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DHC 8/18/99

2432

July 26th, 1999

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

RECEIVED
JUL 29 1999
NEW MEXICO OIL CONSERVATION DIVISION

RE: Administrative Approval to Downhole Commingle
Greystone Energy, Inc.
Tribal C #3
890' FNL, 490' FEL, Sec.6 A, T26N, R3W, N.M.P.M.
Rio Arriba County, New Mexico

Dear Ms. Wrotenberry:

Greystone Energy, Inc. requests administrative approval to downhole commingle the Blanco Mesaverde and Tapacito Pictured Cliff pools in the subject well. The well is currently producing as a Mesaverde / Pictured Cliff dual completion. 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 Mesaverde and Pictured Cliff
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 to 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

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

Form C-107A
New 3-12-96

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 Hwy 64 Farmington, NM 87401
Operator Address
Tribal C 3 A-6-26N-3W Rio Arriba
Lease Well No. Unit Ltr. - Sec - Twp - Rge County
Spacing Unit Lease Type: (Check 1 or more)

OGRID NO. 173252 Property Code 24080 API NO. 30-039-067610 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 (Mesaverde) 72319
2. Top and Bottom of Pay Section (Perforations)	3922'-3940'		6010'-6145'
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) 335 psi	a.	a. 395 psi
	b. (Original) 1230 psi	b.	b. 1300 psi
6. Oil Gravity (API) or Gas BTU Content	1.244		1.244
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: 6/30/99 Rates: 60mcf 0bopd	Date: Rates:	Date: 6/30/99 Rates: 87mcf 0.1bopd
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 0 % Gas: 50.3 %	Oil: % Gas: %	Oil 100 % Gas 49.7 %

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 VP DATE 7/26/99
TYPE OR PRINT NAME Brian D. Voigt TELEPHONE NO. (505) 632-8056

NUMBER OF COPIES RECEIVED	
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FILE	
U.S.G.S.	
LAND OFFICE	
TRANSPORTER	OIL GAS
PRODUCTION OFFICE	
OPERATOR	

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT
SEE INSTRUCTIONS FOR COMPLETING THIS FORM ON THE REVERSE SIDE

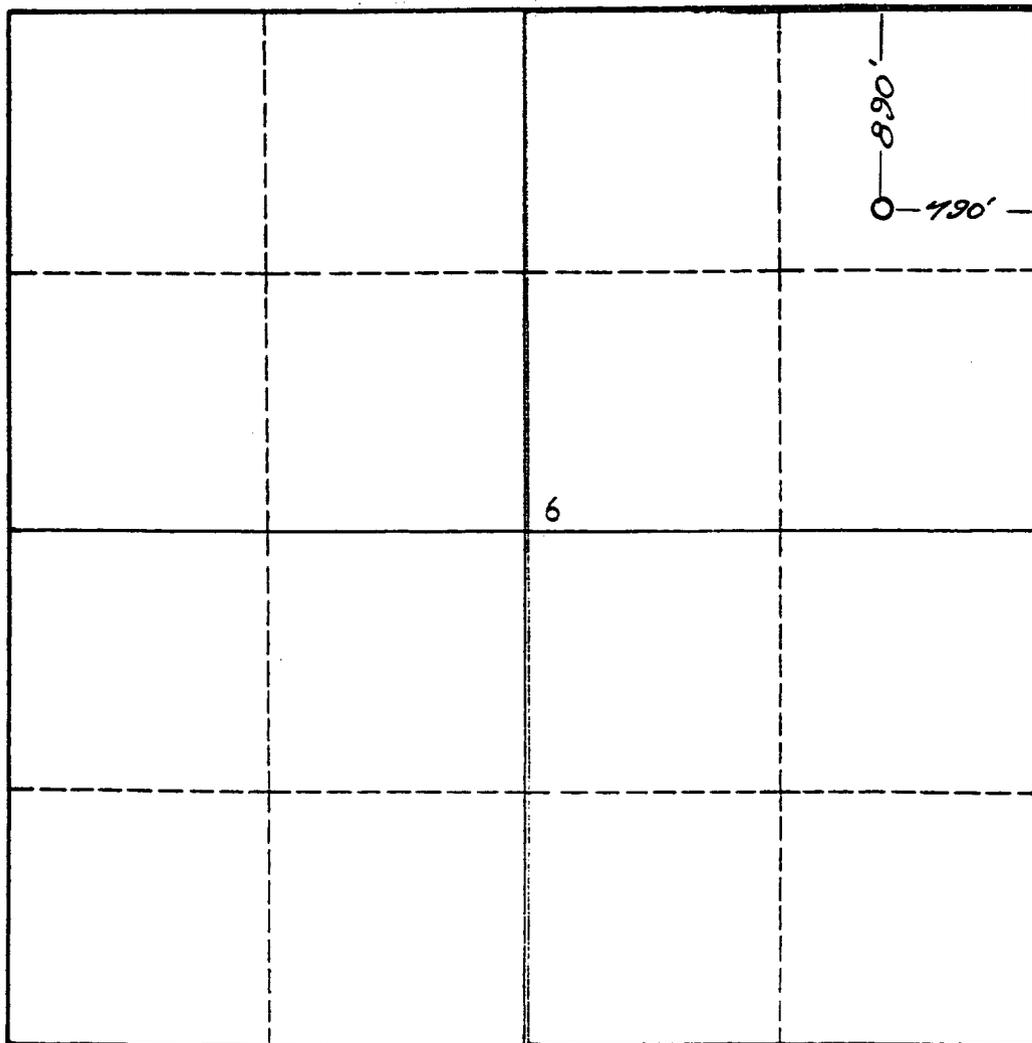
SECTION A

Operator CONSOLIDATED OIL AND GAS, INC.		Lease TRIBAL "C"		Well No. 3
Unit Letter A	Section 6	Township 26 NORTH	Range 3 WEST	County RIO ARRIBA
Actual Footage Location of Well: 890 feet from the NORTH line and 790 feet from the EAST line				
Ground Level Elev. 7126.0	Producing Formation Mesaverde	Pool Blanco	Dedicated Acreage: 320 Acres	

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below? YES NO . ("Owner" means the person who has the right to drill into and to produce from any pool and to appropriate the production either for himself or for himself and another. (65-3-29 (e) NMSA 1935 Comp.)
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:

Owner	Land Description

SECTION B



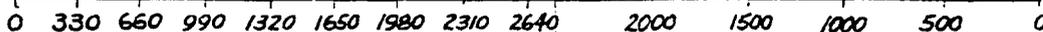
CERTIFICATION

I hereby certify that the information in SECTION A above is true and complete to the best of my knowledge and belief.

Name <i>James P. Leese</i>
Position Chief Engineer
Company Consolidated Oil & Gas, Inc.
Date April 26, 1962

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

Date Surveyed 2 March 1962
Registered Professional Engineer and/or Land Surveyor <i>James P. Leese</i> James P. Leese
Certificate No. 1463 San Juan Engineering Company



NUMBER COPIES RECEIVED	
DISTRICT	
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LAND OFFICE	
TRANSPORTER	OIL GAS
PRODUCTION OFFICE	
OPERATOR	

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT
SEE INSTRUCTIONS FOR COMPLETING THIS FORM ON THE REVERSE SIDE

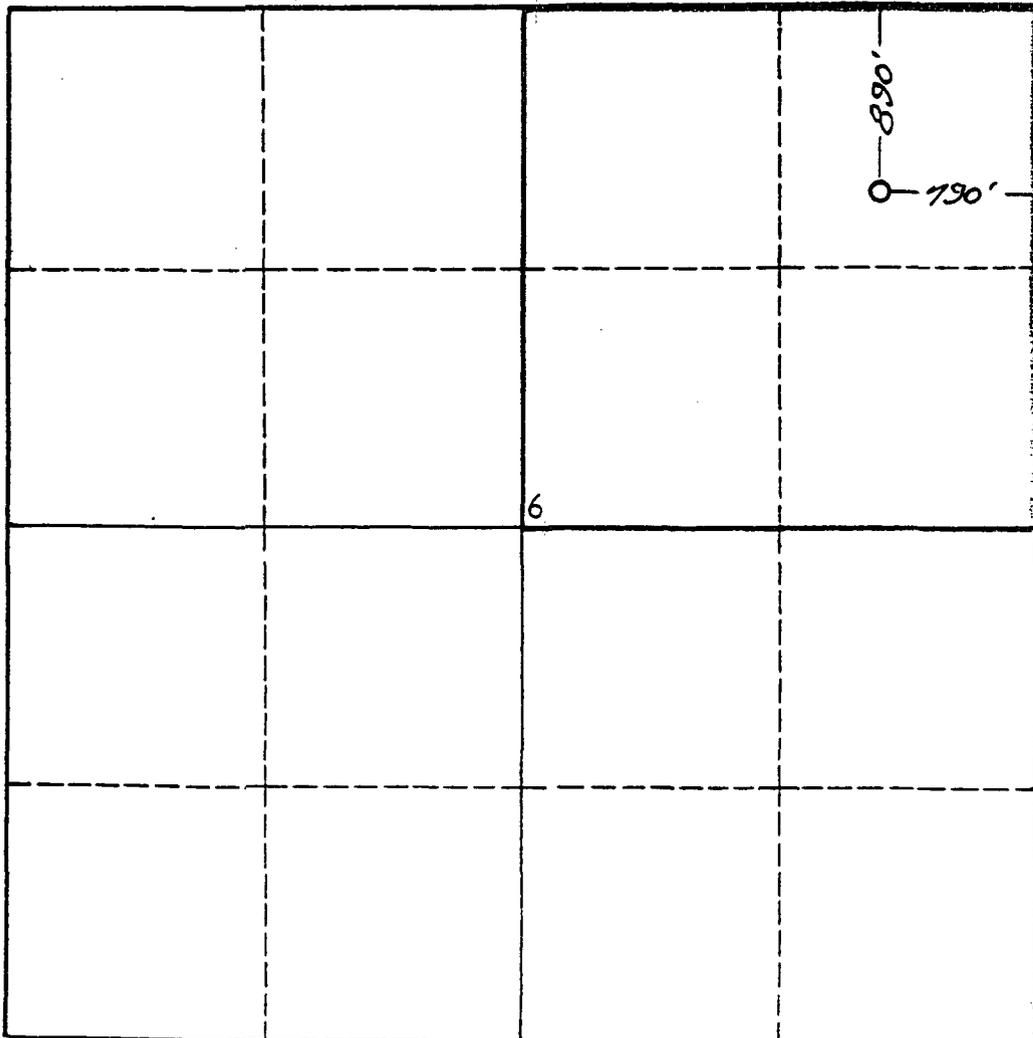
SECTION A

Operator CONSOLIDATED OIL AND GAS, INC.		Lease TRIBAL "C"		Well No. 3
Unit Letter A	Section 6	Township 26 NORTH	Range 3 WEST	County RIO ARriba
Actual Footage Location of Well: 890 feet from the NORTH line and 790 feet from the EAST line				
Ground Level Elev. 7126.0	Producing Formation Pictured Cliffs	Pool Tapicito	Dedicated Acreage: 160 Acres	

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below? YES NO . ("Owner" means the person who has the right to drill into and to produce from any pool and to appropriate the production either for himself or for himself and another. (65-3-29 (e) NMSA 1935 Comp.)
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:

Owner	Land Description

SECTION B



CERTIFICATION

I hereby certify that the information in SECTION A above is true and complete to the best of my knowledge and belief.

Name <i>James P. Leese</i>
Position Chief Engineer
Company Consolidated Oil & Gas, Inc.
Date April 26, 1962

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

Date Surveyed 2 March 1962
Registered Professional Engineer and/or Land Surveyor <i>James P. Leese</i> James P. Leese
Certificate No. 1463 San Juan Engineering Company



Tribal C3 MV / PC

Fixed Percentage Allocation Formula

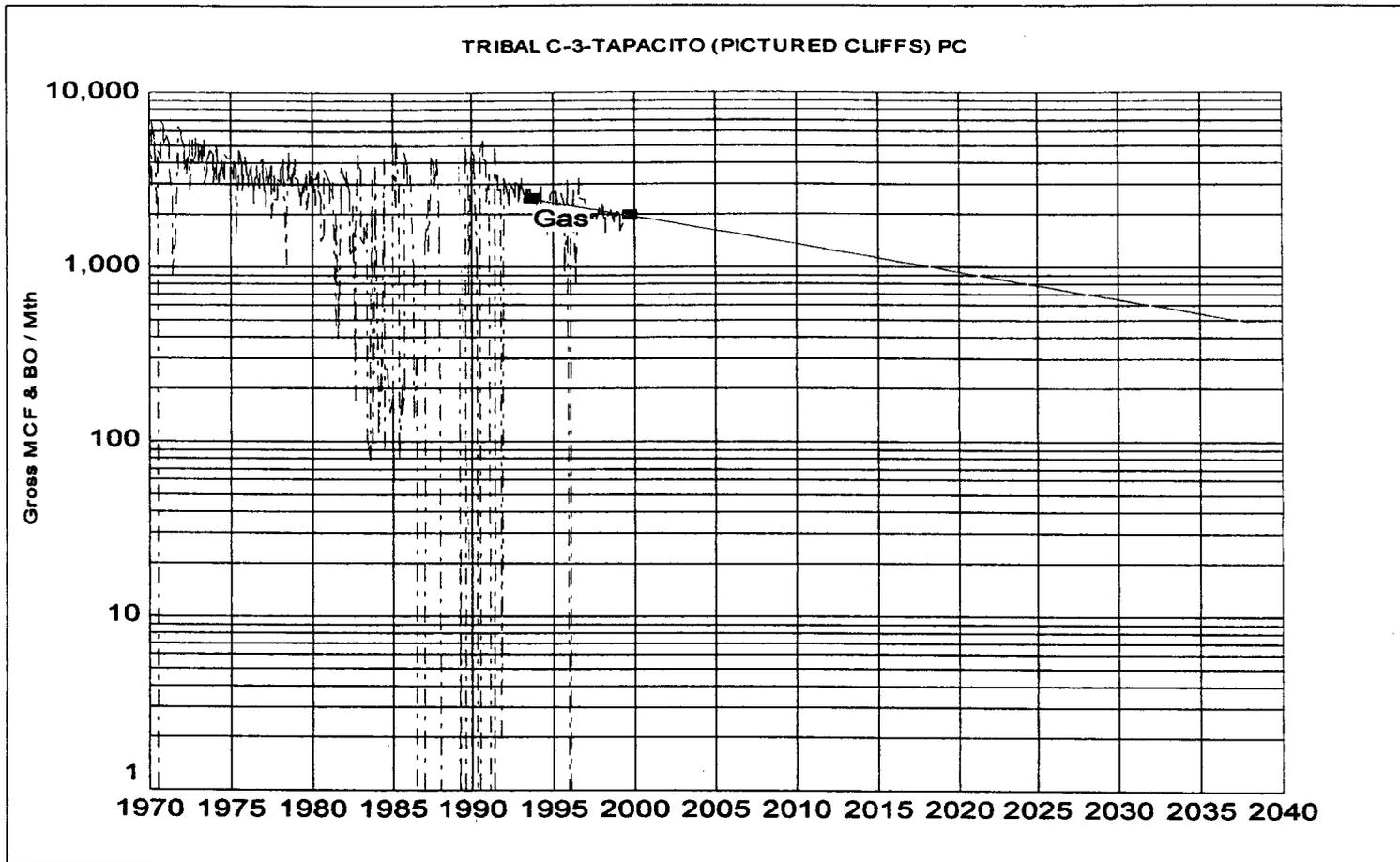
	Oil (Barrels)		Gas (MCF)	
		%		%
Mesaverde Formation	3,622	100%	1,387,783	49.7%
Pictured Cliffs Formation	-	0%	1,407,292	50.3%
	3,622	100%	2,795,075	100%

Based on production through Jan - 1999

Last Twelve Months Historic Production Report

Project: C:\Program Files\IHS Energy\PTools30\PROJECTS\Reserves\New Case\Reversion\Pd.p.mdb

Lease Name:	TRIBAL C (3)	Field Name:	TAPACITO (PICTURED CLIFFS) PC
County, ST:	RIO ARRIBA, NM (Jicarilla)	Operator:	CHATEAU OIL & GAS INC
Location:	26N-3W-6		

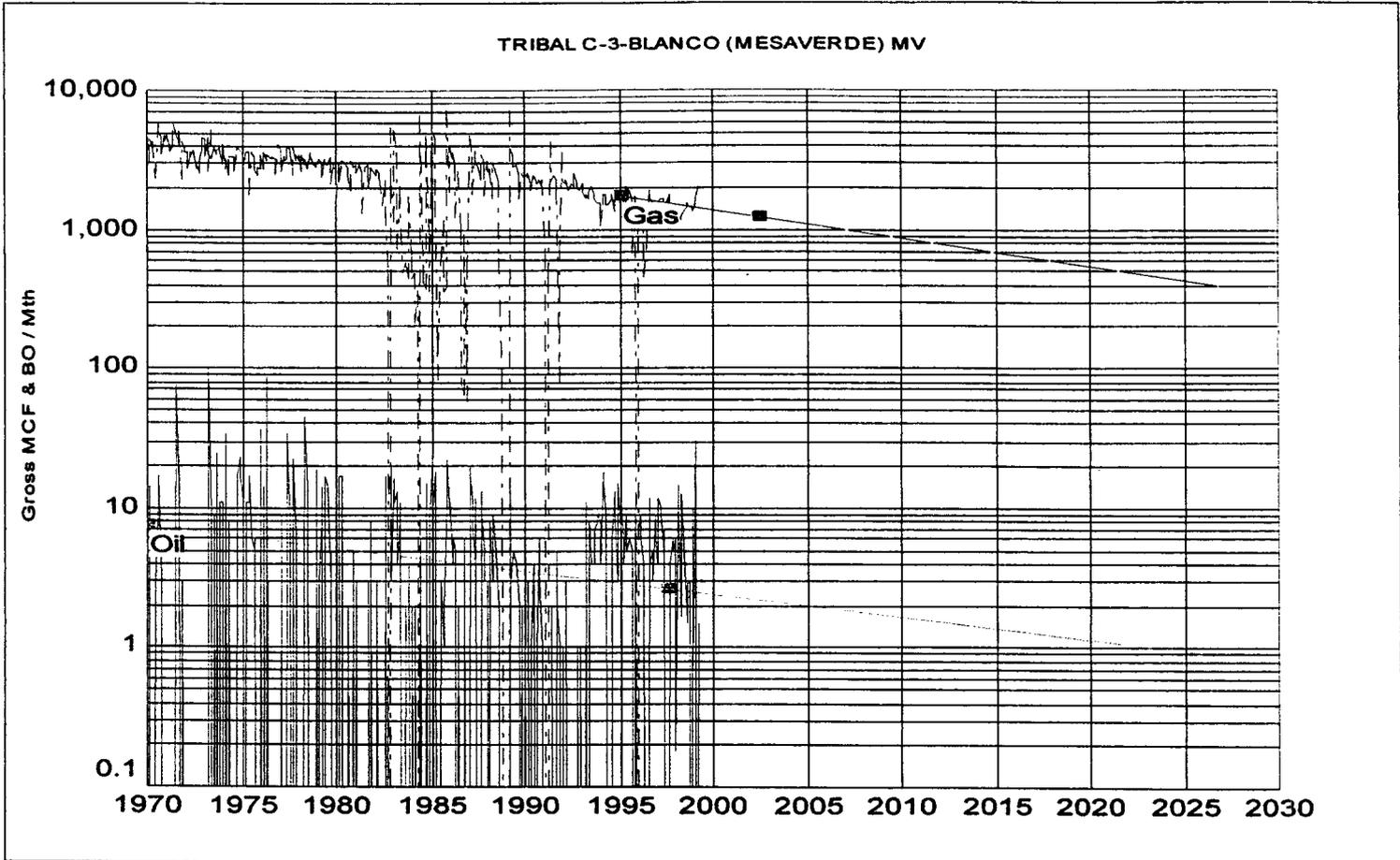


Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		0	1,383,789	61	0
04/1998	1	0	1,991	0	0
05/1998	1	0	1,940	0	0
06/1998	1	0	2,088	0	0
07/1998	1	0	2,108	0	0
08/1998	1	0	2,087	0	0
09/1998	1	0	1,807	0	0
10/1998	1	0	1,986	0	1,829
11/1998	1	0	1,935	0	1,430
12/1998	1	0	2,099	0	1,903
01/1999	1	0	2,027	0	1,861
02/1999	1	0	1,609	0	0
03/1999	1	0	1,826	0	0
Total:		0	1,407,292	61	7,023

Last Twelve Months Historic Production Report

Project: C:\Program Files\IHS Energy\PTools30\PROJECTS\Reserves\New Case\Reversion\Ipdp.mdb

Lease Name: TRIBAL C (3) Field Name: BLANCO (MESAVERDE) MV
 County, ST: RIO ARRIBA, NM (Jicarilla) Operator: CHATEAU OIL & GAS INC
 Location: 26N-3W-6



Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		3,554	1,369,953	971	0
04/1998	1	2	1,167	0	0
05/1998	1	13	1,226	0	0
06/1998	1	4	1,369	0	0
07/1998	1	1	1,468	0	0
08/1998	1	3	1,562	0	0
09/1998	1	3	1,444	0	0
10/1998	1	0	1,476	0	1,310
11/1998	1	10	1,426	0	1,181
12/1998	1	1	1,344	0	1,185
01/1999	1	30	1,567	0	1,535
02/1999	1	0	1,694	0	0
03/1999	1	1	2,087	0	0
Total:		3,622	1,387,783	971	5,211

Offset Operator List

Tribal C 3 MV / PC
A-6-26N-3W

Operator
BURLINGTON RES O&G CO
P.O. Box 4289
Farmington, NM 87499

Reservoir	Township	Range	Section
MESAVERDE	26 N	4 W	1
PICTURED CLIFFS	26 N	4 W	12
	26 N	4 W	36

PICTURED CLIFFS	26 N	3 W	8
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Greystone Energy, Inc.
1801 Broadway, Suite 630
Denver, Colorado 80202

MESAVERDE	26 N	3 W	5
PICTURED CLIFFS	26 N	3 W	6
	26 N	3 W	7
	26 N	3 W	8

CONOCO INC
10 Desta Dr., Suite 100 W
Midland, TX 79705

PICTURED CLIFFS	26 N	4 W	12
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TAURUS EXPL USA INC
2198 Bloomfield Highway
Farmington, NM 87401

MESAVERDE	26 N	3 W	7
PICTURED CLIFFS			

PICTURED CLIFFS	26 N	3 W	8
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WILLIAMS PRODUCTION CO
P.O. Box 215
Bloomfield, NM 87413

MESAVERDE	27 N	3 W	31
PICTURED CLIFFS			

PICTURED CLIFFS	27 N	3 W	32
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PowerTools Map

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

Date: 7/22/1999
Time: 6:06 PM

26	25	30	29	28	27
35	36	31	32	33	34
2	1	6	5	4	3
11	12	7	8	9	10
14	13	18	17	16	15
Tribal C 3 - MV / PC Offset Mesaverde and Pictured Cliff Well Spots					
					26N3W

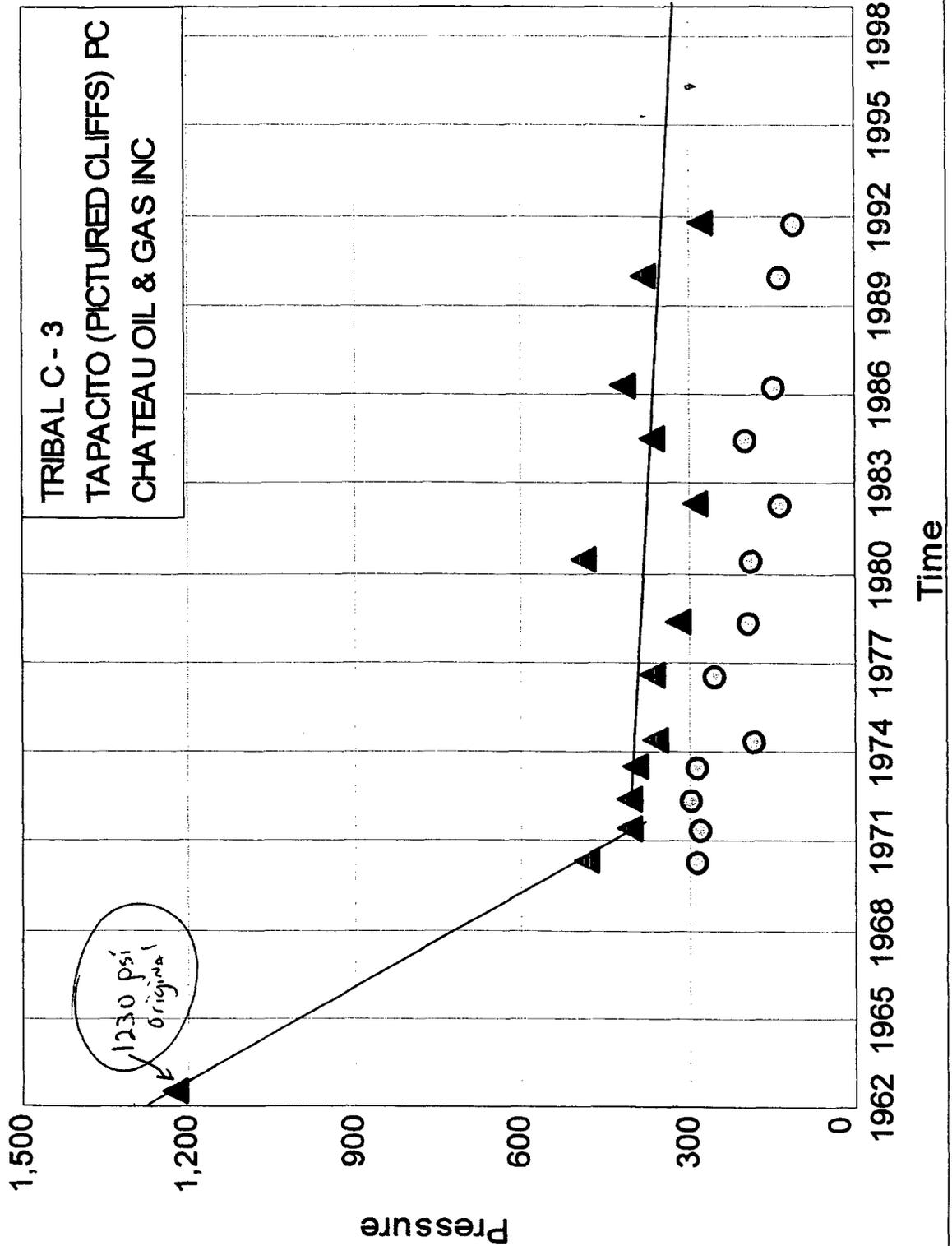
Pressure/Time Graph

Date: 7/21/1999
Time: 5:10 PM

Path: C:\Program Files\HS Energy\PTools30\PROJECTS\Reserves\New Case\Reversion\pdp.mdb

Lease Name: TRIBAL C (3)
County, ST: RIO ARRIBA, NM (Jicarilla)
Location: 26N-3W-6

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



Pressure/Time Graph

Path: C:\Program Files\IHS Energy\PTools30\PROJECTS\Reserves\New Case\Reversion\pdp.mdb

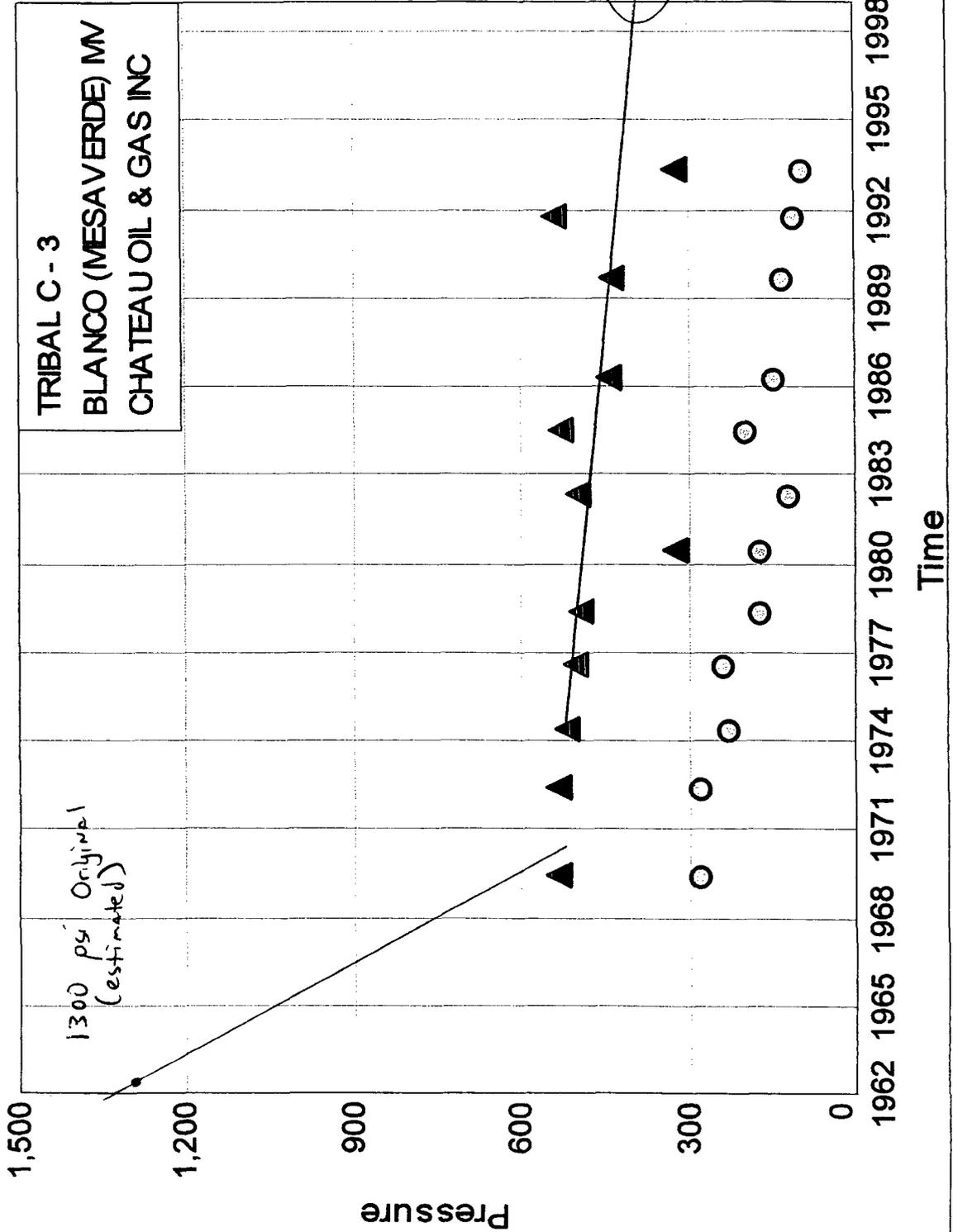
Date: 7/21/1999
Time: 5:16 PM

Lease Name:
County, ST:
Location:

TRIBAL C (3)
RIO ARRIBA, NM (Jicarilla)
26N-3W-6

Field Name:
Operator:

BLANCO (MESAVERDE) MV
CHATEAU OIL & GAS INC



Tribal C-3 - Mesa Verde

HAROLD W SMITH JR
PO BOX 1527
SUN VALLEY

ID 83353

JICARILLA APACHE TRIBE
PO BOX 2053
ALBUQUERQUE

NM 87103-5810

SHARON GILBERT
922 LINCOLN BLVD #2
SANTA MONICA

CA 90403

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

FINCHER OIL INVESTMENTS, INC
107 ST FRANCIS ST, #1502
MOBILE

AL 36602

J & R PROPERTIES, LLC
1 COLORADO BLVD
DENVER

CO 80206

SALLY ROYCE
ADDRESS UNKNOWN

ENERGEN RESOURCES CORPORATION
2101 SIXTH AVE, NO
BIRMINGHAM

AL 35203-2784

Tribal C-3 - Pictured Cliffs

HAROLD W SMITH JR
PO BOX 1527
SUN VALLEY

ID 83353

JICARILLA APACHE TRIBE
PO BOX 2053
ALBUQUERQUE

NM 87103-5810

SHARON GILBERT
922 LINCOLN BLVD #2
SANTA MONICA

CA 90403

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

FINCHER OIL INVESTMENTS, INC
107 ST FRANCIS ST, #1502
MOBILE

AL 36602

J & R PROPERTIES, LLC
1 COLORADO BLVD
DENVER

CO 80206

SALLY ROYCE
ADDRESS UNKNOWN

ENERGEN RESOURCES CORPORATION
2101 SIXTH AVE, NO
BIRMINGHAM

AL 35203-2784