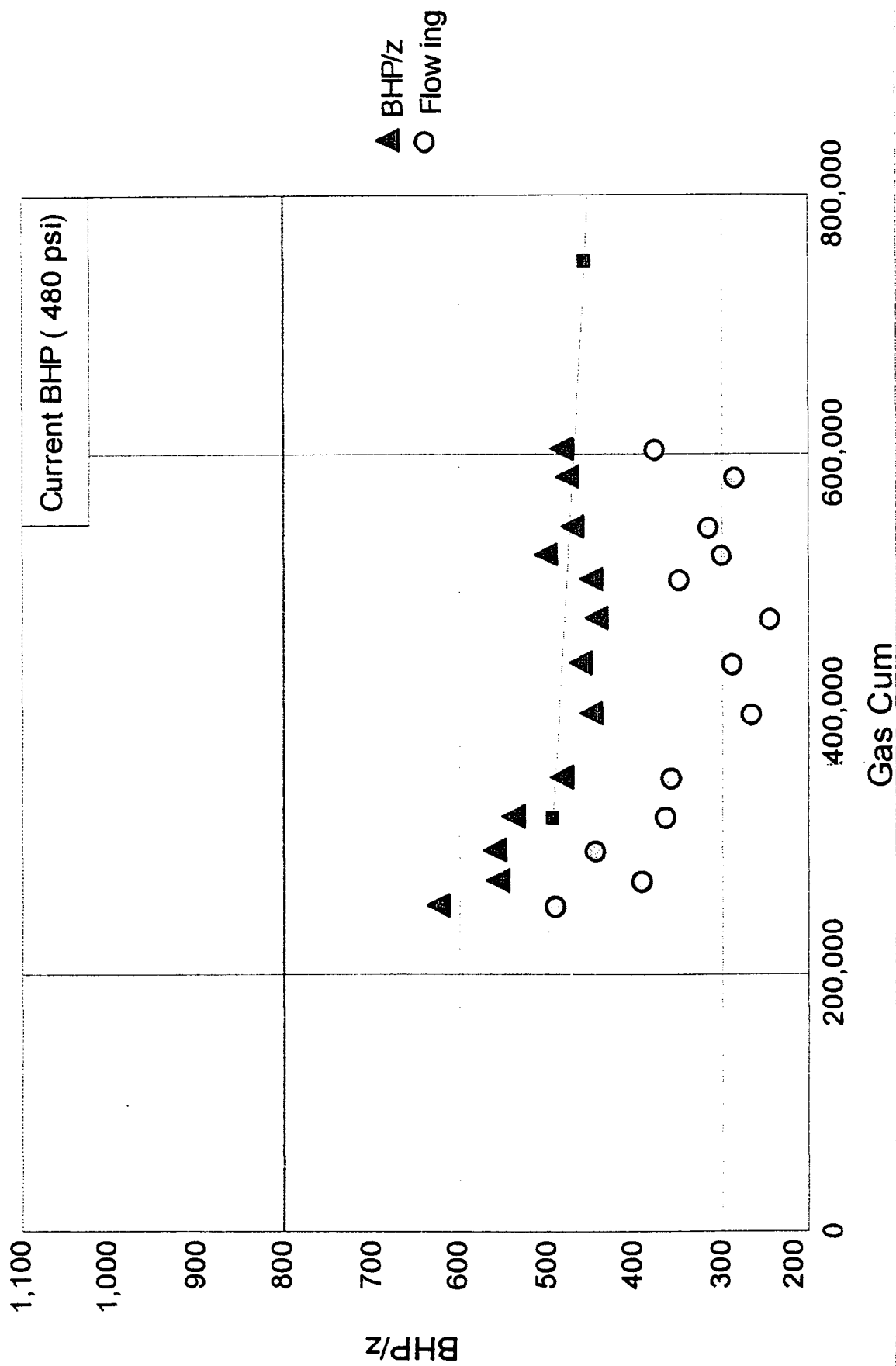
Project: C:\Program Files\IHS Energy\PTools30\PROJECTS\Coningles\Champlin 3.mdb

Date: 7/8/1999
Time: 9:44 PM

Lease Name: CHAMPLIN (3)
County, ST: RIO ARRIBA, NM
Location: 27N-4W-35

Field Name: TAPACITO (PICTURED CLIFFS) PC
Operator: CHATEAU OIL & GAS INC

CHAMPLIN - TAPACITO (PICTURED CLIFFS) PC



Pressure/Cum Graph

Project: C:\Program Files\IHS Energy\PTools30\PROJECTS\Comingles\Champlin 3.mdb

Date: 7/8/1999

Time: 9:42 PM

Lease Name:

CHAMPLIN (3)

Field Name:

TAPACITO (PICTURED CLIFFS) PC

County, ST:

RIO ARRIBA, NM

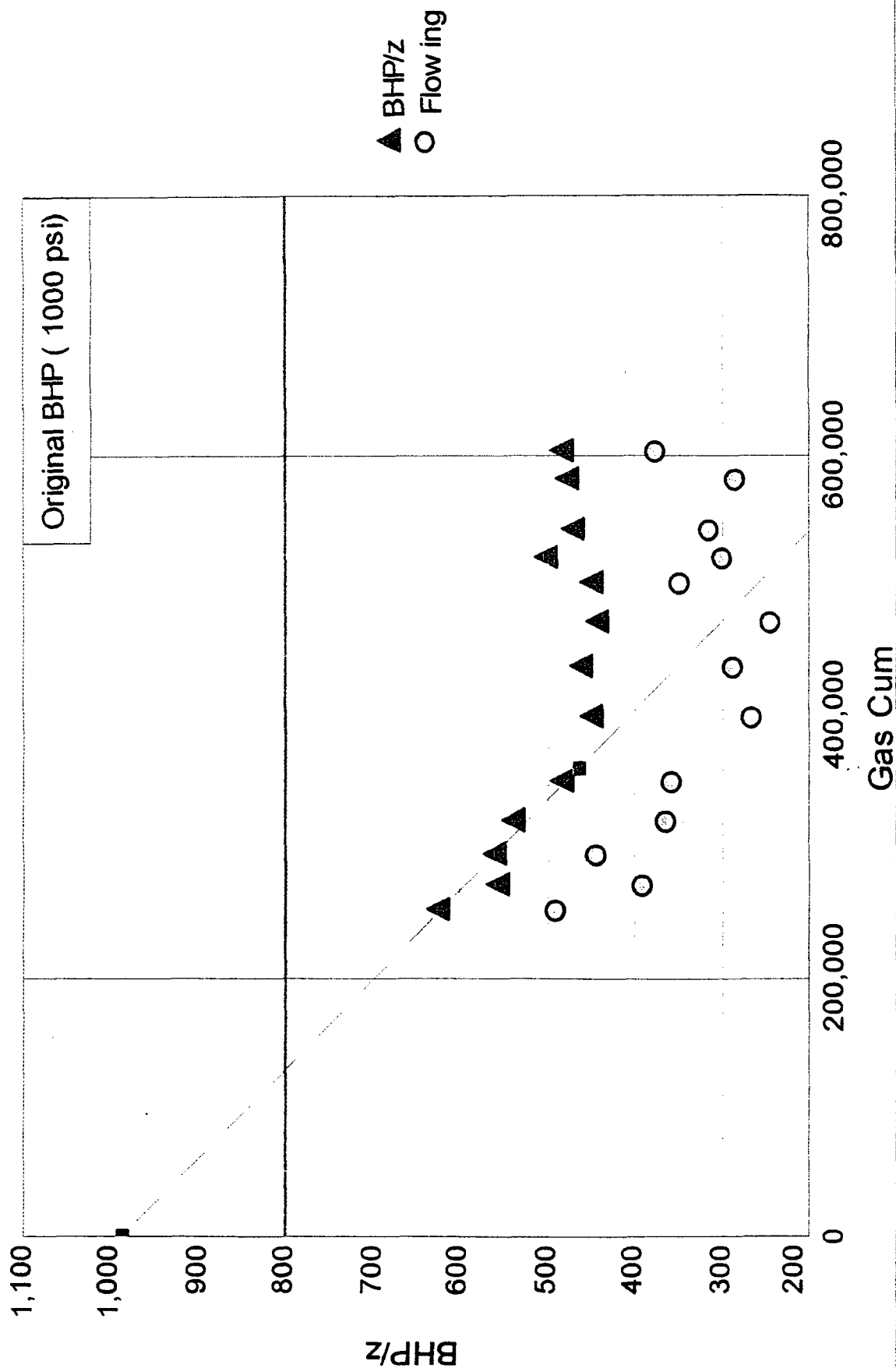
Operator:

CHATEAU OIL & GAS INC

Location:

27N-4W-35

CHAMPLIN - TAPACITO (PICTURED CLIFFS) PC



Pressure/Cum Graph

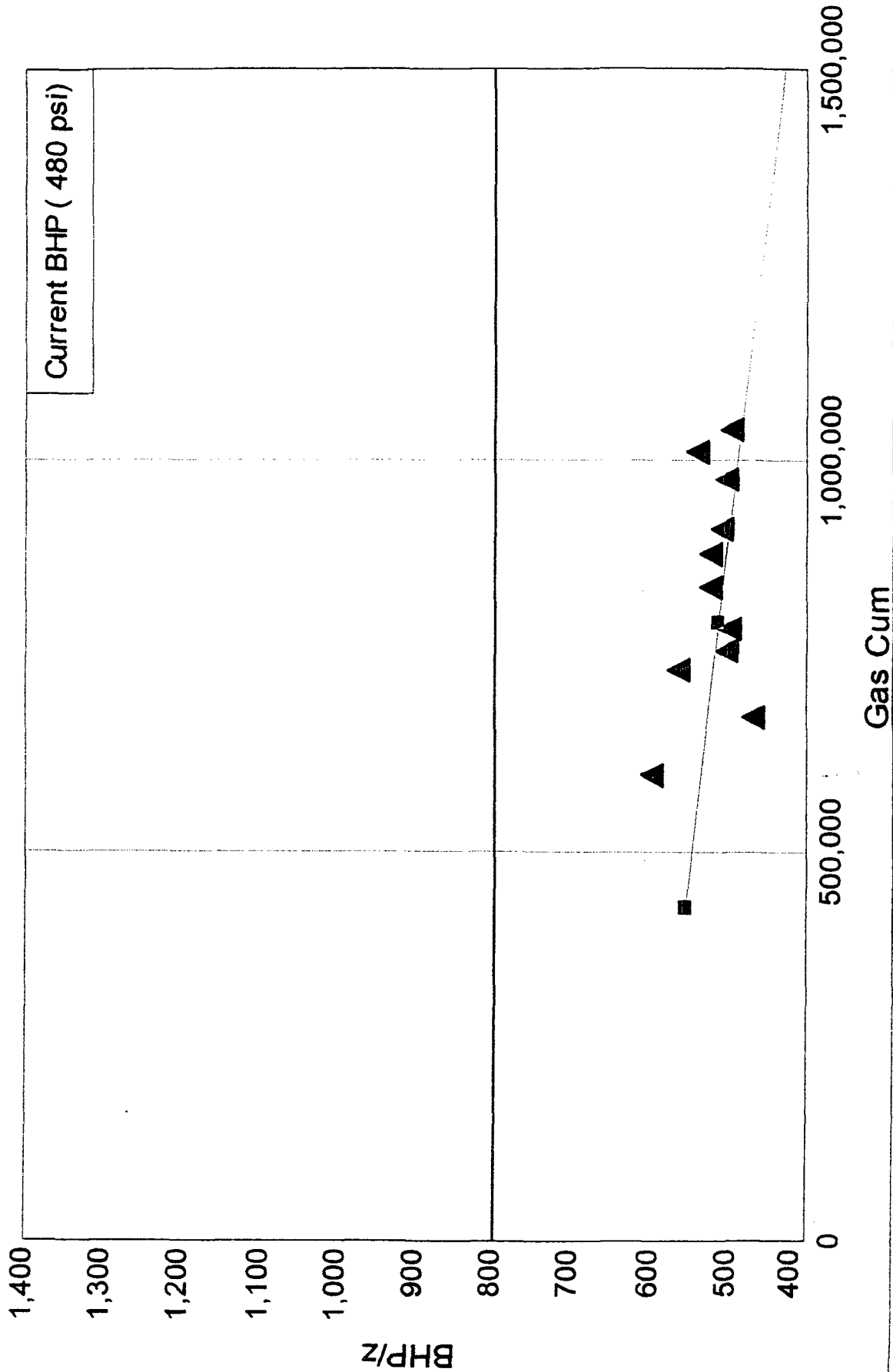
Project: C:\Program Files\IHS Energy\PTools30\PROJECTS\Comingles\Champlin 3.mdb

Date: 7/8/1999
Time: 9:34 PM

Lease Name: CHAMPLIN (3)
County, ST: RIO ARRIBA, NM
Location: 27N-4W-35

Field Name: BLANCO (MESAVERDE) MV
Operator: CHATEAU OIL & GAS INC

CHAMPLIN - BLANCO (MESAVERDE) MV



Pressure/Cum Graph

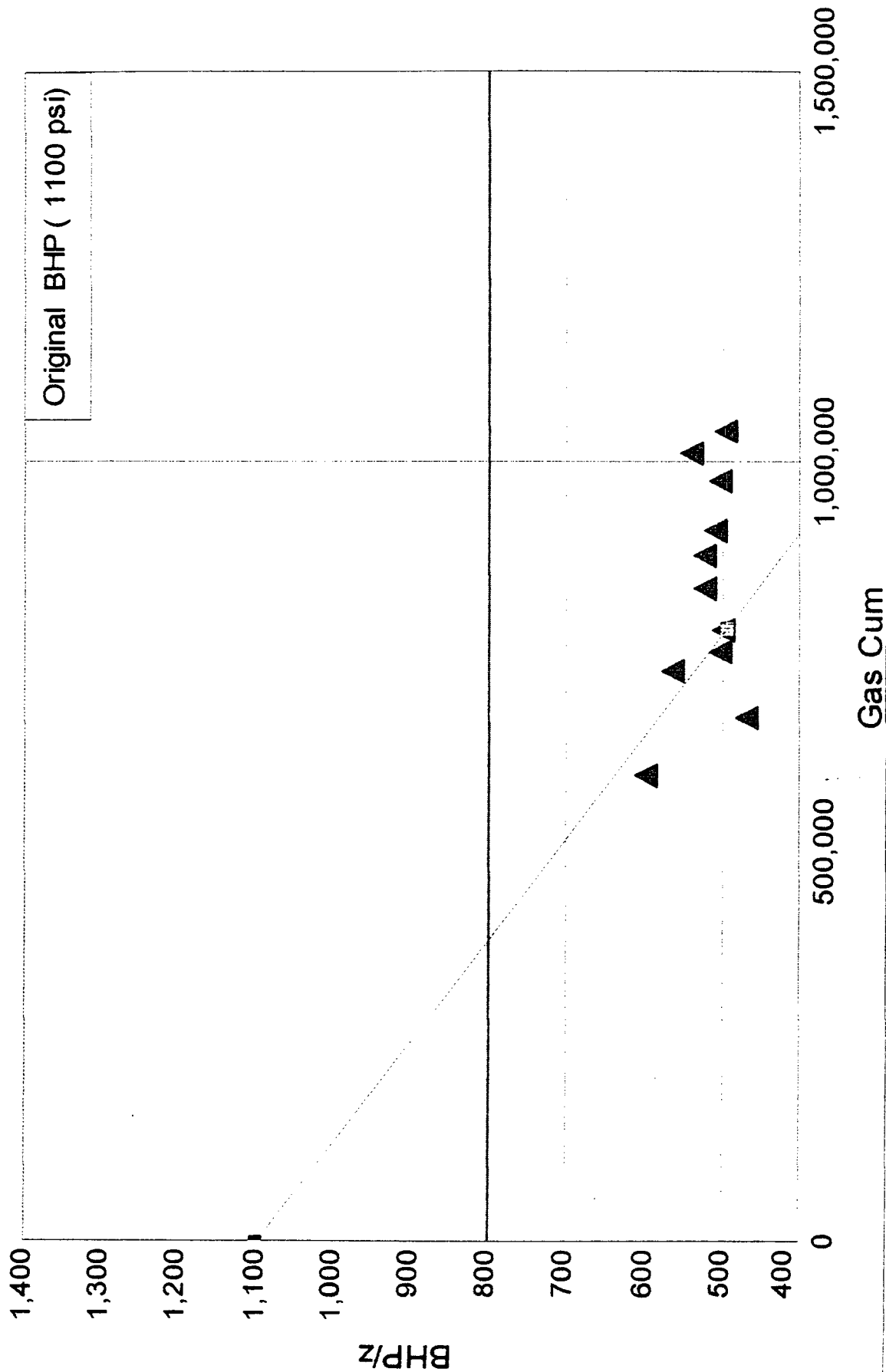
Project: C:\Program Files\IHS Energy\PTools30\PROJECTS\Comingles\Champlin 3.mdb

Date: 7/8/1999
Time: 9:38 PM

Lease Name: CHAMPLIN (3)
County, ST: RIO ARRIBA, NM
Location: 27N-4W-35

Field Name: BLANCO (MESAVERDE) MV
Operator: CHATEAU OIL & GAS INC

CHAMPLIN - BLANCO (MESAVERDE) MV



Offset Operator List

Champlin 3 MV / PC
35B-27N-4W

Operator	Reservoir	Township	Range	Section
AMOCO PRODUCTION CO	MESAVERDE	26 N	4 W	3
C/O Don Duhrkopf	PICTURED CLIFFS	26 N	4 W	3
501 West Lake Park BLVD.				
Houston, TX 77079-2696				
BURLINGTON RES O&G CO	MESAVERDE	26 N	4 W	1
P.O. Box 4289	PICTURED CLIFFS	27 N	4 W	26
Farmington, NM 87499		27 N	4 W	27
		27 N	4 W	34
		27 N	4 W	36
Greystone Energy, Inc.	MESAVERDE	26 N	4 W	2
1801 Broadway, Suite 630	PICTURED CLIFFS	26 N	4 W	2
Denver, Colorado 80202		26 N	4 W	2
		26 N	4 W	2
		27 N	4 W	25
		27 N	4 W	25
		27 N	4 W	25
		27 N	4 W	25
		27 N	4 W	35
		27 N	4 W	35
		27 N	4 W	35
		27 N	4 W	35

20	21	22	23	24	19
29	28	27	26	25	30
32	33	34	CHAMPLIN 35	36	31
5	4	3	2	1	6
8	9	10	11	12	7
17	16	15	14	13	18
26N 4W					

Champlin 3 - Mesa Verde

MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM
PO BOX 5810
DENVER, CO 80217-5810

UNION PACIFIC RESOURCES
POBOX 843169
DALLAS, TX 75284-3169

LMA ROYALTIES LTD
PO BOX 1778
COLORADO SPRINGS, CO 80901-1778

HAROLD W SMITH JR
PO BOX 1527
SUN VALLEY, ID 83353

ROBBY E BAKER
1575 BELVIDERE STREET
APT 125
EL PASO, TX 79912-2635

PATRICIA PENROSE SCHIEFFER
C/O THOMAS SCHIEFFER
1000 BALLPARK WAY, SUITE 300
ARLINGTON, TX 76011

MARY F ROBERTS
C/O MR. D. KEITH ROBERTS
PO BOX 15940
SANTA FE, NM 87506

LESLIE C TATUM
PO BOX 7392
NORTH KANSAS CITY, MO 64116

Champlin 3 - Mesa Verde

SHARON GILBERT
922 LINCOLN BLVD #2
SANTA MONICA, CA 90403

ROGER E KELLY TRUSTEE
ROGER & JEANNE KELLY LIVING TRUST
1200 WILSHIRE BLVD, 6TH FLOOR
LOS ANGELES, CA 90017

KEVIN R MCCAULEY
7259 MINUET WAY
CITRUS HEIGHTS, CA 95621

CRAIG MCCAULEY
1130 G STREET
SPARKS, NV 89431

KIRK P MCCAULEY
PO BOX 2498
GRASS VALLEY, CA 95945

JOHN H THOMPSON JR
78698 CASCADIA DRIVE
BERMUDA DUNES, CA 92201

J & R PROPERTIES, LLC
1 COLORADO BLVD
DENVER, CO 80206

Champlin 3 - Pictured Cliffs

MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM
PO BOX 5810
DENVER, CO 80217-5810

UNION PACIFIC RESOURCES
POBOX 843169
DALLAS, TX 75284-3169

LMA ROYALTIES LTD
PO BOX 1778
COLORADO SPRINGS, CO 80901-1778

HAROLD W SMITH JR
PO BOX 1527
SUN VALLEY, ID 83353

ROBBY E BAKER
1575 BELVIDERE STREET
APT 125
EL PASO, TX 79912-2635

PATRICIA PENROSE SCHIEFFER
C/O THOMAS SCHIEFFER
1000 BALLPARK WAY, SUITE 300
ARLINGTON, TX 76011

MARY F ROBERTS
C/O MR. D. KEITH ROBERTS
PO BOX 15940
SANTA FE, NM 87506

LESLIE C TATUM
PO BOX 7392
NORTH KANSAS CITY, MO 64116

Champlin 3 - Pictured Cliffs

SHARON GILBERT
922 LINCOLN BLVD #2
SANTA MONICA, CA 90403

ROGER E KELLY TRUSTEE
ROGER & JEANNE KELLY LIVING TRUST
1200 WILSHIRE BLVD, 6TH FLOOR
LOS ANGELES, CA 90017

KEVIN R MCCAULEY
7259 MINUET WAY
CITRUS HEIGHTS, CA 95621

CRAIG MCCAULEY
1130 G STREET
SPARKS, NV 89431

KIRK P MCCAULEY
PO BOX 2498
GRASS VALLEY, CA 95945

JOHN H THOMPSON JR
78698 CASCADIA DRIVE
BERMUDA DUNES, CA 92201

J & R PROPERTIES, LLC
1 COLORADO BLVD
DENVER, CO 80206