

DHC 3/13/00

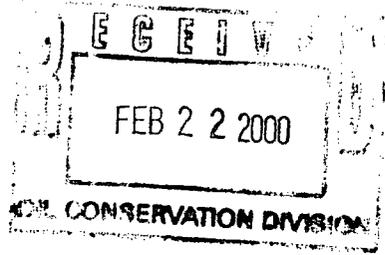


GREYSTONE ENERGY, INC.

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

Bus: 303-925-0542 • Fax: 303-925-0543

2679



February 16, 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.
Williams 1 MV / DK
1550' FNL, 790' FEL, Sec. 24H, T31N, R13W, N.M.P.M.
San Juan County, New Mexico

Dear Ms. Wrotenberry:

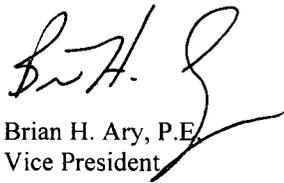
Greystone Energy, Inc. requests to downhole commingle the Blanco Mesaverde and the Basin Dakota pools in the subject well. The well is currently producing as a Mesaverde / Dakota dual completion. The well does exhibit signs of liquid loading problems and it is felt that downhole commingling will eliminate 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 zones
4. 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

Form C-107-A
Revised August 1999

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 Highway 64, Farmington, NM 87401

Operator Address

Williams

1

H - 24 - 31N - 13W

San Juan

Lease Wall No. Unit Ltr. - Sec - Twp - Rge County

Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 173252

Property Code 24082

API NO. 30-045-1059000

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)	4,562' - 4,622'		6,708'-6,824'
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: Gas & Oil - Flowing: All Gas Zones: Estimated Current Measured Current Estimated Or Measured Original	a. (Current) 480PSI	a.	a. 550 psi
	b. (Original) 1290 psi	b.	b. 2000 psi
6. Oil Gravity (EAPI) or Gas BTU Content	1239		1227
7. Producing or Shut-In?	PRODUCING		PRODUCING
8. Production Marginal? (yes or no) * 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 * If Producing, give date and oil/gas/water rates of recent test (within 60 days)	YES		YES
	Date: Rates:	Date: Rates:	Date: Rates:
	Date: 12/99 Rates: 0 BOPD / 45 MCFD	Date: Rates:	Date: 12/99 Rates: 0.5 BOPD / 87 MCFD
8. Fixed Percentage Allocation Formula -% for each zone (total of %'s to equal 100%)	Oil: 0% Gas: 32%	Oil: % Gas: %	Oil: 100% Gas: 68%

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 Brian H. Ary TITLE VICE PRESIDENT DATE 2-16-00

TYPE OR PRINT NAME BRIAN H. ARY TELEPHONE NO. (505) 632 - 8056

Well Location and Acreage Dedication

Section A.

Date July 30, 1963

Operator CONSOLIDATED OIL AND GAS INCORPORATED Lease WILLIAMS
 Well No. 1-24 Unit Letter H Section 24 Township 31 NORTH Range 13 WEST NMPM
 Located 1550 Feet From the NORTH Line, 790 Feet From the EAST Line
 County SAN JUAN G. L. Elevation 5850. Dedicated Acreage 320 Acres
 Name of Producing Formation Dakota Pool Basin

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

Communitization Agreement

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

Owner Land Description

RECEIVED

JUL 31 1963

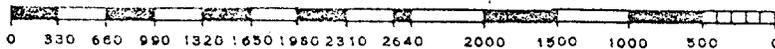
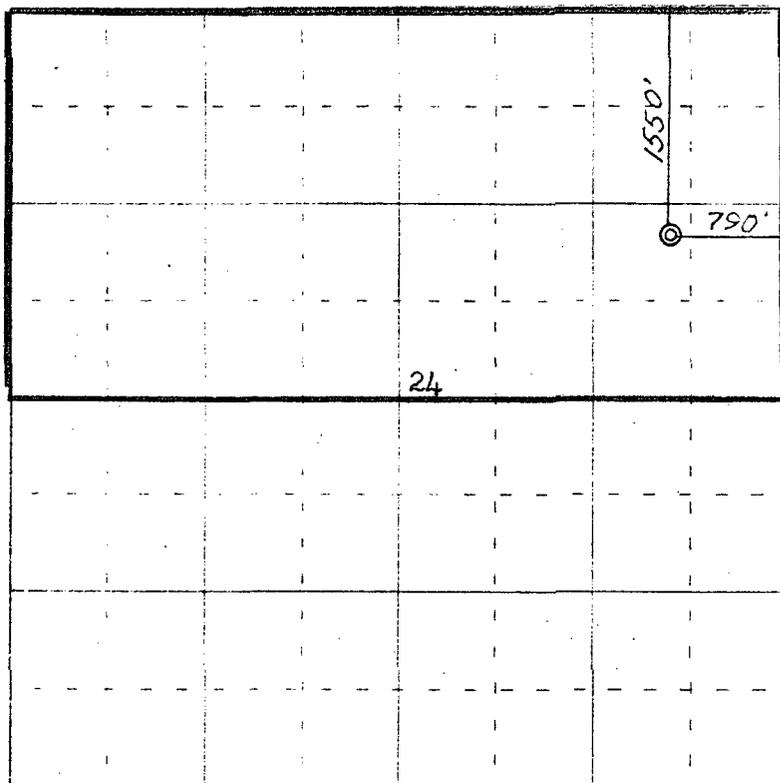
U. S. GEOLOGICAL SURVEY
FARMINGTON, NEW MEXICO

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. Williams
 (Representative)
 Chief Engineer
 (Address)
4150 East Mexico Avenue
Denver 22, Colorado



Scale 4 inches equal 1 mile

Ref: GLO plat dated 9 July 1954

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 22 July 1963

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

Williams 1 MV/DK

Fixed Percentage Allocation Formula

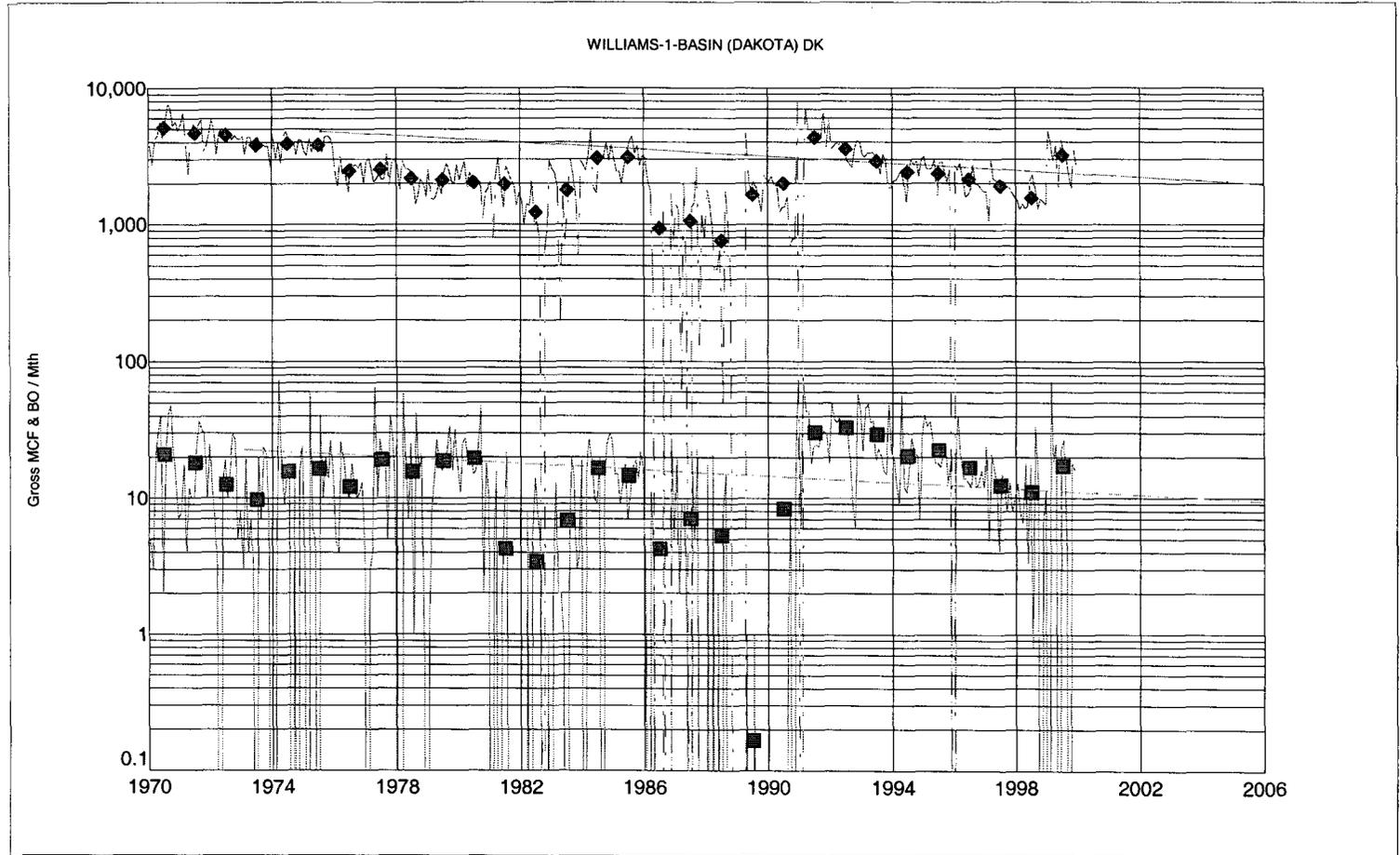
	Oil (Barrels)		Gas (MCF)	
		%		%
Mesaverde Formation	7	0%	751,008	32%
Dakota Formation	8,939	100%	1,566,036	68%
	8,946	100%	2,317,044	100%

Based on cumulative production through December-99

Last Twelve Months Historic Production Report

Project: C:\WINDOWS\Desktop\Greystone\GREYSTONE\Economic Runs Ptools\Babase.mdb

Lease Name:	WILLIAMS (1)	Field Name:	BASIN (DAKOTA) DK
County, ST:	SAN JUAN, NM	Operator:	GREYSTONE ENERGY INC
Location:	31N-13W-24		

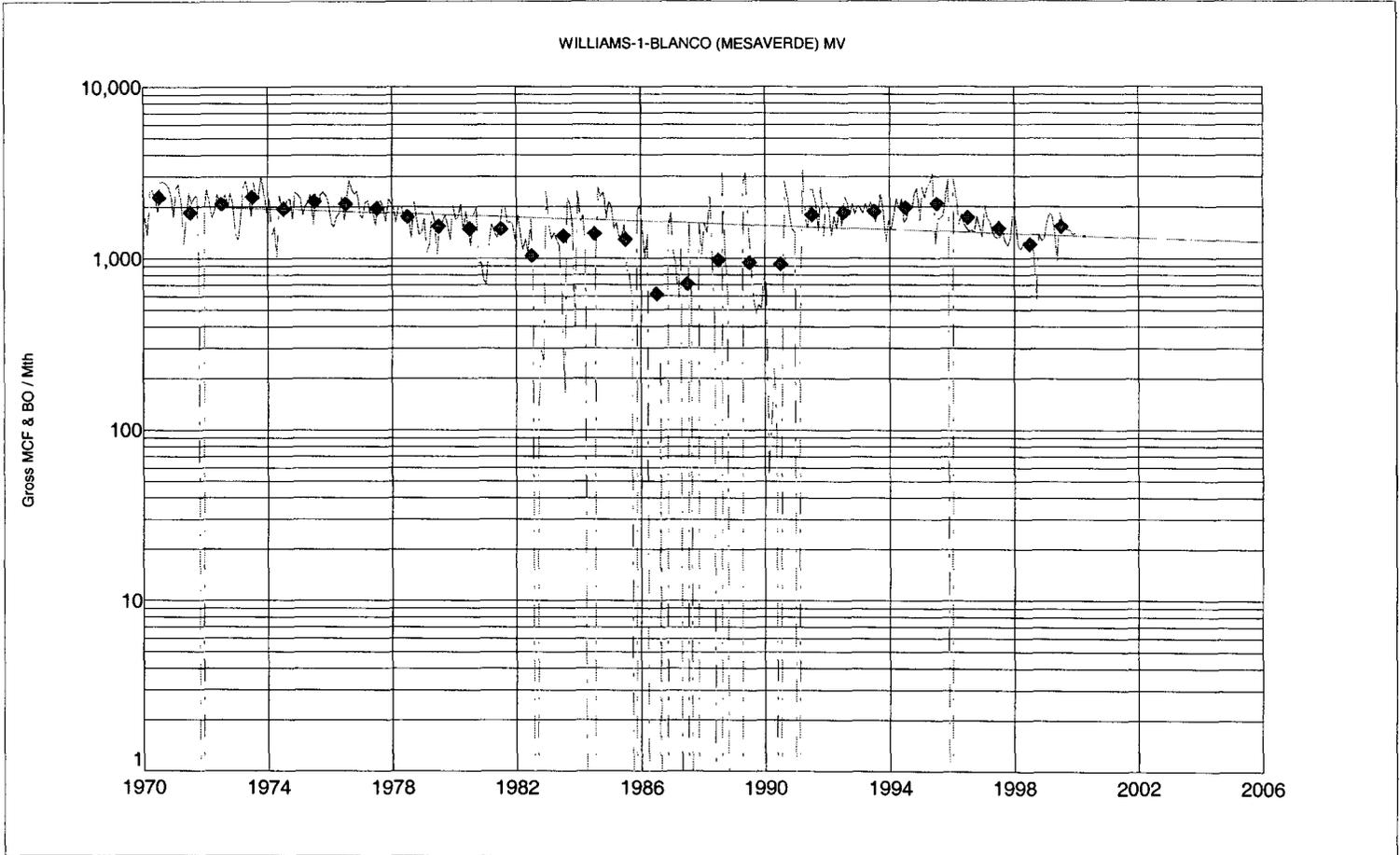


Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		8,732	1,527,524	5,358	4,433
01/1999	1	0	4,810	0	4,537
02/1999	1	73	3,945	0	0
03/1999	1	19	2,899	0	0
04/1999	1	25	3,772	0	0
05/1999	1	0	1,873	0	0
06/1999	1	23	4,144	0	0
07/1999	1	27	3,507	0	0
08/1999	1	5	3,112	0	0
09/1999	1	0	2,390	0	0
10/1999	1	18	1,848	0	0
11/1999	1	16	3,501	0	0
12/1999	1	0	2,711	0	0
Total:		8,939	1,566,036	5,358	8,970

Last Twelve Months Historic Production Report

Project: C:\WINDOWS\Desktop\Greystone\GREYSTON\Economic Runs Ptools\Babase.mdb

Lease Name:	WILLIAMS (1)	Field Name:	BLANCO (MESAVERDE) MV
County, ST:	SAN JUAN, NM	Operator:	GREYSTONE ENERGY INC
Location:	31N-13W-24		



Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		7	732,613	518	4,159
01/1999	1	0	1,634	0	1,776
02/1999	1	0	1,826	0	0
03/1999	1	0	1,785	0	0
04/1999	1	0	1,430	0	0
05/1999	1	0	972	0	0
06/1999	1	0	1,842	0	0
07/1999	1	0	1,638	0	0
08/1999	1	0	1,563	0	0
09/1999	1	0	1,465	0	0
10/1999	1	0	1,458	0	0
11/1999	1	0	1,384	0	0
12/1999	1	0	1,398	0	0
Total:		7	751,008	518	5,935

Pressure/Time Graph

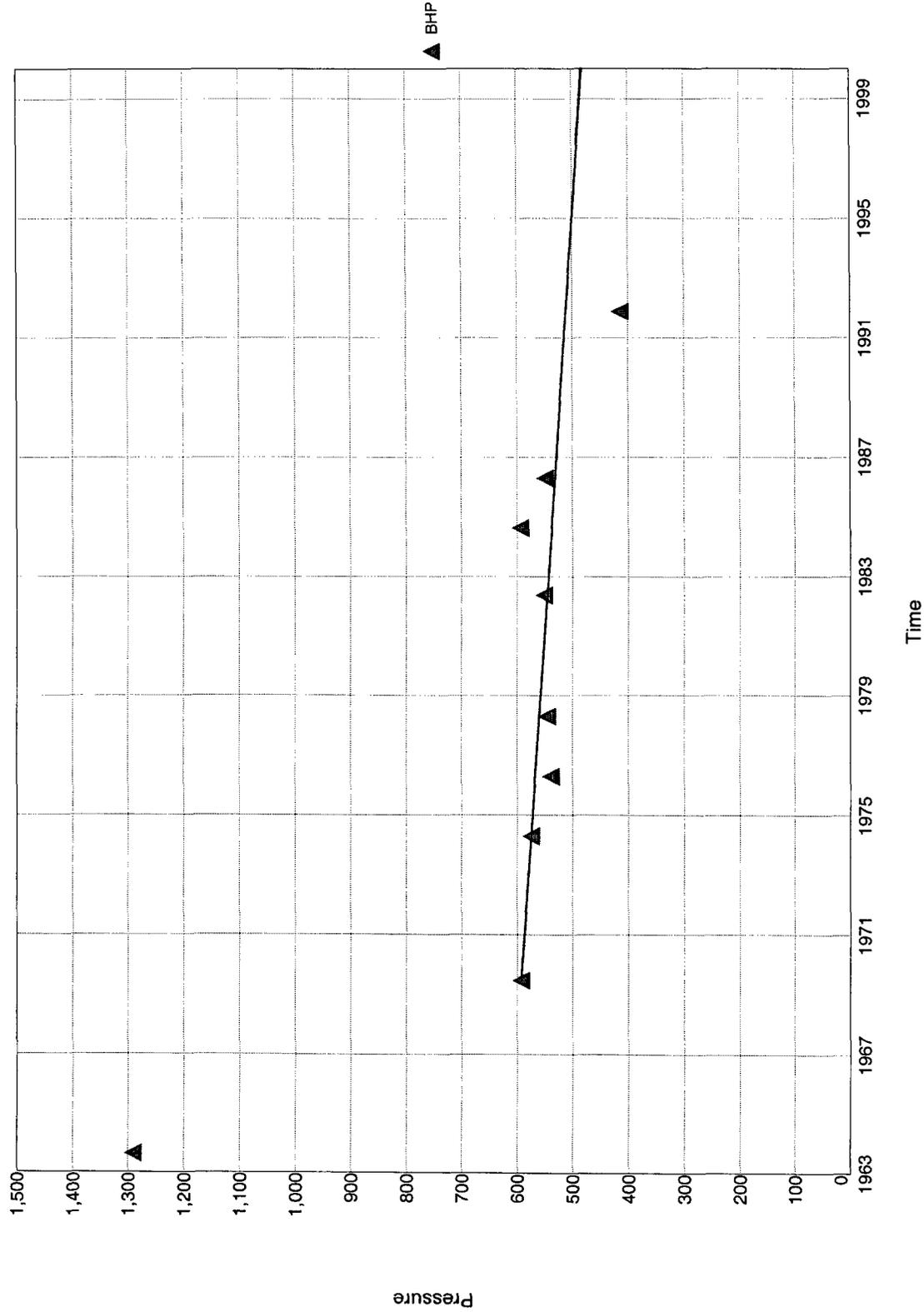
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Date: 8/28/1999
Time: 9:44 AM

Lease Name: WILLIAMS (1)
County, ST: SAN JUAN, NM
Location: 31N-13W-24

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

Williams 1 MV - Bottom Hole Pressure Data



Pressure/Time Graph

Project: C:\WINDOWS\Desktop\Greystone\GREYSTONEconomic Runs Ptools\Babase.mdb

Date: 8/28/1999
Time: 9:44 AM

Lease Name: WILLIAMS (1)
County, ST: SAN JUAN, NM
Location: 31N-13W-24

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

Williams 1 DK - Bottom Hole Pressure Data

