

DHC 8/23/99



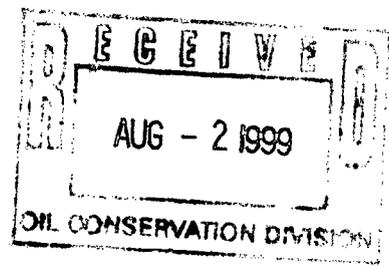
GREYSTONE ENERGY, INC.

1801 Broadway, Suite 630 • Denver, CO 80202

Bus: 303-296-6762 • Fax: 303-296-6971

July 29<sup>th</sup>, 1999

2411



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

RE: Administrative Approval to Downhole Commingle  
Greystone Energy, Inc.  
Jicarilla B #1  
990' FNL, 1800' FEL, Sec.26 B, T26N, R4W, N.M.P.M.  
Rio Arriba County, New Mexico

Dear Ms. Wrottenberry:

Greystone Energy, Inc. requests administrative approval from the state to downhole commingle the Basin Dakota and the Blanco Mesaverde pools in the subject well. The well is currently producing as a Mesaverde / Dakota dual completion. The Dakota zone does exhibit signs of liquid loading problems. 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 Dakota 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 Dakota Formations
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,

*B. D. Voigt*

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. 5802 Hwy 64 Farmington NM 87401  
Operator Address  
JICARILLA B 1 B-26-26N-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 24043 API NO. 30-039-06330 Federa  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)	5602'-5784'		7762-7946'
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) 740 PSI	a.	a. 990 PSI
	b. (Original) 1280 PSI	b.	b. 2125 PSI
6. Oil Gravity ( API) or Gas BTU Content	1233		1323
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: 28 MCFD 0 BOPD	Date: Rates:	Date: 6/30/99 Rates: 131 MCFD 1.5 BOPD
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 0.7 % Gas: 23.9 %	Oil: % Gas: %	Oil 99.3 % Gas 76.1%

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 7/30/99  
TYPE OR PRINT NAME BRIAN VOIGT TELEPHONE NO. (505) 632-8056

NEW MEXICO OIL CONSERVATION COMMISSION  
Well Location and Acreage Dedication Plat

Section A.

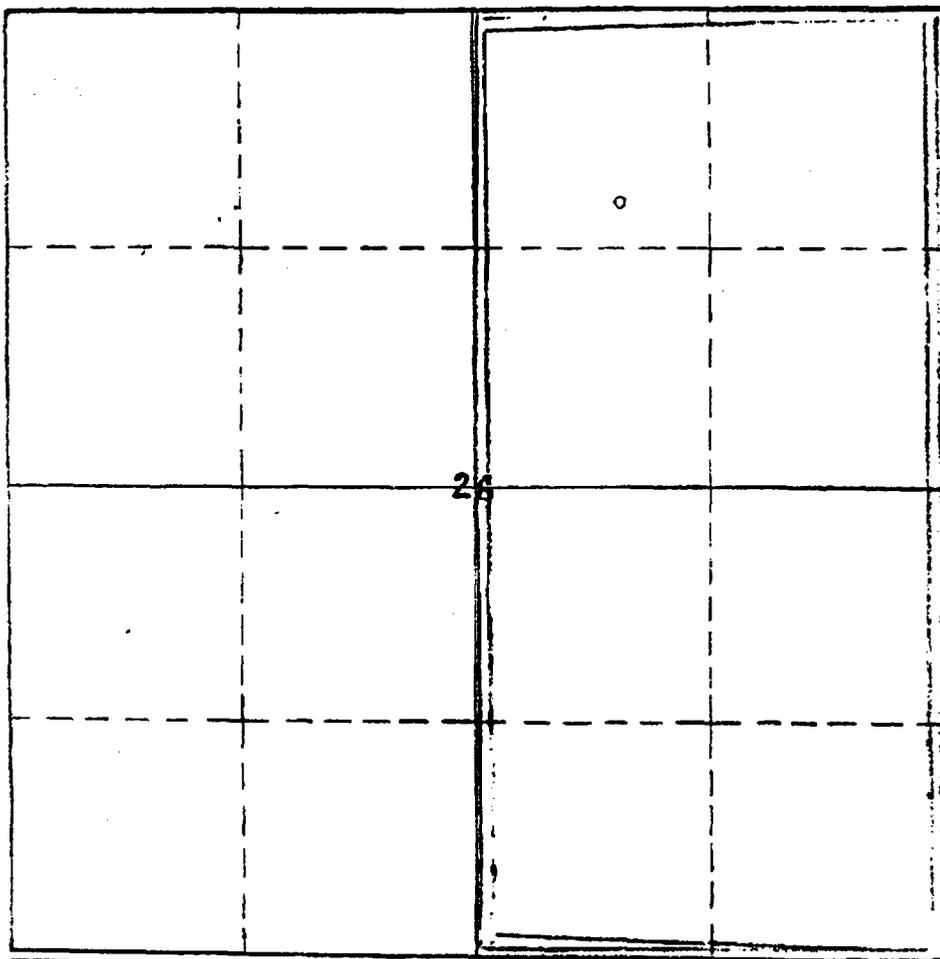
Date October 15, 1963

Operator Consolidated Oil & Gas, Inc. Lease Jicarilla  
Well No. 1-26 Unit Letter B Section 26 Township 26N Range 4W NMPM  
Located 990 Feet From North Line, 1800 Feet From East Line  
County Rio Arriba G. L. Elevation 6897 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:

<u>Owner</u>	<u>Land Description</u>
_____	<u>Dakota is 320 standup as well</u>
_____	_____
_____	_____

Section B



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)  
[Signature]  
(Representative)

4150 East Mexico Avenue  
Address  
Denver 22, Colorado

This is to 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 11/17/53

Registered Professional Engineer and/or Land Surveyor

SEE ATTACHMENT  
Certificate No. \_\_\_\_\_

(See instructions for completing this form on the reverse side)



Company Southern Union Gas Company

Lease Jicarilla Well No. 1-N

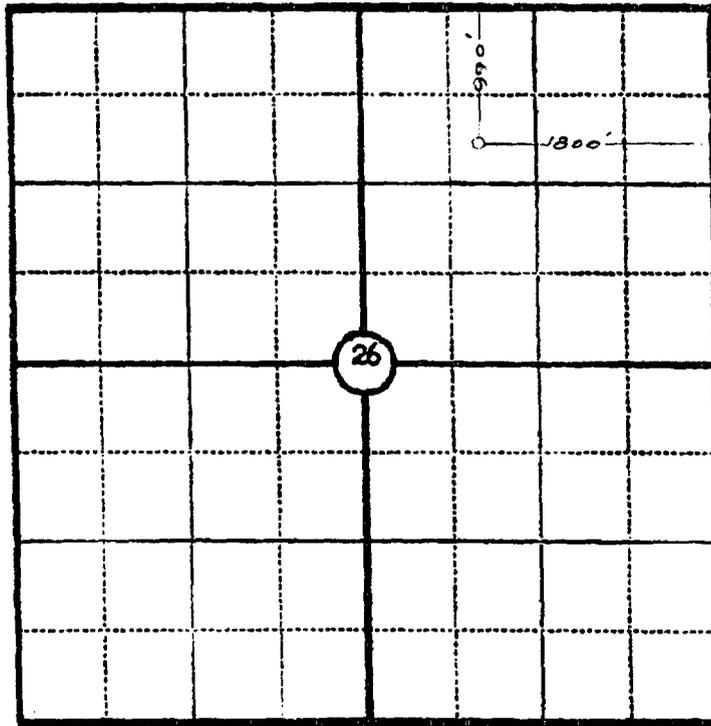
Sec. 26, T. 26 N., R. 4 W., N.M.P.M.

Location 990' from the North line and 1800' from the East line.

LAND SURVEY  
SAN JUAN CO., N. M.

Rio Arriba County

New Mexico



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.

*Ernest V. Echohawk*

Seal:

Registered Professional  
Engineer and Land Surveyor.

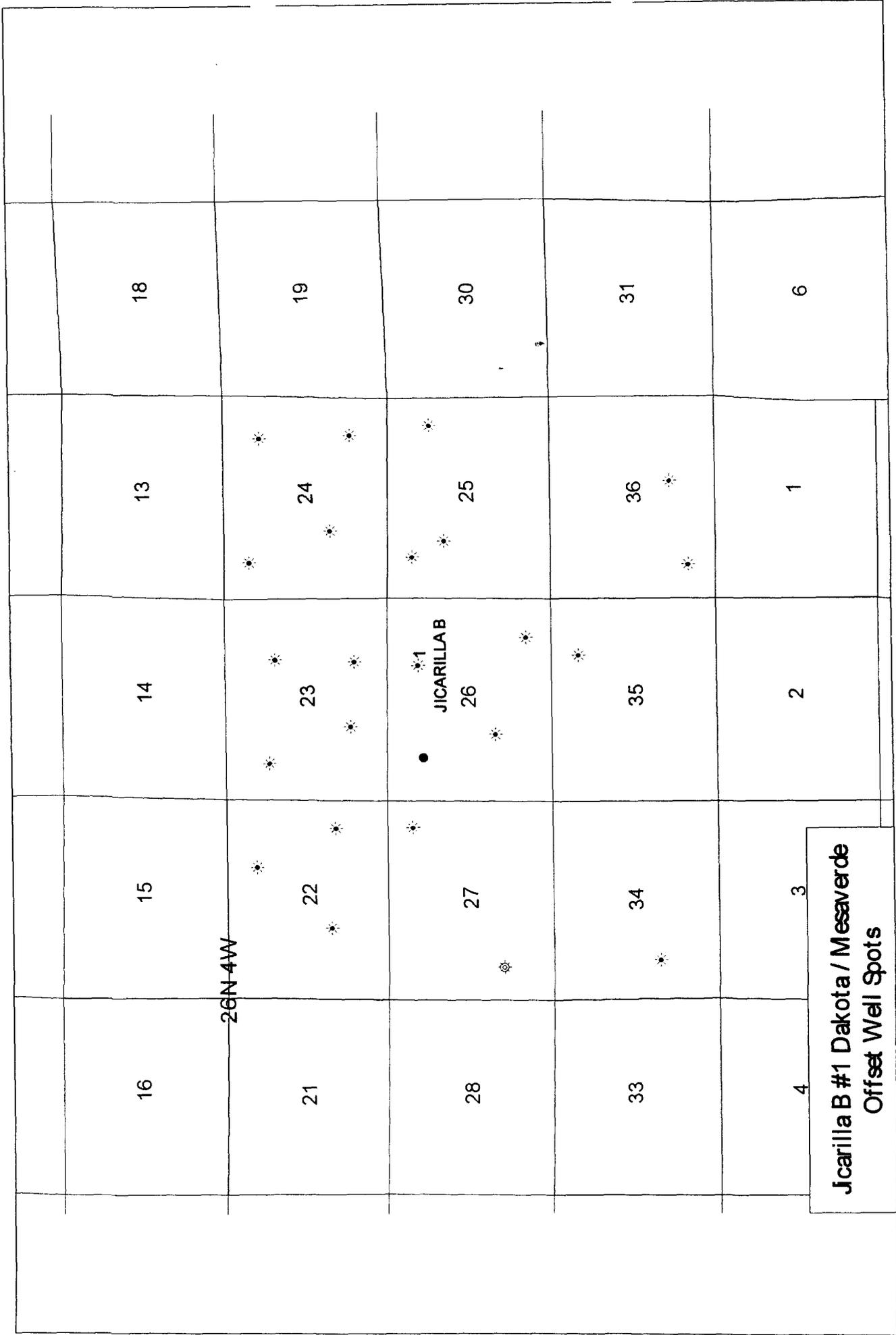
Ernest V. Echohawk  
N. Mex. Reg. No. 1545

Surveyed November 17, 19 53.

# PowerTools Map

Project: C:\Program Files\HS Energy\PTools30\PROJECTS\Comingles\Jicarilla B #1.mdb

Date: 7/29/1999  
Time: 2:47 PM



# Offset Operators

Jicarilla B #1 Dakota / Mesaverde  
B-26-26N-4W

Operator	Reservoir	Township	Range	Section
BURLINGTON RES O&G CO P.O. Box 4289 Farmington, NM 87499	DAKOTA	26 N	4 W	27
	MESAVERDE			

Greystone Energy, Inc. 1801 Broadway, Suite 630 Denver, Colorado 80202	DAKOTA	26 N	4 W	26
	MESAVERDE			

CONOCO INC 10 Desta Dr., Suite 100 W Midland, TX 79705	DAKOTA	26 N	4 W	22
	MESAVERDE	26 N	4 W	23
		26 N	4 W	24
		26 N	4 W	25
		26 N	4 W	26

MESAVERDE	26 N	4 W	35
	26 N	4 W	36

DAKOTA	26 N	4 W	34
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TAURUS EXPL USA INC 2198 Bloomfield Highway Farmington, NM 87401	MESAVERDE	26 N	4 W	27
		26 N	4 W	34

# Jicarilla B #1 - MV / DK

## Fixed Percentage Allocation Formula

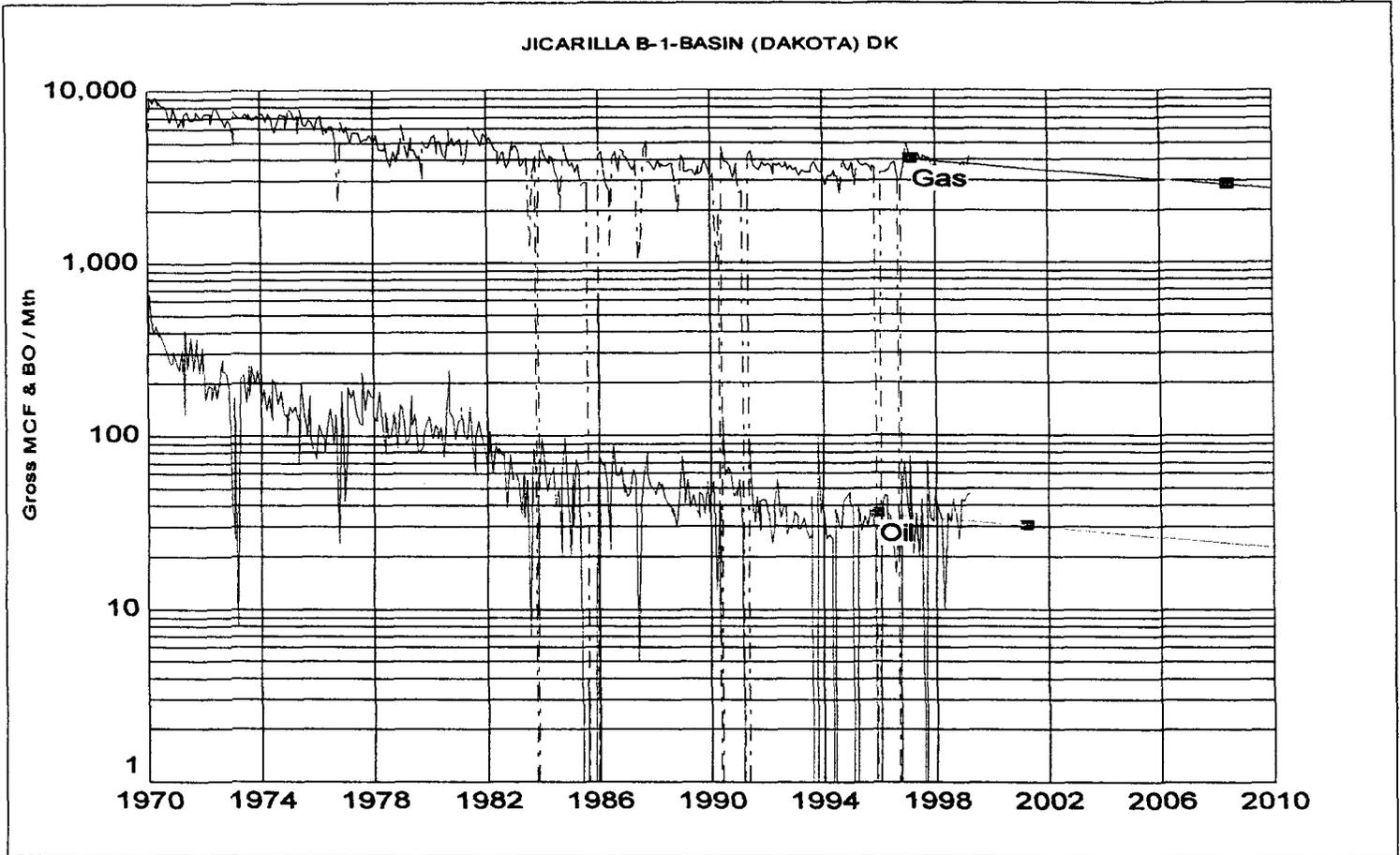
	Oil (Barrels)		Gas (MCF)	
		%		%
<b>Mesaverde Formation</b>	538	0.7%	654,457	23.9%
<b>Dakota Formation</b>	71,676	99.3%	2,084,814	76.1%
	72,214	100%	2,739,271	100%

Based on production through Jan - 1999

# Last Twelve Months Historic Production Report

Project: C:\Program Files\HSE Energy\PTools30\PROJECTS\Reserves\New Case\Reversion\IPdp.mdb

Lease Name: JICARILLA B (1) Field Name: BASIN (DAKOTA) DK  
 County, ST: RIO ARRIBA, NM (Jicarilla) Operator: CHATEAU OIL & GAS INC  
 Location: 26N-4W-26

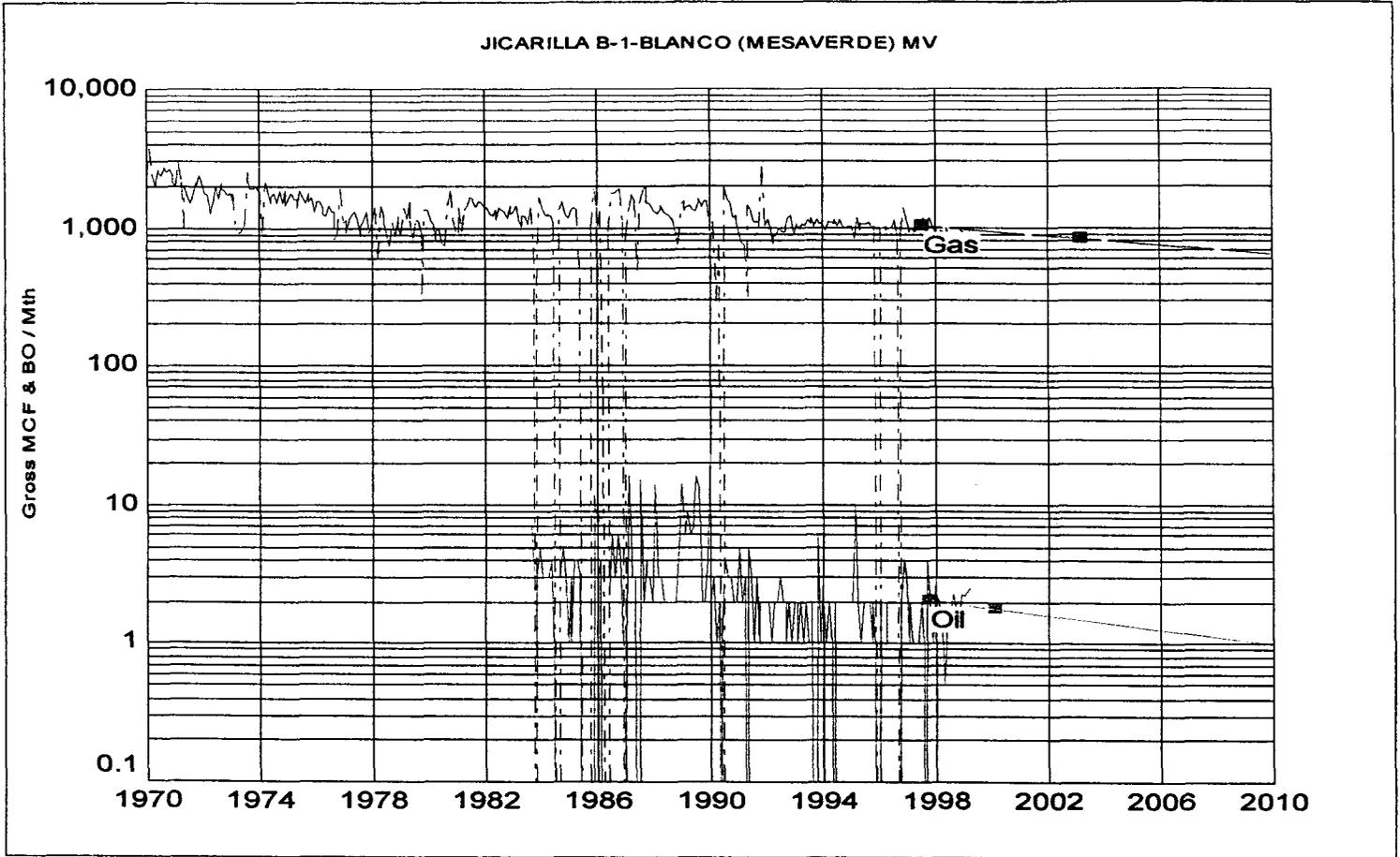


Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		71,247	2,041,250	8,760	0
04/1998	1	10	3,529	0	0
05/1998	1	32	3,607	0	0
06/1998	1	35	3,555	0	0
07/1998	1	32	3,622	0	0
08/1998	1	43	3,574	0	0
09/1998	1	33	3,392	0	0
10/1998	1	25	3,662	0	4,885
11/1998	1	41	3,606	0	5,395
12/1998	1	44	3,707	0	4,928
01/1999	1	42	3,801	0	5,774
02/1999	1	45	3,375	0	0
03/1999	1	47	4,134	0	0
<b>Total:</b>		<b>71,676</b>	<b>2,084,814</b>	<b>8,760</b>	<b>20,982</b>

# Last Twelve Months Historic Production Report

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

Lease Name: JICARILLA B (1) Field Name: BLANCO (MESAVERDE) MV  
 County, ST: RIO ARRIBA, NM (Jicarilla) Operator: CHATEAU OIL & GAS INC  
 Location: 26N-4W-26



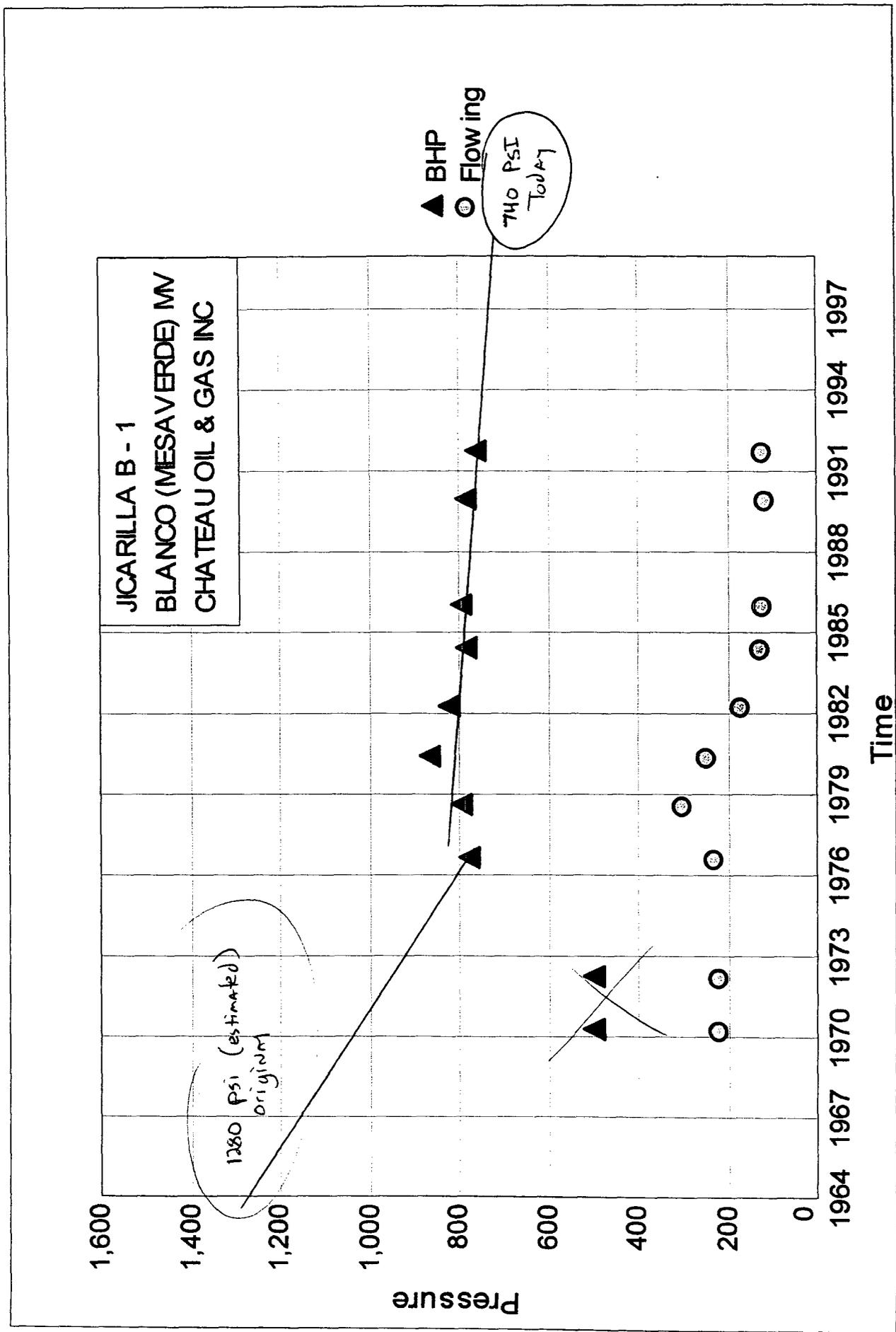
Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		516	643,928	64	0
04/1998	1	1	913	0	0
05/1998	1	2	765	0	0
06/1998	1	2	979	0	0
07/1998	1	2	690	0	0
08/1998	1	2	879	0	0
09/1998	1	2	906	0	0
10/1998	1	1	910	0	1,386
11/1998	1	2	916	0	1,585
12/1998	1	2	964	0	1,432
01/1999	1	2	924	0	1,444
02/1999	1	2	740	0	0
03/1999	1	2	943	0	0
<b>Total:</b>		<b>538</b>	<b>654,457</b>	<b>64</b>	<b>5,847</b>

# Pressure/Time Graph

Location: JICARILLA B (1)  
 County, ST: RIO ARRIBA, NM (Jicarilla)  
 Location: 26N-4W-26

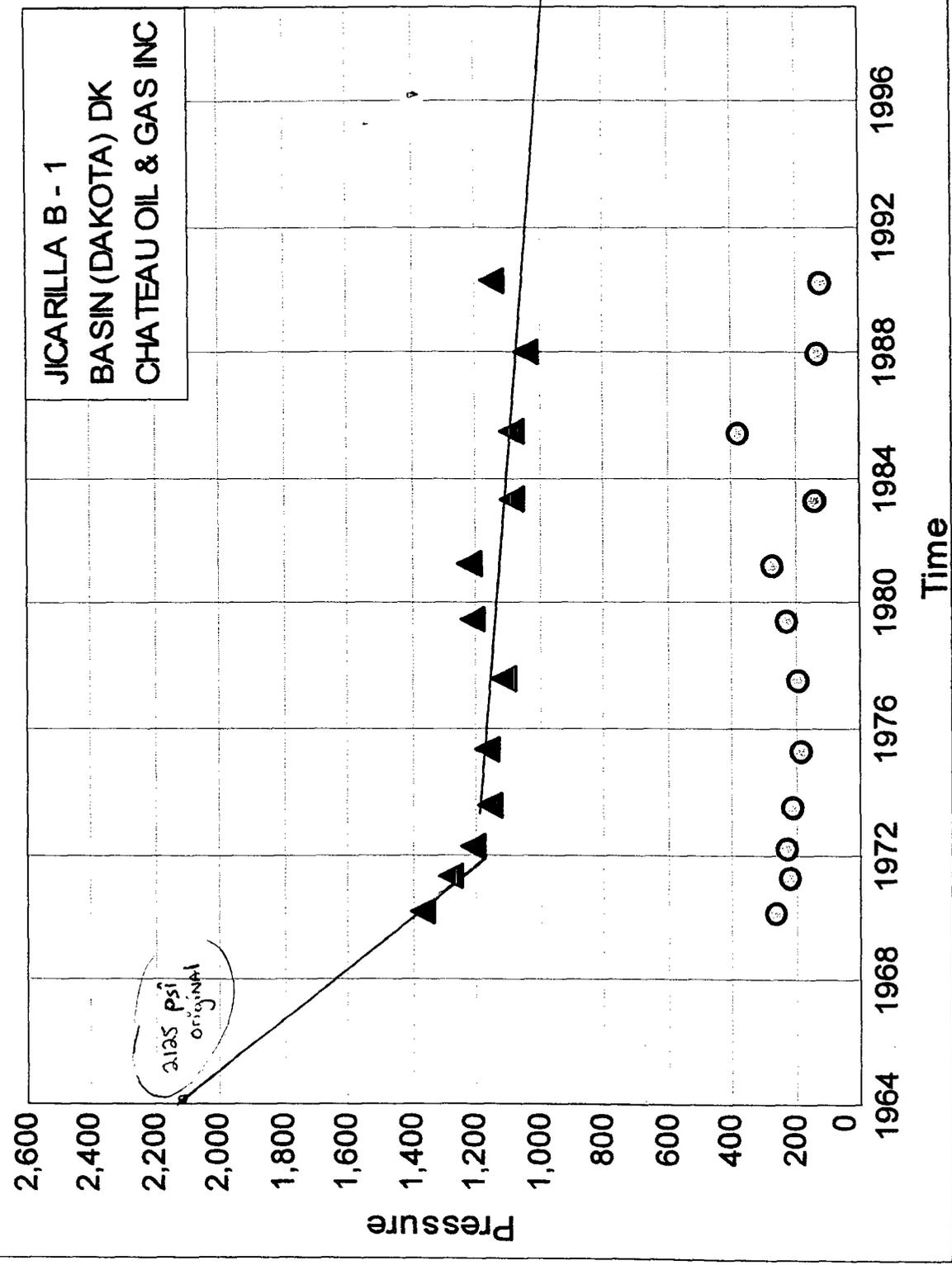
Date: 7/28/1999  
 Time: 6:57 PM

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



Lease Name: JICARILLA B (1)  
 County, ST: RIO ARRIBA, NM (Jicarilla)  
 Location: 26N-4W-26

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



## Jicarilla B1 - Dakota

GEODYNE RESOURCES INC

PO BOX 94339

TULSA OK 74194

HAROLD W SMITH JR

PO BOX 1527

SUN VALLEY ID 83353

JICARILLA APACHE TRIBE

PO BOX 2053

ALBUQUERQUE NM 87103-5810

SOUTHLAND ROYALTY COMPANY

PO BOX 840656

DALLAS TX 75284-0656

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

CONOCO INC

10 DESTA DR, SUITE 100W

MIDLAND TX 79705

J &amp; R PROPERTIES, LLC

1 COLORADO BLVD

DENVER CO 80206

## Jicarilla B1 - Mesa Verde

GEODYNE RESOURCES INC PO BOX 94339 TULSA	OK	74194
HAROLD W SMITH JR PO BOX 1527 SUN VALLEY	ID	83353
JICARILLA APACHE TRIBE PO BOX 2053 ALBUQUERQUE	NM	87103-5810
SOUTHLAND ROYALTY COMPANY PO BOX 840656 DALLAS	TX	75284-0656
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
CONOCO INC 10 DESTA DR, SUITE 100W MIDLAND	TX	79705
J & R PROPERTIES, LLC 1 COLORADO BLVD DENVER	CO	80206