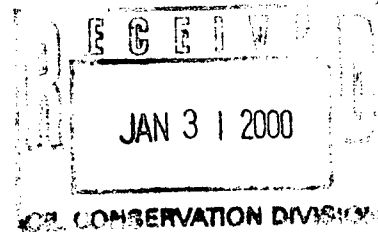




GREYSTONE ENERGY, INC.

DHC 2/21/00
2638



9155 E. Nichols Ave., Suite 350 • Englewood, CO 80112

Bus: 303-925-0542 • Fax: 303-925-0543

January 20th, 2000

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.
Freeman 1R MV / DK
990' FNL, 990' FEL, Sec. 11A, T31N, R13W, N.M.P.M.
San Juan County, New Mexico

Dear Ms. Wrotenberry:

Greystone Energy, Inc. requests to downhole commingle the Blanco Mesaverde and the Basin Dakota pools in the subject well. The well is currently producing as a Dakota / Mesaverde dual completion. The well does exhibit signs of liquid loading problems and it is felt that downhole commingling will eliminate excessive operational problems. It will allow the energy from both formations to assist in lifting liquids. The removal of liquid accumulation will increase overall gas production.

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-107A – Application for Downhole Commingling
2. Form C-102 – Location Plat showing each spacing unit and dedicated acreage
3. Production Curves for both the Dakota and Mesaverde
4. Working and Royalty Interest owner notification list
5. Bottom hole pressure data

If you need any additional information please contact me.

Sincerely,

Brian H. Ary, P.E.
Vice President

CC: NMOCD-Aztec, BLM – Farmington, Interest Holders

DISTRICT 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
OIL CONSERVATION DIVISION
2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Form C-107-A
Revised August 1999

APPROVAL PROCESS:

☒ Administrative ☐ Hearing

EXISTING WELLBORE

☒ YES ☐ NO

APPLICATION FOR DOWNHOLE COMMINGLING

Greystone Energy, Inc.

5802 Highway 64, Farmington, NM 87401

Operator

Address

Freeman

1R

A - 11-31N - 13W

San Juan

Lease

Well No.

Unit Ltr. - Sec - Twp - Rge

County

Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 173252

Property Code 24032

API NO. 30-045-2611300

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)	4,408' - 4,682'		6,572' - 6,711'
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) 600 PSI b. (Original) 950 psi	a. b.	a. 700 psi b. 1700 psi
6. Oil Gravity (EAPI) or Gas BTU Content	1211		1163
7. Producing or Shut-In?	PRODUCING		SHUT-IN
Production Marginal? (yes or no)	YES		YES
* 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	Date: Rates:	Date: Rates:	Date: 4/99 Rates: 3 MCFD / 0.09 BOPD
* If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: 12/31/99 Rates: 122 MCFD / 0.16 BOPD	Date: Rates:	Date: Rates:
8. Fixed Percentage Allocation Formula - % for each zone (total of %'s to equal 100%)	Oil: 43% Gas: 62 %	Oil: % Gas: %	Oil: 57% Gas: 38%

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

TITLE

DATE

TYPE OR PRINT NAME

TELEPHONE NO. (505) 632 - 8056

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Superior Order C-1
Effective 1-4-83

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

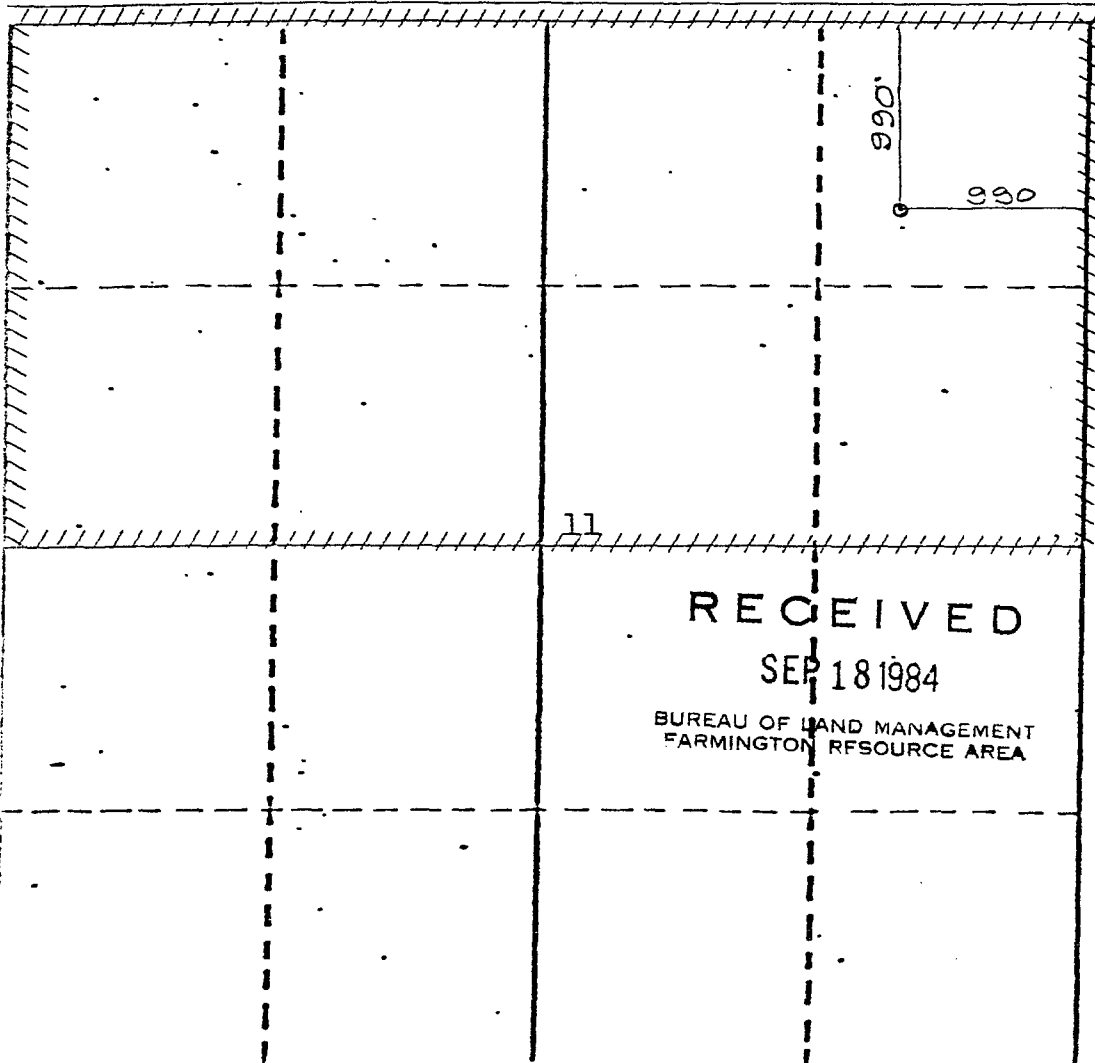
Operator CONSOLIDATED OIL & GAS, INC.			Lease FREEMAN		Well No. 1R
Well Letter A	Section 11	Township 31 NORTH	Range 13 WEST	County SAN JUAN	
Actual Footage Location of Wells 990 feet from the NORTH line and 990 feet from the EAST line					
Ground Level Elev. 5752	Producing Formation Dakota	Pool Basin Dakota		Dedicated Acreages 320 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 communization, 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 communization, 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.

Name
Barbara Rex
Position
Prod. & Drlg. Technician
Company
Consolidated Oil & Gas, Inc.
Date
9-15-84

I hereby certify that the well location shown on this plat 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
September 3, 1984
Registered Professional Engineer and/or Land Surveyor
George R. Tompkins
George R. Tompkins
Certificate No.
7259

FREEMAN 1R MV / DK

Fixed Percentage Allocation Formula

	Oil (Barrels)	%	Gas (MCF)	%
Mesaverde Formation	1,580	43%	526,403	62%
Dakota Formation	2,095	57%	321,866	38%
	3,675	100%	848,269	100%

Based on production through December - 1999

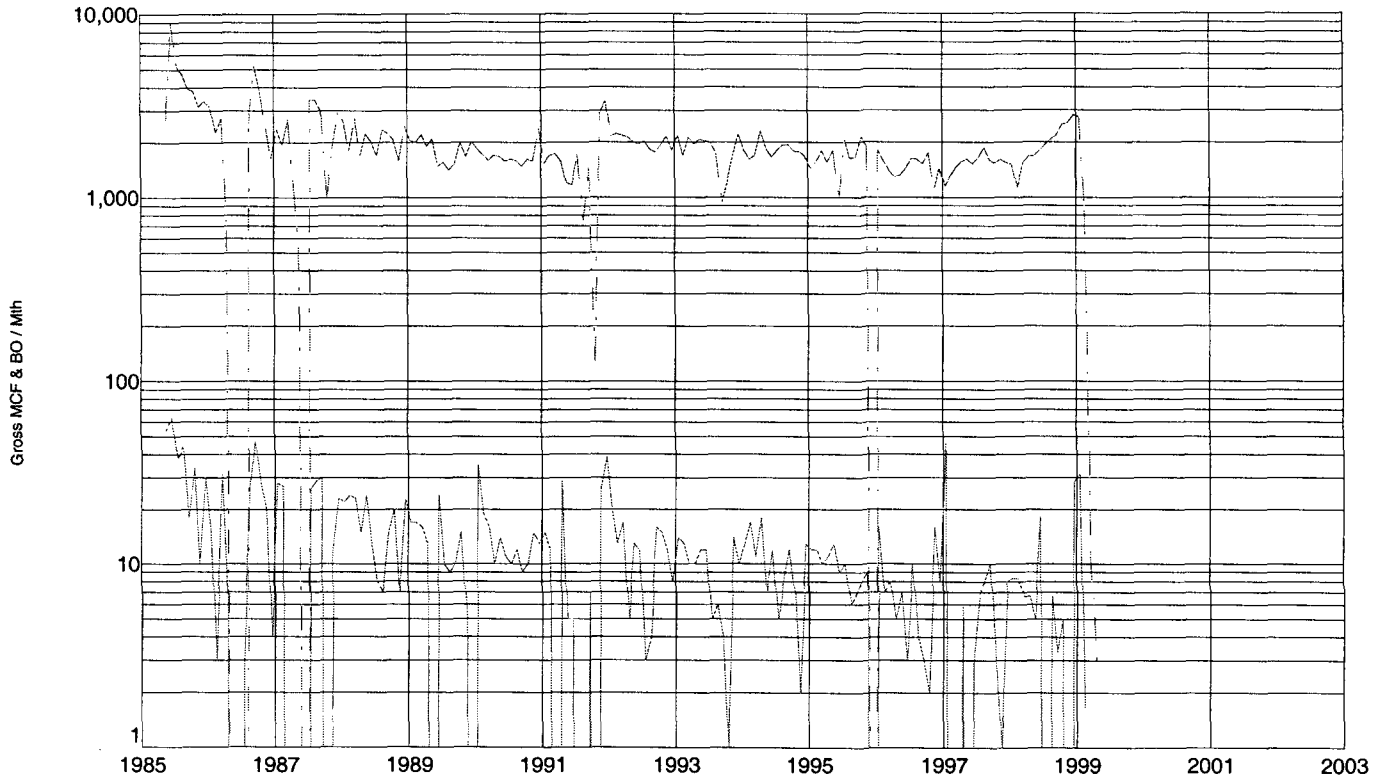
Last Twelve Months Historic Production Report

Project: C:\WINDOWS\Desktop\Greystone\GREYSTONE\Economic Runs Ptools\Janpdpbase.MDB

Lease Name: FREEMAN (1R)
 County, ST: SAN JUAN, NM
 Location: 31N-13W-11

Field Name: BASIN (DAKOTA) DK
 Operator: GREYSTONE ENERGY INC

FREEMAN-1R-BASIN (DAKOTA) DK



Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		1,995	300,680	2,376	0
05/1998	1	5	1,683	0	0
06/1998	1	18	1,792	0	0
07/1998	1	0	1,949	0	0
08/1998	1	7	2,068	0	0
09/1998	1	3	2,183	0	0
10/1998	1	5	2,494	0	0
11/1998	1	0	2,557	0	0
12/1998	1	29	2,830	0	0
01/1999	1	32	2,766	0	0
02/1999	1	2	850	0	0
03/1999	1	0	11	0	0
04/1999	1	0	3	0	0
Total:		2,095	321,866	2,376	0

Pressure/Time Graph

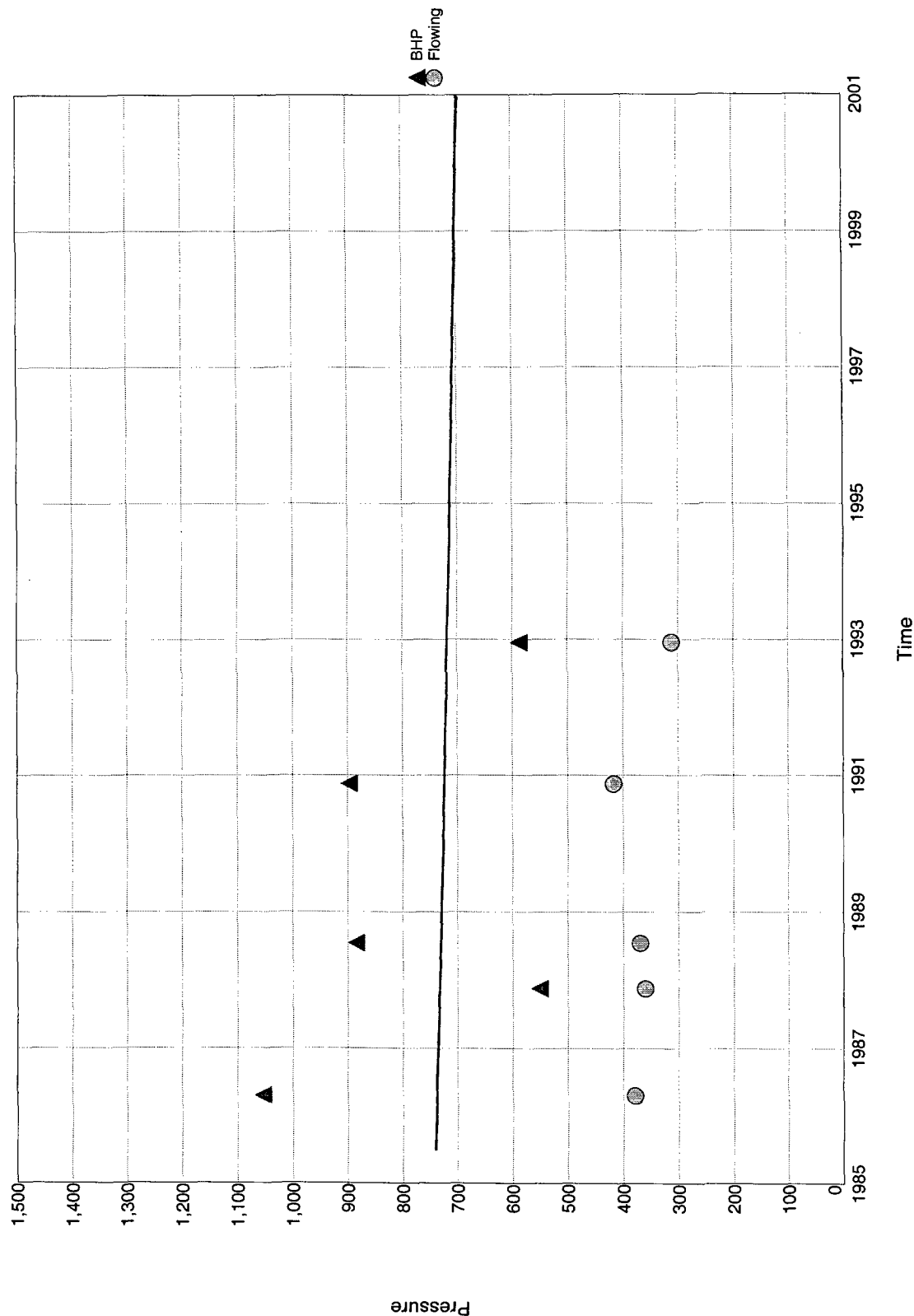
Project: C:\WINDOWS\Desktop\Greystone\Greystone\Economic Runs Pools\Janpdbase.MDB

Date: 8/28/1999
Time: 2:02 PM

Lease Name: FREEMAN (1R)
County, ST: SAN JUAN, NM
Location: 31N-13W-11

Field Name: BASIN (DAKOTA) DK
Operator: GREYSTONE ENERGY INC

Freeman 1R Dakota - Bottom Hole Pressure

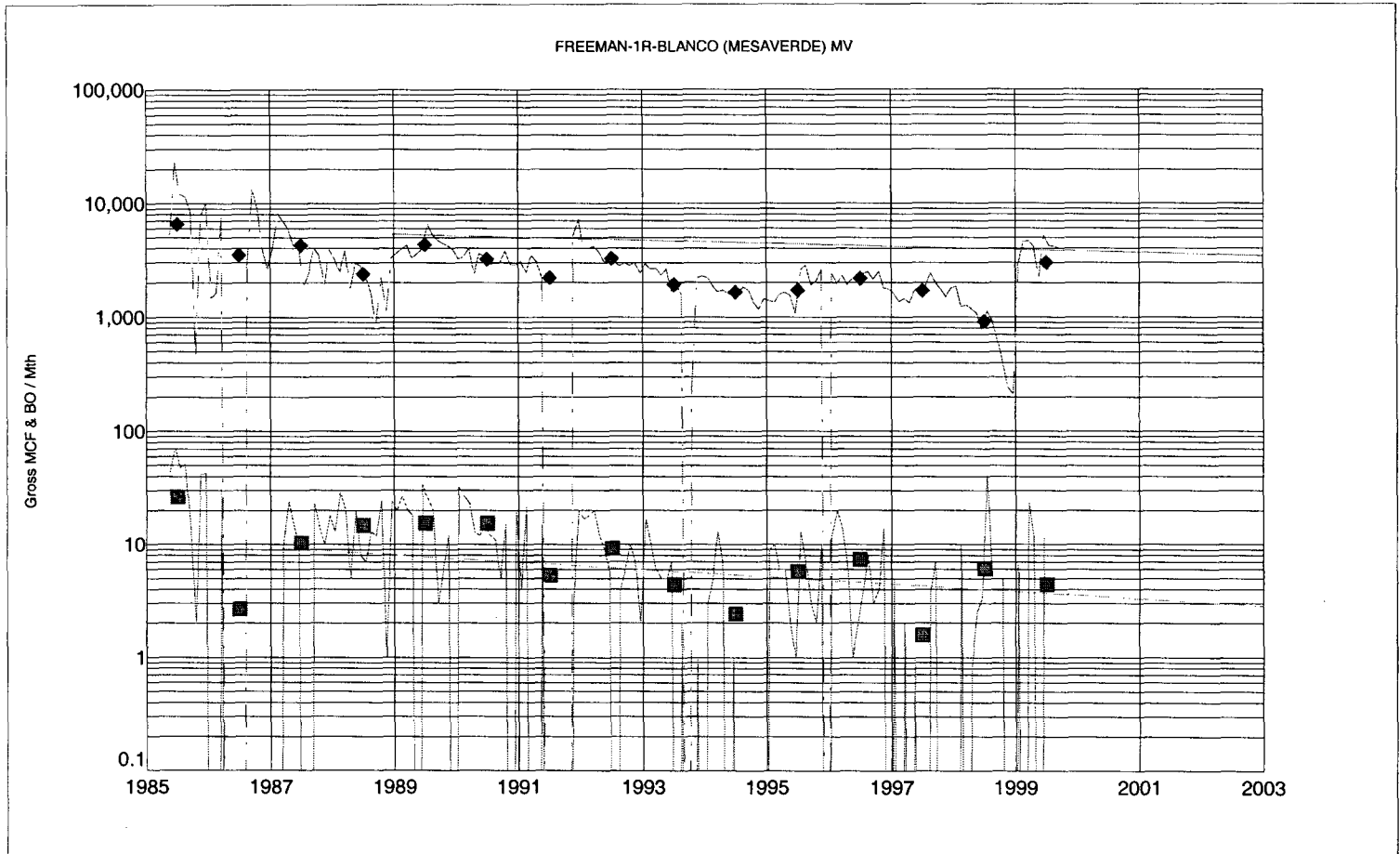


Last Twelve Months Historic Production Report

Project: C:\WINDOWS\Desktop\Greystone\GREYSTONE\Economic Runs Ptools\Janpdpbase.MDB

Lease Name: FREEMAN (1R)
 County, ST: SAN JUAN, NM
 Location: 31N-13W-11

Field Name: BLANCO (MESAVERDE) MV
 Operator: GREYSTONE ENERGY INC



Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		1,521	477,896	1,469	0
10/1998	1	5	410	0	0
11/1998	1	0	244	0	0
12/1998	1	0	213	0	0
01/1999	1	7	2,832	0	0
02/1999	1	0	4,593	0	0
03/1999	1	23	4,652	0	0
04/1999	1	12	4,169	0	0
05/1999	1	0	2,264	0	0
06/1999	1	12	5,163	0	0
07/1999	1	0	4,254	0	0
08/1999	1	0	4,179	0	0
09/1999	1	0	4,027	0	0
Total:		1,580	514,896	1,469	0

Pressure/Time Graph

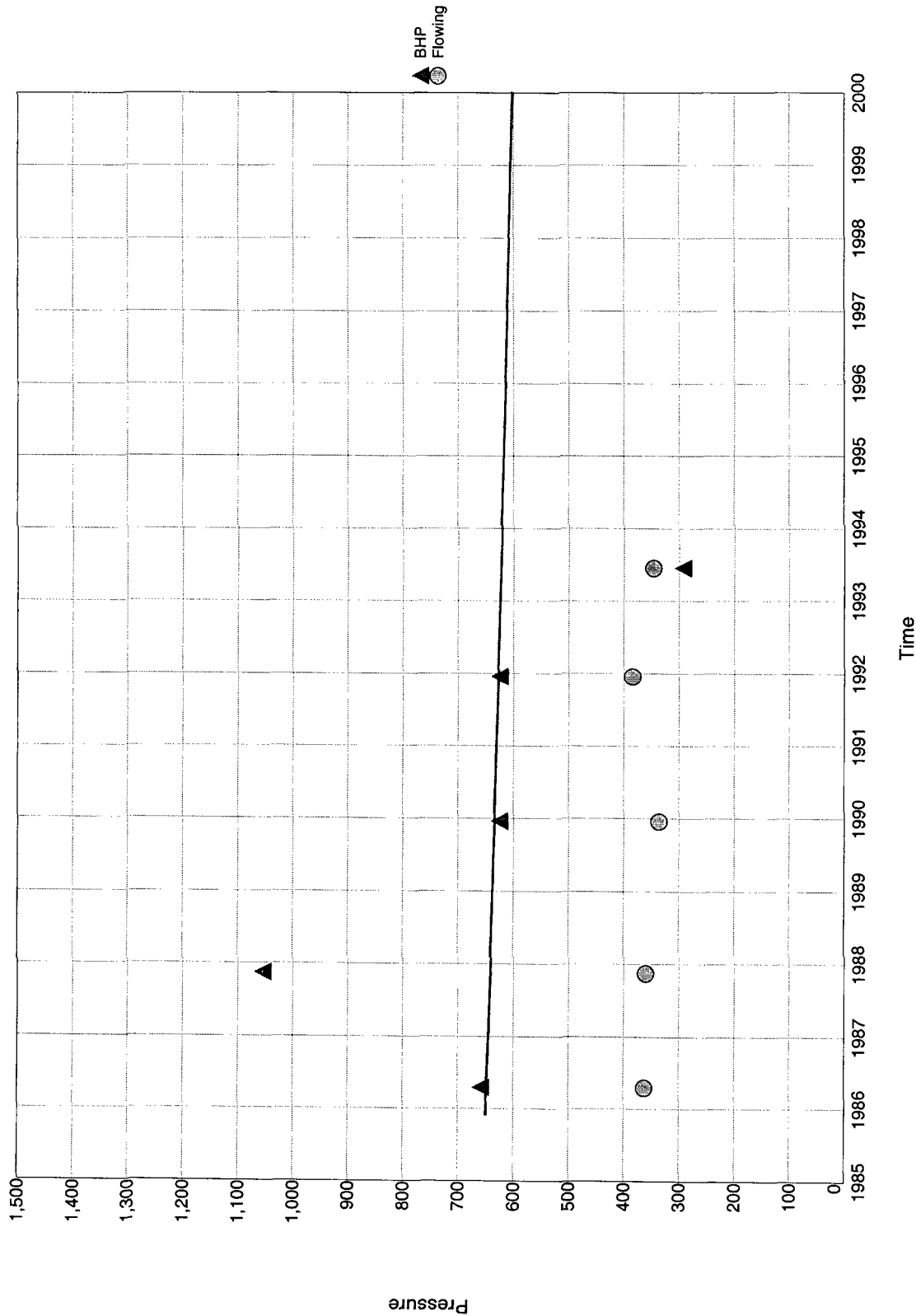
Project: C:\WINDOWS\Desktop\Graystone\Economic Runs Pools\Janpdbase.MDB

Date: 8/28/1999
Time: 1:57 PM

Lease Name: FREEMAN (1R)
County, ST: SAN JUAN, NM
Location: 31N-13W-11

Field Name: BLANCO (MESAVERDE) MV
Operator: GREYSTONE ENERGY INC

Freeman 1R Mesaverde - Bottom Hole Pressure



Owner notification list:

SANTA FE ENERGY
PO BOX 911701
DALLAS TX 75391-1701

CALICO INVESTMENTS INC
4429 N CENTRAL EXP
DALLAS TX 75205

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

ESTATE OF MARIE F LAVERTY
13131 HUGHES LANE
DALLAS TX 75240

PRO MANAGEMENT INC
9400 N C EXPWY, 1313 NCX BDG, LB-158
DALLAS TX 75231

SEGAL OIL & GAS INC
6 PETER COOPER ROAD #11E
NEW YORK NY 10010

PAUL D BOE
7104 WONDERERRY ST
LAS VEGAS NV 89131

IVA E FOBIAN, TRUSTEE
971-57 BORDEN ROAD
SAN MARCOS CA 92069

EDWIN A AND LILY J HAMBLIN
104 WEST NAMBE
FARMINGTON NM 87401

MARGARET HICKS
7500 MESQUITE WOOD DR NW
ALBUQUERQUE NM 87120-4047

JEROLD T NELSON
PO BOX 21
CONTINENTAL DIV NM 87312

MAY AGNES NICKLES, DEC
LA PLATA NM 87418

RICHARD SHIERSHKE
505 VAQUERO ROAD
ARCADIA CA 91006

BARBARA TALENTO
3785 MAUNA LOA STREET
BREA CA 92621

TRUEBLOOD RESOURCES INC
1720 SOUTH BELAIRE, SUITE 908
DENVER CO 80222

LEONARD STEEL
52-12 CONCORD STREET
LITTLE NECK NY 11362-1833

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

ROBERT A LEACH
3905 OAKMONT DR
THE COLONY TX 75056

ELL MCCOMB
2321 CHIMNEY HILL DRIVE
ARLINGTON TX 76012

JOE M MCGEATH
222 CREEKWOOD
LANCASTER TX 75146

RALEIGH USRY
15221 PRESTON ROAD
DALLAS TX 75248

VINCE GAS UNIT #1
PO BOX 544
DESOTO TX 75123

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

SELENA HAMBLIN
1376 N.M. HWY 170
LA PLATA NM 87418

BOWEN FAMILY REV, LIVING TRUST
333 THORCKMORTON, SUITE 712
FT WORTH TX 76102

CROSS TIMBERS OIL COMPANY
P O BOX 840287
DALLAS TX 75284-0287

MARCIA FULLER FRENCH
P O BOX 11327
MIDLAND TX 79702

ENERGEN RESOURCES CORPORATION
2198 BLOOMFIELD HWY
FARMINGTON NM 87401

NEIL F TOLER
1600 DELTA
ARLINGTON TX 76012