



GREYSTONE ENERGY, INC.

1801 Broadway, Suite 630 • Denver, CO 80202

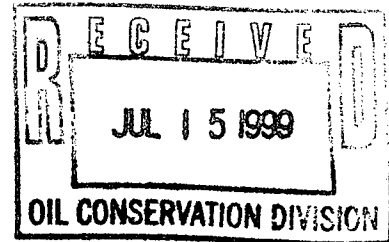
DHC 8/4/99

2/20

Bus: 303-296-6762 • Fax: 303-296-6971

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.
Nance 1E
590' FSL, 1850' FWL, Sec.27N, T31N, R13W, N.M.P.M.
San Juan County, New Mexico

Dear Ms. Wrotenberry:

Greystone Energy, Inc. requests to downhole commingle the Flora Vista Gallup and the Basin Dakota pools in the subject well. The well is currently producing as a Gallup / Dakota dual completion. The subject well has recently failed a packer integrity test and the NMOCD is requiring action. The Gallup 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 Gallup unloaded and producing.

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 Gallup and Dakota
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 – Farmington, Offset Operators

Nance 1E - Gallup

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

CLIFTON WILDERSPIN
PO BOX 50088
MIDLAND, TX 79710-0088

CALICO INVESTMENTS INC
4429 NORTH CENTRAL EXPRESSWAY
DALLAS, TX 75205

JAMES R PAYNE
JEAN PAYNE
3023 RIO GRANDE BOULEVARD, NW
ALBUQUERQUE, NM 87107

ESTATE OF JO ANN SCHMIDT
3023 RIO GRANDE BOULEVARD, NW
ALBUQUERQUE, NM 87107

JOHN B ALLINSON JR
444 MISSION VALLEY
CORRALES, NM 87048

MARGARET ALLINSON LAYCOCK
PO BOX 790
DRIPPING SPRINGS, TX 78620

KELLEY A MURRELL
3512 CORNELL
DALLAS, TX 75205

ELEANOR R EISEN
3940 S CHERRY STREET
ENGLEWOOD, CO 80110

Nance 1E - Gallup

THEODOR S RITTENBERG
9637 E ARBOR PLACE
ENGLEWOOD, CO 80111

INEZ K GROSS
20 EAST 35TH STREET
APT 14 G
NEW YORK, NY 10016

ESTATE OF MARIE F LAVERTY
13131 HUGHES LANE
DALLAS, TX 75240

PRO MANAGEMENT INC
LB-L58
GLEN LAKES TOWER
DALLAS, TX 75231

ARTHUR ALSBERG
3816 LONGRIDGE AVENUE
SHERMAN OAKS, CA 91423

SANFORD E BECKER
1430 BROADWAY
6TH FLOOR
NEW YORK, NY 10018

MARJORIE A BACHMAN
20 OLD MAMARONECK ROAD
WHITE PLAINS, NY 10605

ADDIE GUTTAG
575 PARK AVENUE APT 1603
NEW YORK, NY 10021

Nance 1E - Gallup

SUSAN K BAKER
40 EAST 88TH STREET
NEW YORK, NY 10128

ROBERT DUNLAP
2419 EAST CEDAR CANYON ROAD
FORT WAYNE, IN 46845

JOHN V GUTTAG
273 EMERSON ROAD
LEXINGTON, MA 02713

RICHARD S BECKER
44 GRAHAM ROAD
SCARSDALE, NY 10583

SHELDON GARDNER
4804 OSUNA PLACE N.E.
ALBUQUERQUE, NM 87111

ELIZABETH VERPLANK
PO BOX 876
LAKELAND, FL 33802-0876

MARY T JARCHOW
3580 W OAK TRAIL ROAD
SANTA YNEZ, CA 93460

JACK H OWENS
3899 SOUTH GLENCOE STREET
DENVER, CO 80237

MARY KAY STEIN
302 SOUTH PINTO PLACE
TUSCON, AZ 85749-6902

Nance 1E - Gallup

THOMAS KAUFMANN
39 PRINCETON AVE
PRINCETON, NJ 08540

WILLIAM EARL OWENS
16701 ARENA DRIVE
RAMONA, CA 92065

JAMES VAN DITTIE
1965 MT ZION DRIVE
GOLDEN, CO 80401

JANE K BEARD
4104 LOVERS LANE
DALLAS, TX 75225

W THOMAS BEARD III
PO BOX 668
ALPINE, TX 79830

HERBERT KOKERNOT LEA
434 CHEMIN STREET ANDRE'
13120 GARDANNE
FRANCE, AB 0

ELIZABETH BEARD TANKSLEY
PO BOX 720
ALPINE, TX 79831

B L HOUSE
PO BOX 3715
MIDLAND, TX 79702

Nance 1E - Gallup

HUGH A HOY
780 SEA SPRAY LANE
FOSTER CITY, CA 94404-2423

MRS MARY C MARTIN
510 EAST 15TH
FARMINGTON, NM 87401

DAN CHRISTENSEN JR
751 MORNINGSIDE DRIVE NE1
ALBUQUERQUE, NM 87110

KATHERYN CHRISTENSEN
751 MORNINGSIDE DRIVE NE1
ALBUQUERQUE, NM 87110

MILDRED P CORKUM
7617 112TH STREET SW
TACOMA, WA 98498

IRENE LANIER
411 ANIMAS
AZTEC, NM 87410

OPAL MCDONNELL LOWELL
407 NORTH AVENUE F
OLNEY, TX 76374

THELMA NICKLES
PO BOX 266
LA PLATA, NM 87418

KATHRYN B RICHARDSON
C/O PAULA KAUFMAN
PO BOX 91
GLORIETTA, NM 87535

Nance 1E - Gallup

CLAUDE A DECKER JR
OF CLAUDE A DECKER TRUST
PO BOX 1163
KIRTLAND, NM 87417

PATRICIA ANN CLARK
PO BOX 699
FRUITA, CO 81521-0699

AMERICAN RED CROSS PENNSYLVANIA
SOUTHEASTERN PENNSYLVANIA CHAPTER
23RD & CHESTNUT STREETS
PHILADELPHIA, PA 19103

ANN K BOWER TRUSTEE
JAMES R BOWER JR TEST TRST
PO BOX 25069
DALLAS, TX 75225

DELAWARE STATE ESCHEATOR
F/A/O CALVIN BUCKNER & MARY SUE BUCKNER
WILMINGTON, DE 19899

JOHN T LAVERTY
14421 OVERVIEW DRIVE
DALLAS, TX 75240

THOMAS R LAVERTY
14421 OVERVIEW DRIVE
DALLAS, TX 75240

KERRY C LAVERTY
14421 OVERVIEW DRIVE
DALLAS, TX 75240

VIVIAN D LAVERTY
14421 OVERVIEW DRIVE
DALLAS, TX 75240

Nance 1E - Gallup

ROBERT A LEACH
3905 OAKMONT DR
THE COLONY, TX 75056

HORACE F MCKAY JR
PO BOX 14738
ALBUQUERQUE, NM 87191

ELL MCCOMB
MCCOMB ASSOCIATES
2321 CHIMNEY HILL DRIVE
ARLINGTON, TX 76012

DELAWARE STATE ESCHEATOR
F/A/O WILLIAM DELANEY &
BERNICE DELANEY
WILMINGTON, DE 19899

ENRON OIL & GAS COMPANY
PO BOX 840321
DALLAS, TX 75284-0321

DAN MILES
BOX 856
LOS ALAMOS, NM 87544

GLENNIE E WARD
UNKNOWN ADDRESS

MICHAEL J LEAHEY
14820 NW OAK HILLS DR
BEAVERTON, OR 97006

BARNETT PROPERTIES, INC
C/O JOHN BARNETT
4564 W DETROIT ST
CHANDLER, AZ 85226

Nance 1E - Gallup

MARCIA FULLER FRENCH
P O BOX 11327
MIDLAND, TX 79702

ROSELYN MARTIN LIVING TRUST
ROSELYN MARTIN, TRUSTEE
P O BOX 4525
EL PASO, TX 79914

ENERGEN RESOURCES CORPORATION
2101 SIXTH AVE, NO
BIRMINGHAM, AL 35203-2784

NEIL F TOLER
1600 DELTA
ARLINGTON, TX 76012

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 DepartmentOIL 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		
NANCE	1E	N-27-31N-13W	SAN JUAN
Lease	Well No.	Unit Ltr. - Sec - Twp - Rge	County
			Spacing Unit Lease Type: (Check 1 or more)
OGRID NO. 173252	Property Code 24060	API NO. 30-045-25894	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	FLORA VISTA GALLUP 76640		BASIN DAKOTA 71599
2. Top and Bottom of Pay Section (Perforations)	5410' -5682'		6279' - 6373'
3. Type of production (Oil or Gas)	GAS		GAS
4. Method of Production (Flowing or Artificial Lift)	FLOWING		FLOWING
5. Bottomhole Pressure (a) Zones Artificial Lift Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones Estimated Or Measured Original	a. (Current) 520 psi b. (Original) 1004 psi	a. b.	a. 490 psi b. 1250 psi
6. Oil Gravity (API) or Gas BTU Content	1200		1244
7. Producing or Shut-in?	SHUT IN		PRODUCING
Production Marginal? (yes or no)	YES		YES
* If Shut-In give date and oil/gas/ water rates or last production	Date: 5/96 Rates: 0 bopd / 2.5 mcf	Date: Rates:	Date: Rates:
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)	Date: Rates:	Date: Rates:	Date: 5/31/99 Rates: 0 bopd / 42 mcf
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 1.0 % Gas: 6.6 %	Oil: % Gas: %	Oil 99.0 % Gas 93.4 %

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. NMOC 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 7/12/99TYPE OR PRINT NAME BRIAN D. VOIGT TELEPHONE NO. (303)296-6762

LOCATION AND ACREAGE DEDICATION PLAT

Superior C-12
Effective 1-1-65

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

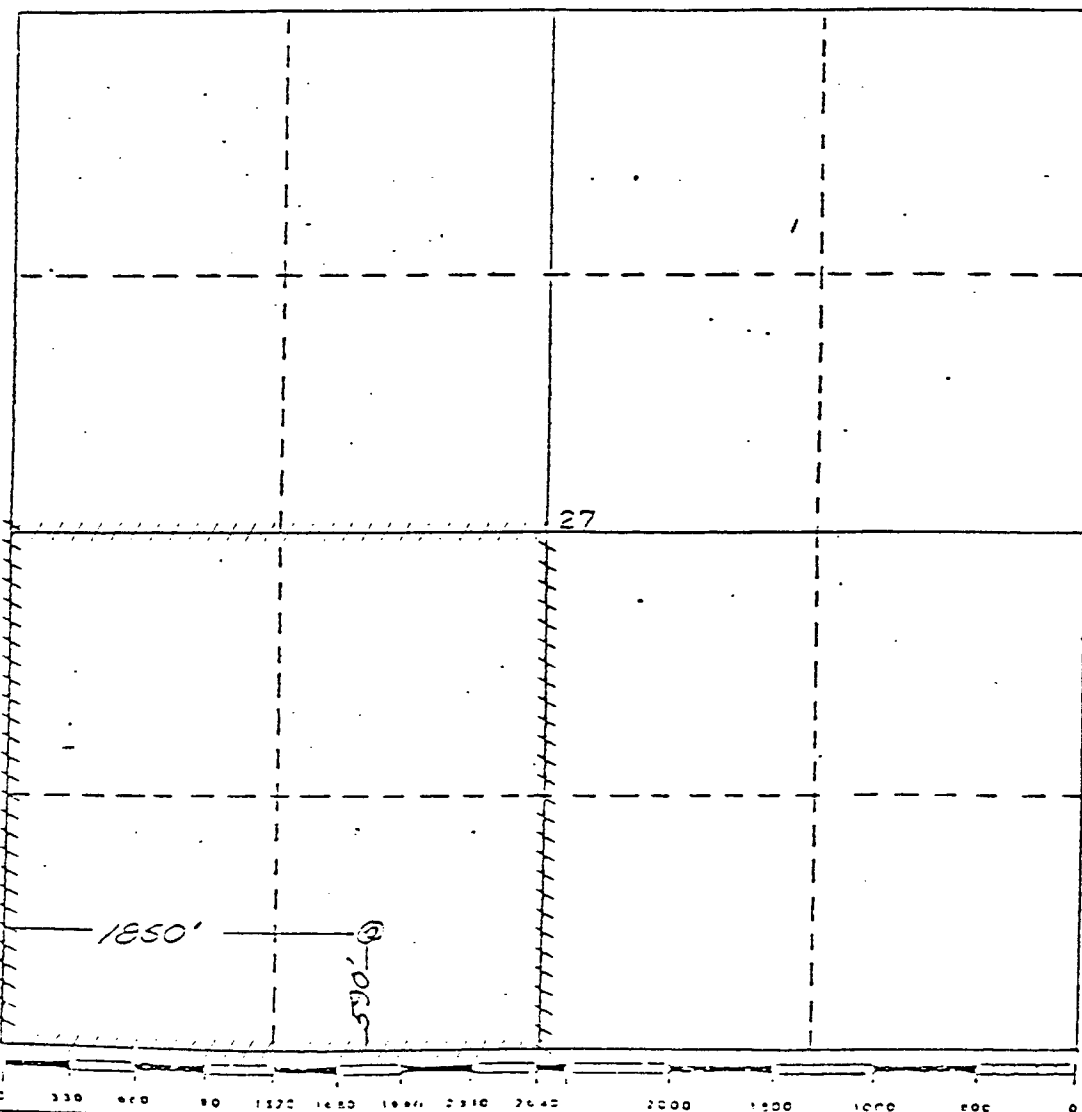
Operator CONSOLIDATED OIL & GAS, INC.			Lease NANCE		Well No. 1-E
Unit Letter N	Section 27	Township 31 NORTH	Range 13 WEST	County SAN JUAN	
Actual Footage Location of Well: 500 feet from the SOUTH line and 1850 feet from the WEST line					
Ground Level Elev. 5595	Producing Formation Gallup		Pool Flora Vista Gallup		Dedicated Acreage 160 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure 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 working 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, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

B. Rex

Name

B. Rex

Position

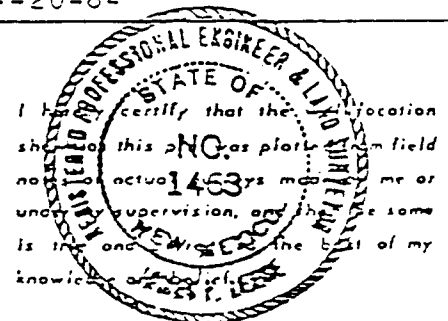
Prod. & Drlg. Technician

Company

Consolidated Oil & Gas, Inc.

Date

4-20-84



Date Surveyed

May 15, 1980

Registered Professional Engineer

and Land Surveyor

James P. Leese
James P. Leese

Certificate No.

1463

All distances must be from the outer boundaries of the Section

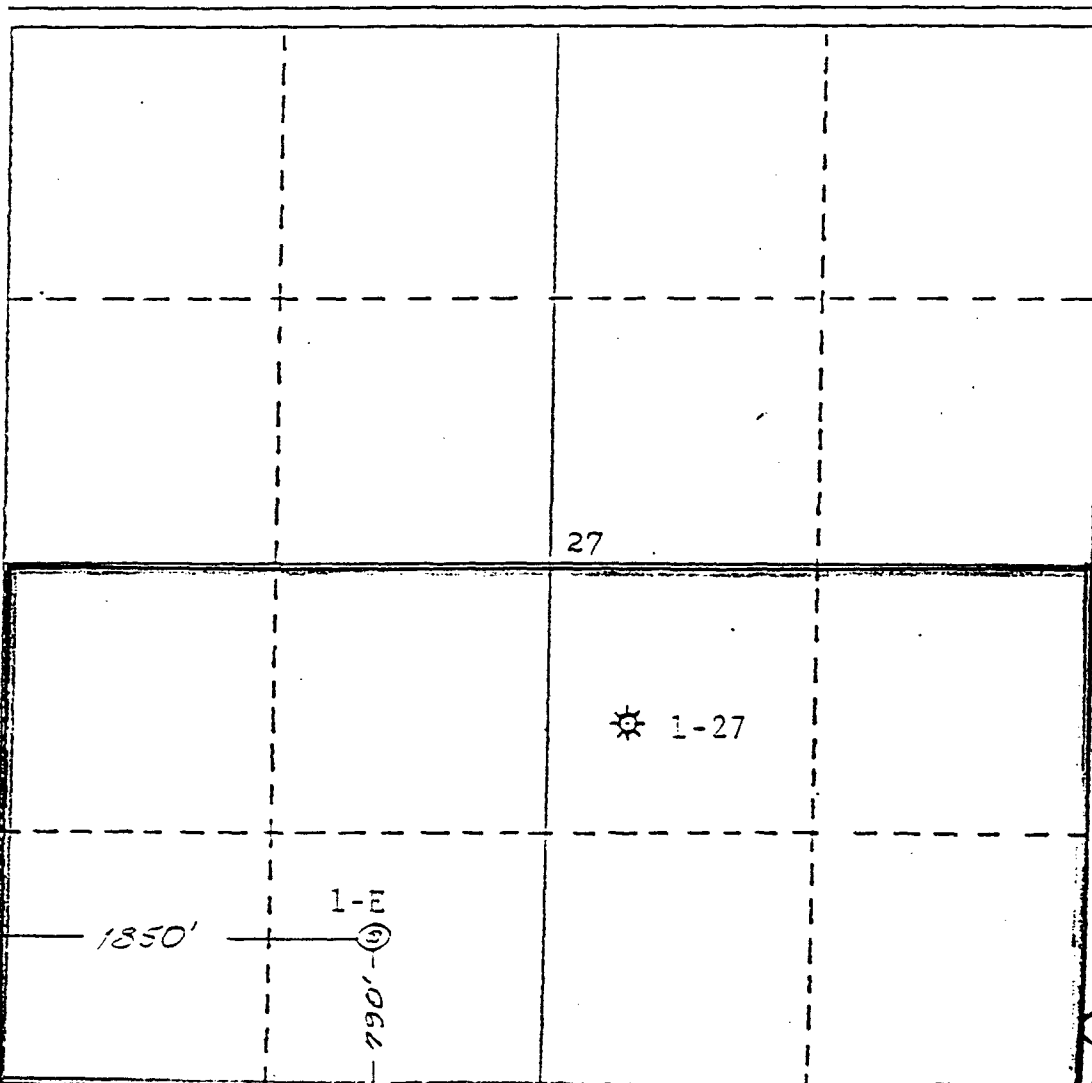
Operator CONSOLIDATED OIL & GAS INC.		Lease NANCE		Well No. 1-E
Unit Letter N	Section 27	Township 31 NORTH	Range 13 WEST	County SAN JUAN
Actual Footage Location of Well: 790 feet from the SOUTH line and 1850 feet from the WEST line				
Ground Level Elev. 5590	Producing Formation Dakota	Pool Basin Dakota	Dedicated Acres 320	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure 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 working 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 Communitized

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.

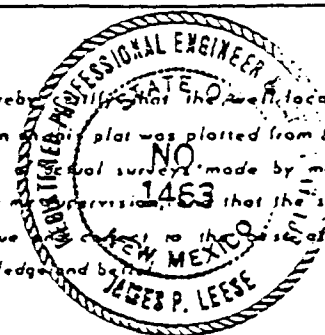


CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Merle J. Savage
Name
Merle J. Savage
Position
Sr. Production Engineer
Company
Consolidated Oil & Gas, Inc.
Date
April 2, 1980

I hereby certify that the well location shown on this plat was plotted from field notes of a survey made by me or under my supervision and that the same is true to the best of my knowledge and belief.



Date Surveyed
February 28, 1980
Registered Professional Engineer
and/or Land Surveyor
James P. Leese
James P. Leese

Certificate No.

1463

Nance 1E Gallup / Dakota

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)	%							
Gallup Formation	40	1.0%	27,464	6.6%				
Dakota Formation	3,800.00	99.0%	389,754	93.4%				
	3,840	100%	417,218	100%				

Based on production through Jan - 1999

Rate/Time Graph

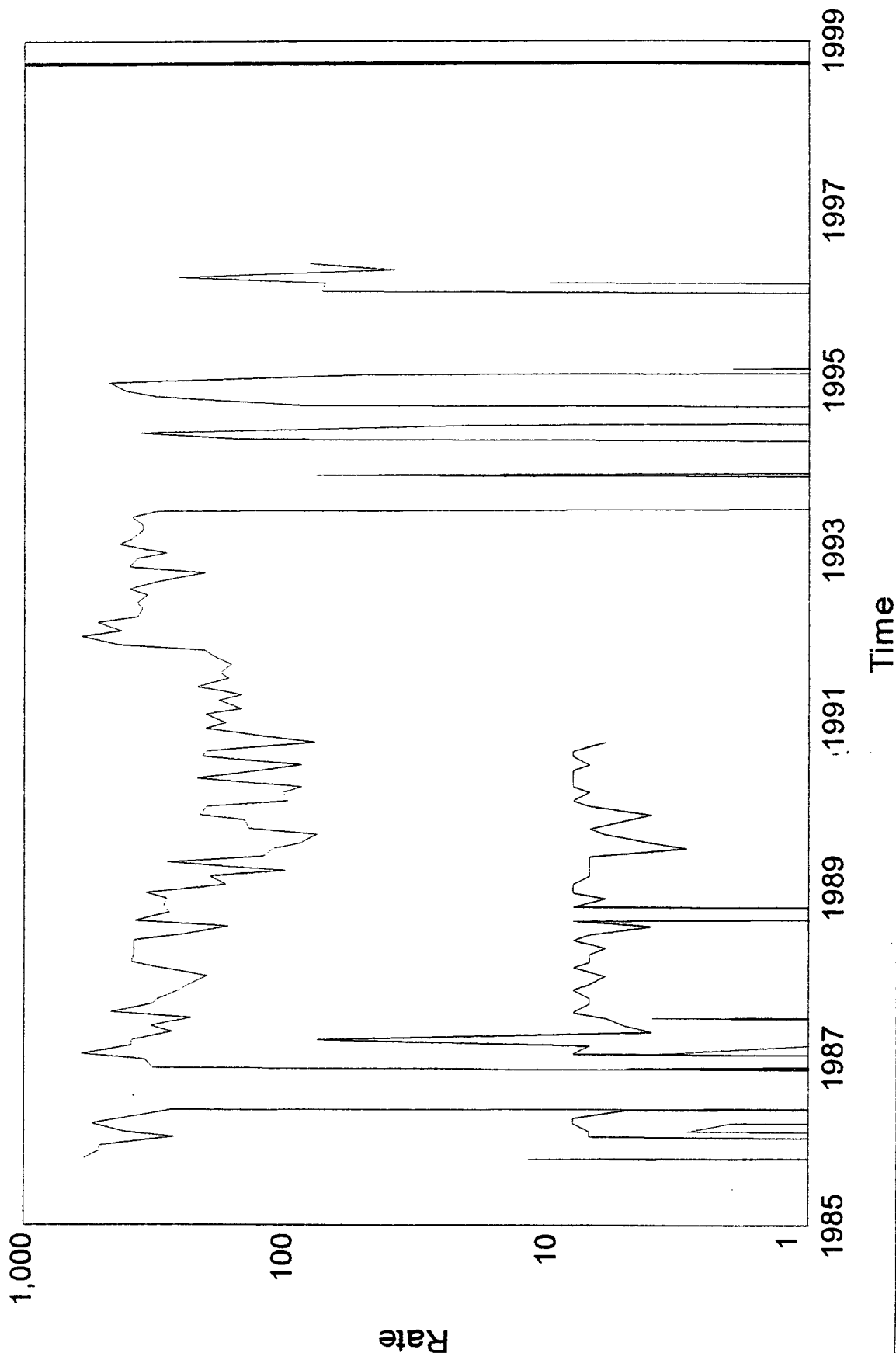
Project: C:\Program Files\IHS Energy\PTTools\30\PROJECTS\Comingles\Nance 1E.mdb

Date: 7/7/1999
Time: 10:55 AM

Lease Name: NANCE (1E)
County, ST: SAN JUAN, NM
Location: 31N-13W-27

Field Name: FLORA VISTA (GALLUP) GP
Operator: CHATEAU OIL & GAS INC

NANCE - FLORA VISTA (GALLUP) GP



Pressure/Cum Graph

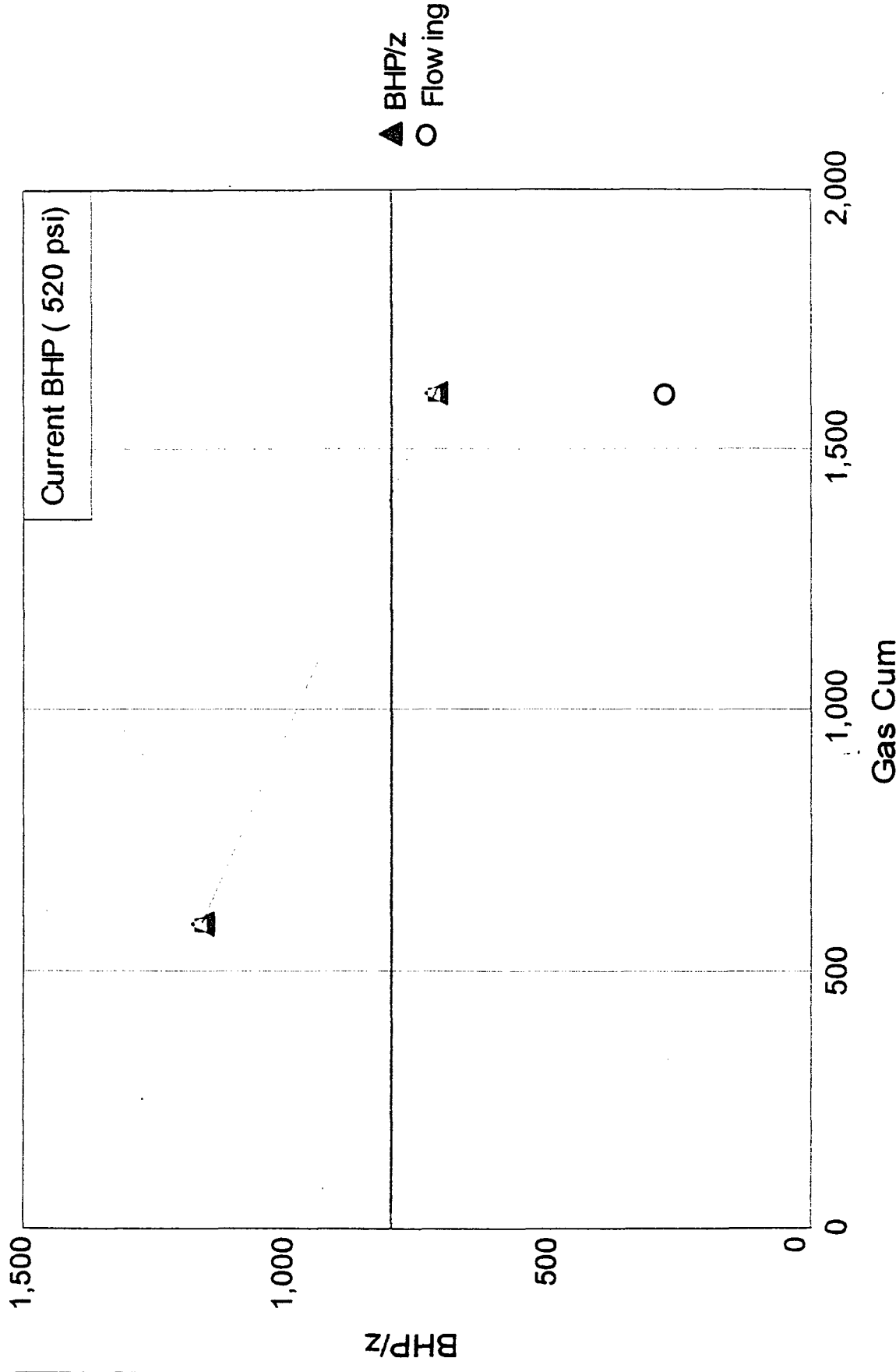
Project: C:\Program Files\HS Energy\PTools30\PROJECTS\CominglesWance 1E.mdb

Date: 7/9/1999
Time: 8:52 AM

Lease Name: NANCE (1E)
County, ST: SAN JUAN, NM
Location: 31N-13W-27

Field Name: FLORA VISTA (GALLUP) GP
Operator: CHATEAU OIL & GAS INC

NANCE - FLORA VISTA (GALLUP) GP



Rate/Time Graph

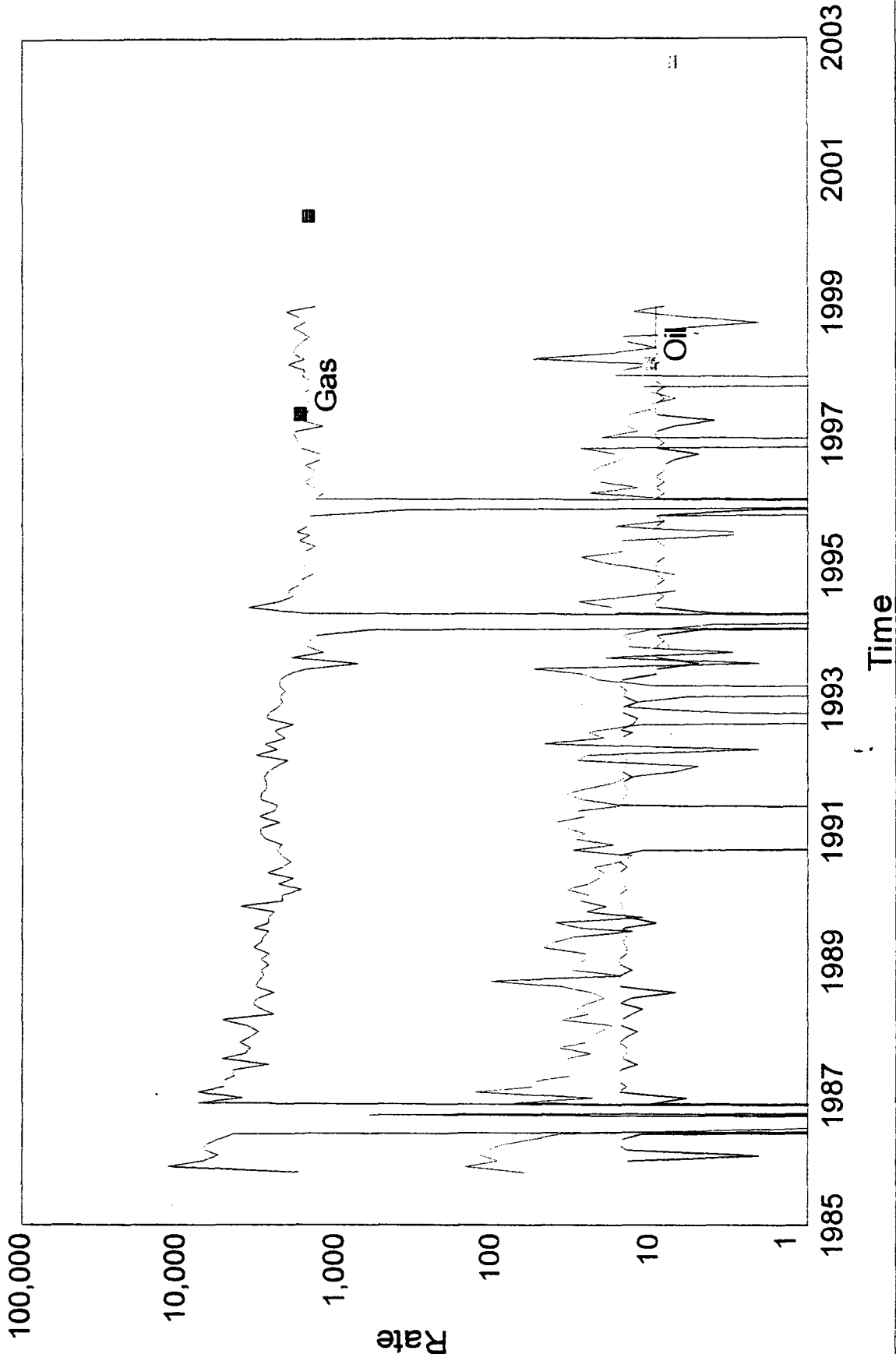
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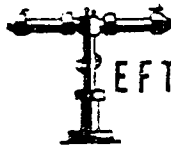
Date: 7/7/1999
Time: 10:52 AM

Lease Name: NANCE (1E)
County, ST: SAN JUAN, NM
Location: 31N-13W-27

Field Name: BASIN (DAKOTA) DK
Operator: CHATEAU OIL & GAS INC

NANCE - BASIN (DAKOTA) DK





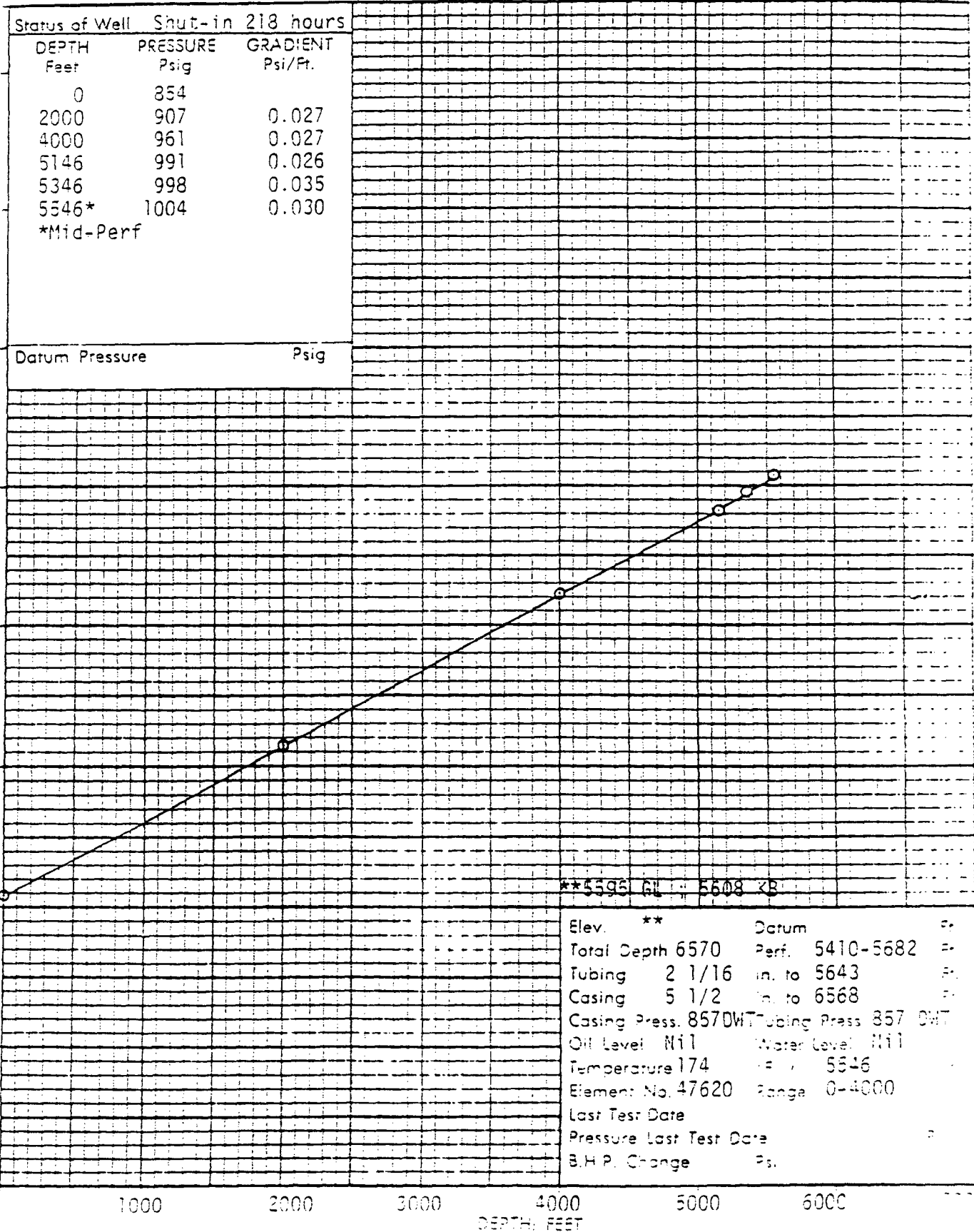
TELLER, INC.

reservoir engineering data

MIDLAND, TEXAS

Page 7 of 7
File 2-15539-P, ADF&PL

Company CONSOLIDATED OIL & GAS, INC. Lease NANCE Well No. 1-E
Field BASIN DAKOTA County SAN JUAN State NEW MEXICO
Formation GALLUP Test Date MAY 31, 1984



Pressure/Cum Graph

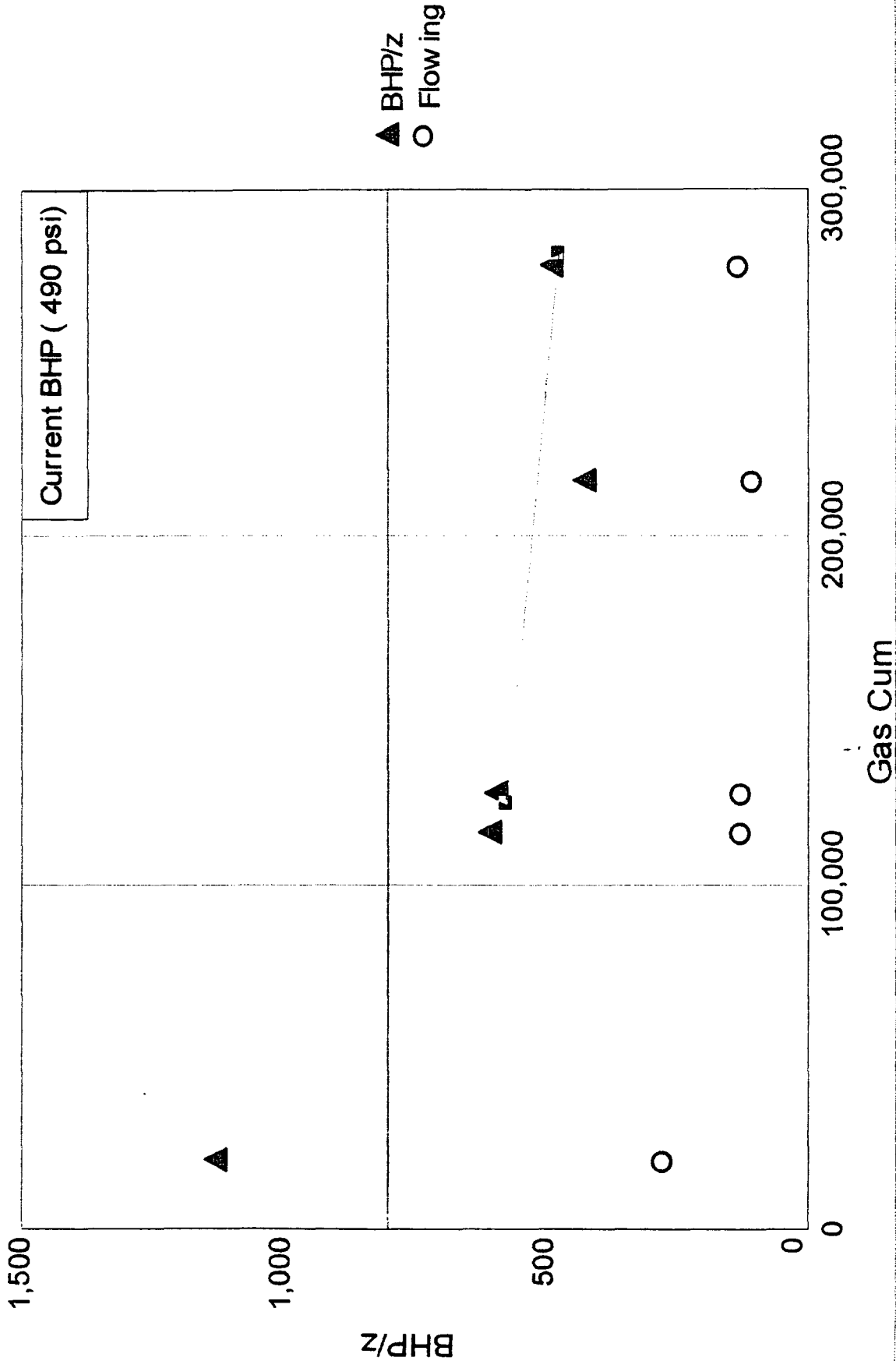
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Date: 7/9/1999
Time: 8:38 AM

Lease Name: NANCE (1E)
County, ST: SAN JUAN, NM
Location: 31N-13W-27

Field Name: BASIN (DAKOTA) DK
Operator: CHATEAU OIL & GAS INC

NANCE - BASIN (DAKOTA) DK



Pressure/Cum Graph

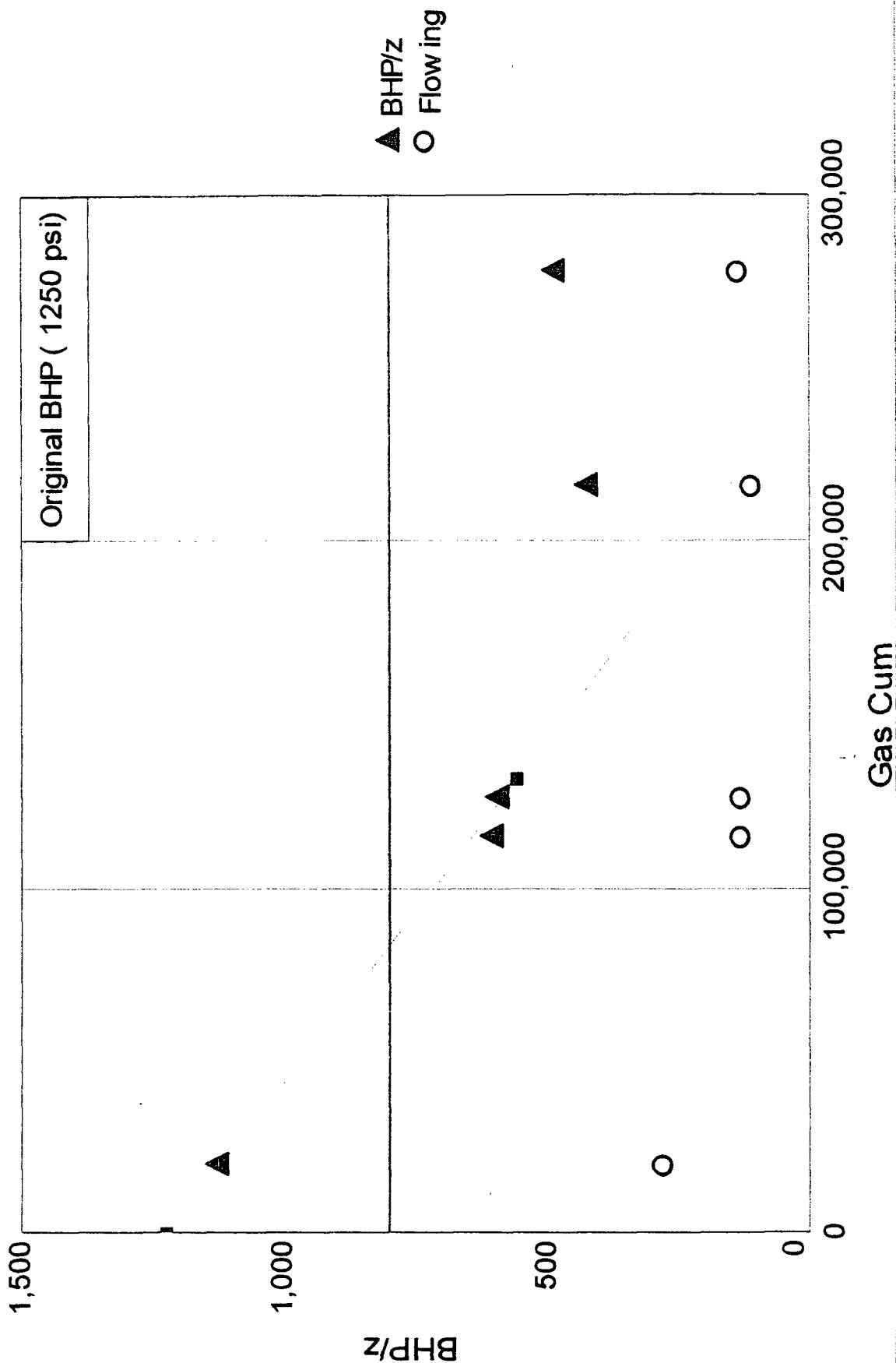
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Date: 7/9/1999
Time: 8:31 AM

Lease Name: NANCE (1E)
County, ST: SAN JUAN, NM
Location: 31N-13W-27

Field Name: BASIN (DAKOTA) DK
Operator: CHATEAU OIL & GAS INC

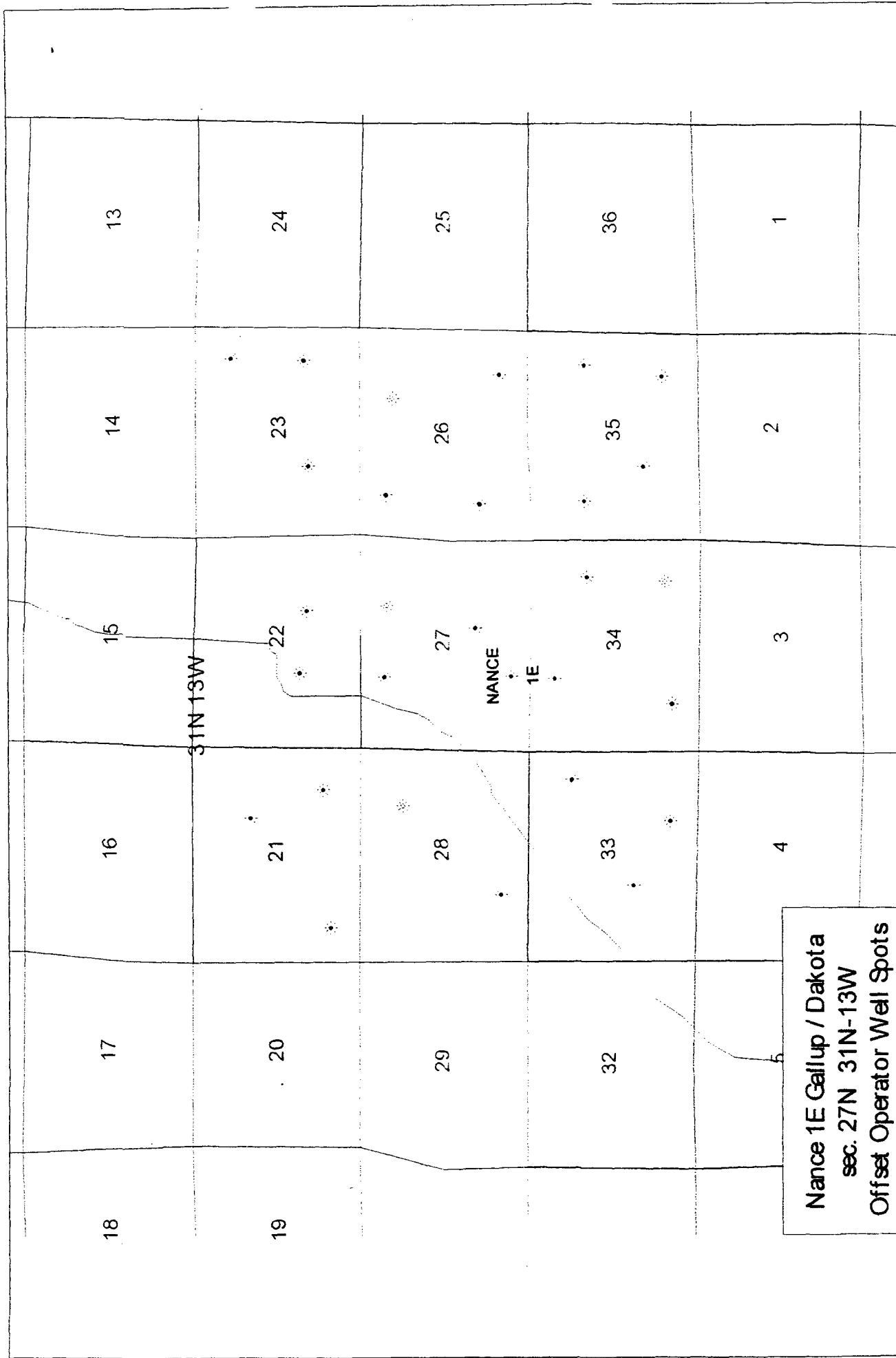
NANCE - BASIN (DAKOTA) DK



PowerTools Map

Project: C:\Program Files\IHS Energy\PTTools30\PROJECTS\Comingles\Nance 1E.mdb

Date: 7/7/1999
Time: 10:39 AM



Offset Operator List

Nance 1E Gallup / Dakota
sec. 27N 31N-13W

Operator	Reservoir	Township	Range	Section
BURLINGTON RES O&G CO	DAKOTA	31 N	13 W	23
P.O. Box 4289		31 N	13 W	26
Farmington, NM 87499		31 N	13 W	34
 Greystone Energy, Inc.	 DAKOTA	 31 N	 13 W	 22
1801 Broadway, Suite 630		31 N	13 W	26
Denver, CO 80202		31 N	13 W	27
		31 N	13 W	28
		31 N	13 W	33
		31 N	13 W	34
		31 N	13 W	35
 Greystone Energy, Inc.	 GALLUP	 31 N	 13 W	 26
1801 Broadway, Suite 630		31 N	13 W	27
Denver, CO 80202		31 N	13 W	33
		31 N	13 W	35
 DUGAN PRODUCTION CORP	 DAKOTA	 31 N	 13 W	 22
P.O. Box 420				
Farmington, NM 87499-0420				
 FULLER PRODUCTION INC	 DAKOTA	 31 N	 13 W	 21
P.O. Box 11327		31 N	13 W	28
Midland, TX 79702		31 N	13 W	33
 P R O MGMT INC	 DAKOTA	 31 N	 13 W	 21
9400 N. Central Expwy, #1313				
LB 158				
Dallas, TX 75231				
 UNIVERSAL RESOURCES INC	 DAKOTA	 31 N	 13 W	 23
2601 N.W. Expwy, Suite 700E				
Oklahoma City, OK 73112				