



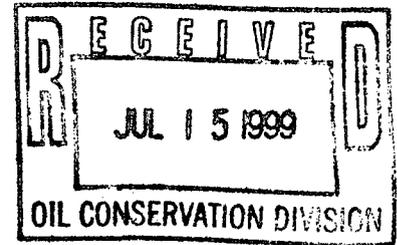
GREYSTONE ENERGY, INC.

1801 Broadway, Suite 630 • Denver, CO 80202

Bus: 303-296-6762 • Fax: 303-296-6971

DHC 8/4/99

2419



July 12<sup>th</sup>, 1999

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

RE: Administrative Approval to Downhole Commingling  
Greystone Energy, Inc.  
Champlin 3  
1060' FNL, 1850' FEL, Sec.35B, T27N, R4W, N.M.P.M.  
Rio Arriba County, New Mexico

Dear Ms. Wrotenberry:

Greystone Energy, Inc. requests to downhole commingle the Tapacito Pictured Cliffs and the Blanco Mesaverde pools in the subject well. The well is currently producing as a Pictured Cliff / Mesaverde dual completion. The subject well has recently failed a packer integrity test and the NMOCD is requiring action. 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 Pictured Cliff and Mesaverde
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 – 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. 1801 BROADWAY, STE: 630 DENVER, C.O. 80202

Operator CHAMPLIN Address B-35-27N-4W RIO ARRIBA  
Well No. 3

Lease Unit Ltr. - Sec - Twp - Rge County Spacing Unit Lease Type: (Check 1 or more)

OGRID NO. 173252 Property Code 24023 API NO. 30-039-06849 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   | Tapacito (Pictured Cliffs)<br>85920     |                   | Blanco ( Mesa Verde)<br>72319            |
| 2. Top and Bottom of Pay Section (Perforations)  | 3914' - 3984'                           |                   | 6068' - 6178'                            |
| 3. Type of production (Oil or Gas)   | GAS                                     |                   | GAS                                      |
| 4. Method of Production (Flowing or Artificial Lift)   | FLOWING                                 |                   | FLOWING                                  |
| 5. Bottomhole Pressure<br>Oil Zones - Artificial Lift<br>Estimated Current<br>Gas & Oil - Flowing:<br>Measured Current<br>All Gas Zones:<br>Estimated Or Measured Original                         | a. (Current)<br>480 psi                 | a.                | a.<br>480 psi                            |
|  | b. (Original)<br>1000 psi               | b.                | b.<br>1100 psi                           |
| 6. Oil Gravity ( API) or Gas BTU Content   | 1196 BTU                                |                   | 1210 BTU                                 |
| 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<br>Note: For new zones with no production history applicant shall be required to attach production estimates and supporting data | Date:<br>Rates:                         | Date:<br>Rates:   | Date:<br>Rates:                          |
| * If Producing, give date and oil/gas/water rates of recent test (Within 60 days)  | Date: 5/31/99<br>Rates: 0 bopd / 31 mcf | Date:<br>Rates:   | Date: 5/31/99<br>Rates: .5 bopd / 92 mcf |
| 8. Fixed Percentage Allocation<br>Formula - % for each zone  | Oil: 0 % Gas: 38 %                      | Oil: % Gas: %     | Oil: 100 % Gas: 62 %                     |

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

Well Location and Acreage Dedication Plat

Section A.

Date December 18, 1962

Operator CONSOLIDATED OIL & GAS, INC. Lease Champlin  
 Well No. 3 Unit Letter B Section 35 Township 27 NORTH Range 4 WEST NMPM  
 Located 1060 Feet From the NORTH Line, 1850 Feet From the EAST Line  
 County RIO ARRIBA G. L. Elevation 7080.0 Dedicated Acreage 160 Acres  
 Name of Producing Formation Pictured Cliffs Pool Tapicito

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below?  
 Yes  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:

Owner Land Description

| <u>Owner</u> | <u>Land Description</u> |
|--------------|-------------------------|
|              |                         |
|              |                         |
|              |                         |

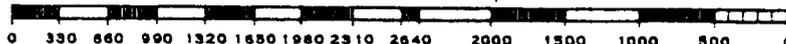
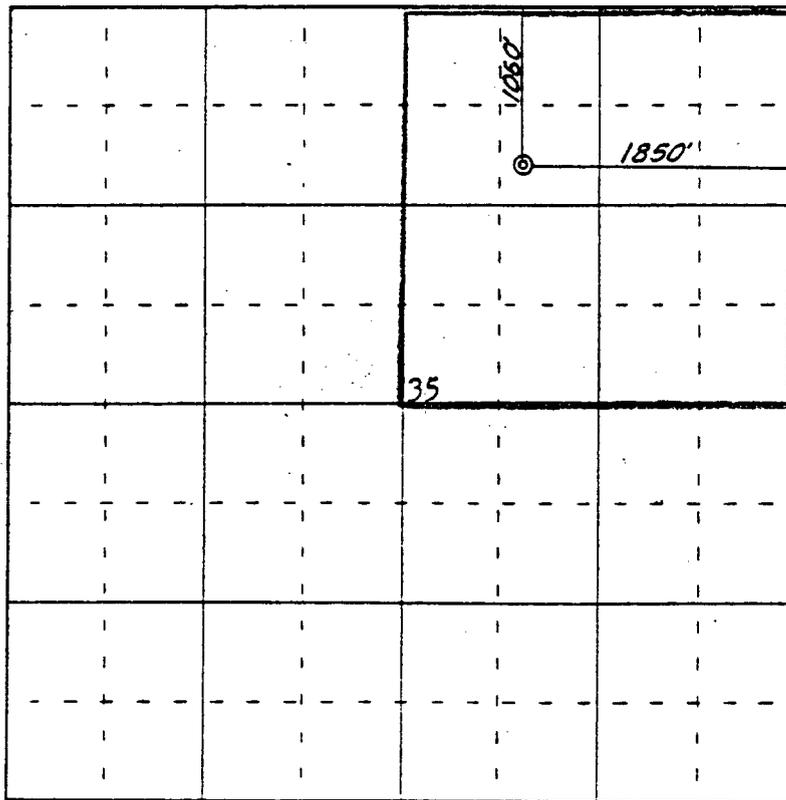
Section B.

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

Ref. GLO Plat Dated 8 Feb. 1884



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 31 July 1962

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



Well Location and Acreage Dedication Plat

Section A.

Date December 18, 1962

Operator CONSOLIDATED OIL & GAS, INC. Lease Champlin  
 Well No. 3 Unit Letter B Section 35 Township 27 NORTH Range 4 WEST NMPM  
 Located 1060 Feet From the NORTH Line, 1850 Feet From the EAST Line  
 County RIO ARRIBA G. L. Elevation 7080.0 Dedicated Acreage 320 Acres  
 Name of Producing Formation Mesaverde Pool Bianco

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:

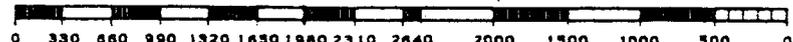
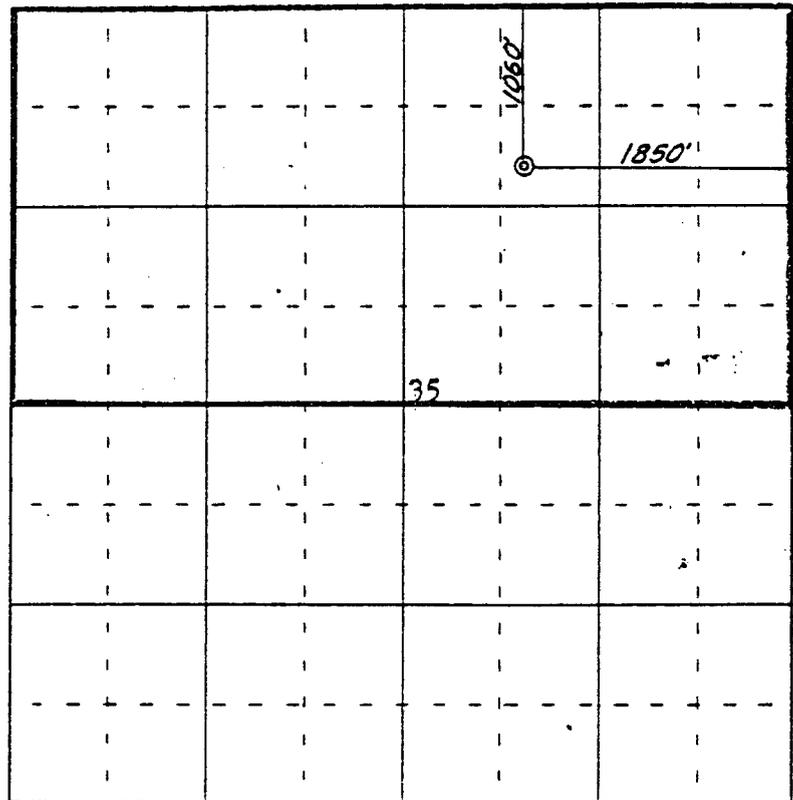
| <u>Owner</u> | <u>Land Description</u> |
|--------------|-------------------------|
|              |                         |
|              |                         |
|              |                         |
|              |                         |

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



Scale 4 inches equal 1 mile

Ref. GLO Plat Dated 8 Feb. 1884

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 31 July 1962

James P. Leese  
 Registered Professional Engineer and/or Land Surveyor  
 James P. Leese N. Mex. Reg. No. 1403  
 San Juan Engineering Company



# Champlin 3 MV / PC

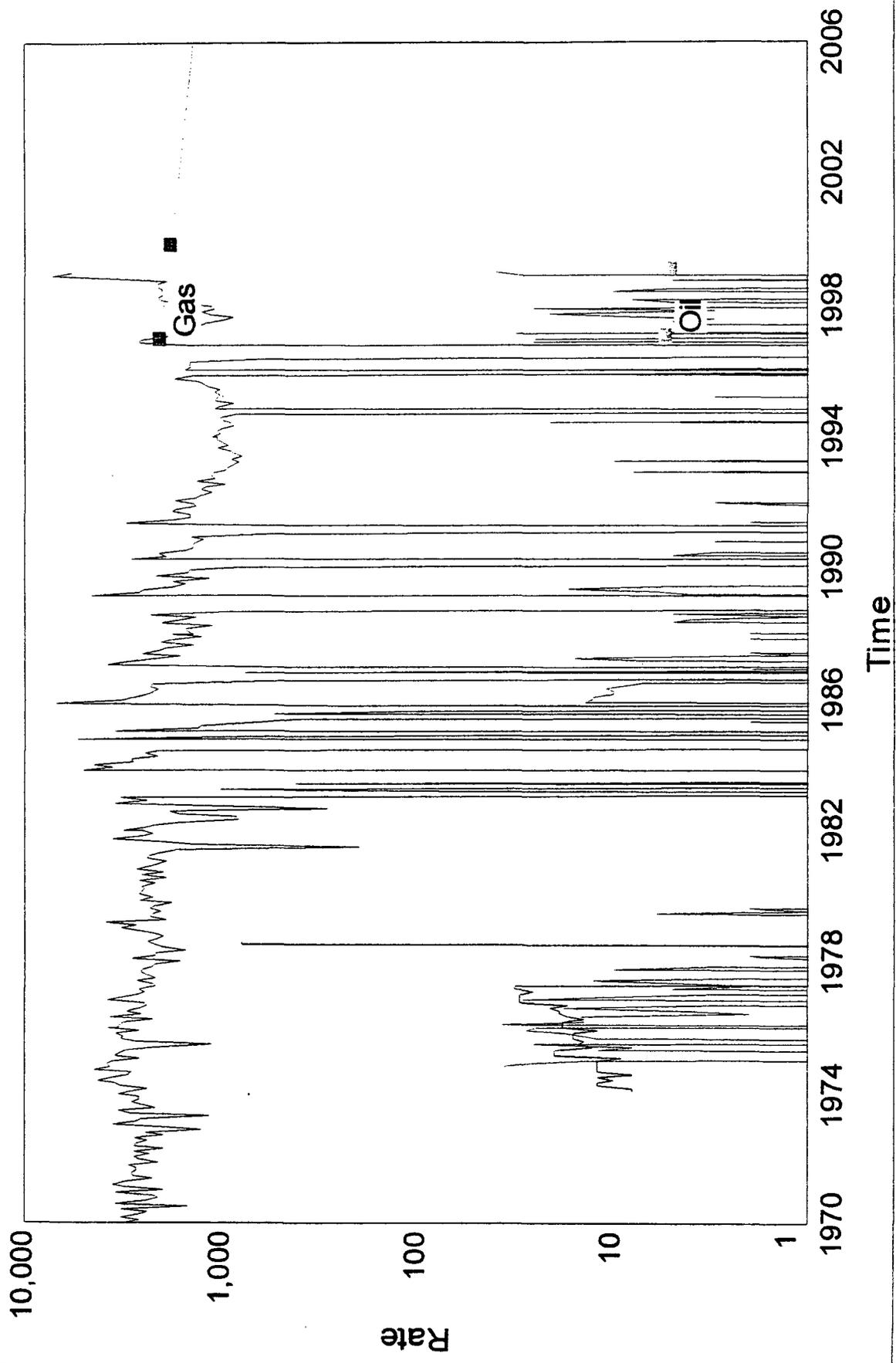
## Fixed Percentage Allocation Formula

|                                  | Oil<br>(Barrels) |      | Gas<br>(MCF) |      |
|----------------------------------|------------------|------|--------------|------|
|                                  |                  | %    |              | %    |
| <b>Mesaverde Formation</b>       | 3,089            | 100% | 1,127,336    | 62%  |
| <b>Pictured Cliffs Formation</b> | -                | 0%   | 701,441      | 38%  |
|                                  | 3,089            | 100% | 1,828,777    | 100% |

Based on production through Jan - 1999

Lease Name: CHAMPLIN (3) Field Name: BLANCO (MESAVERDE) MV  
County, ST: RIO ARRIBA, NM Operator: CHATEAU OIL & GAS INC  
Location: 27N-4W-35

# CHAMPLIN - BLANCO (MESAVERDE) MV



Time

# Pressure/Cum Graph

Project: C:\Program Files\IHS Energy\Tools30\PROJECTS\Comingles\Champlin 3.mdb

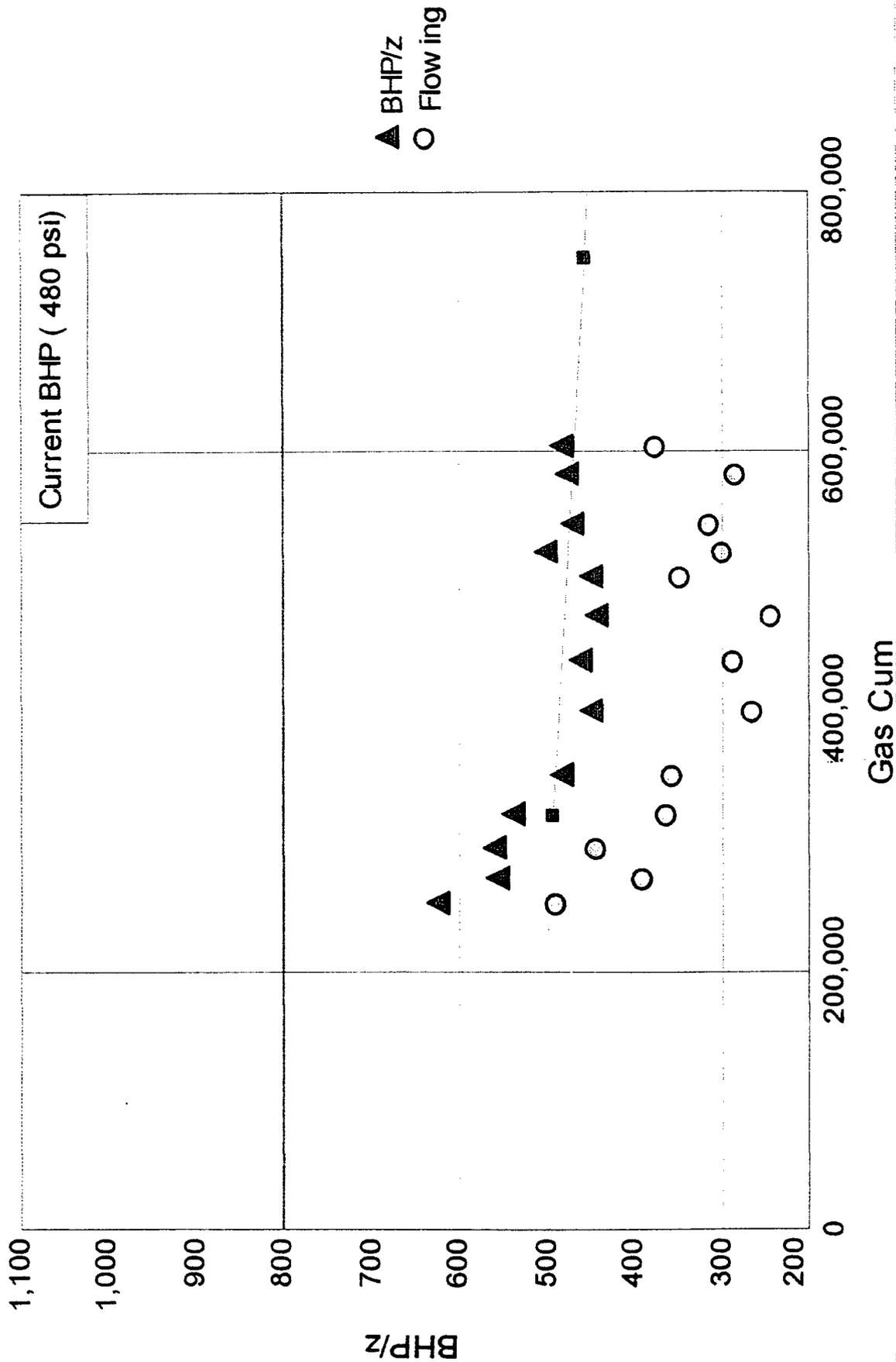
Date: 7/8/1999  
Time: 9:44 PM

Lease Name: CHAMPLIN (3)  
County, ST: RIO ARRIBA, NM  
Location: 27N-4W-35

Field Name:  
Operator:

TAPACITO (PICTURED CLIFFS) PC  
CHATEAU OIL & GAS INC

## CHAMPLIN - TAPACITO (PICTURED CLIFFS) PC



# Pressure/Cum Graph

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Date: 7/8/1999  
Time: 9:42 PM

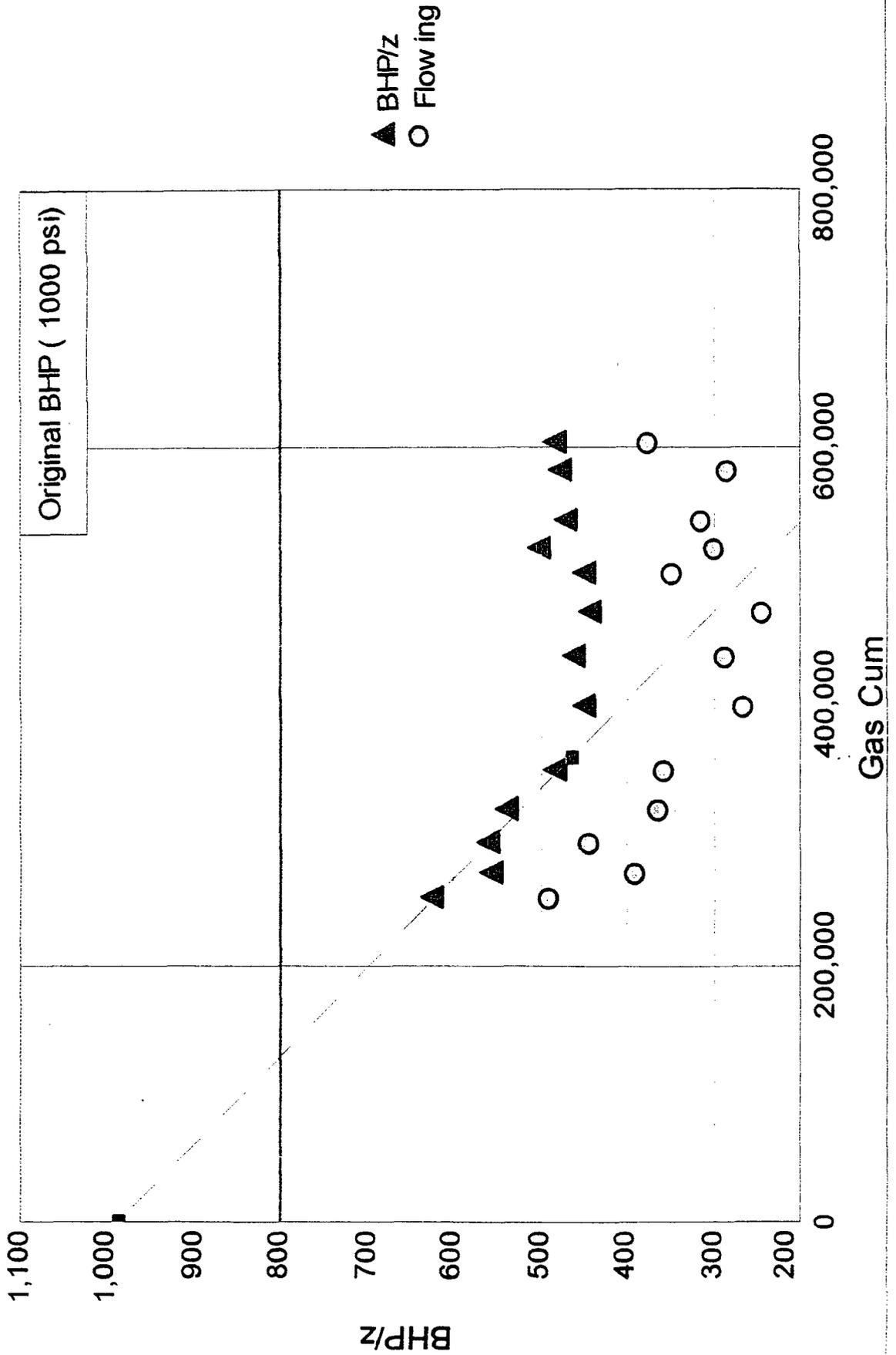
Lease Name:  
County, ST:  
Location:

CHAMPLIN (3)  
RIO ARRIBA, NM  
27N-4W-35

Field Name:  
Operator:

TAPACITO (PICTURED CLIFFS) PC  
CHATEAU OIL & GAS INC

## CHAMPLIN - TAPACITO (PICTURED CLIFFS) PC



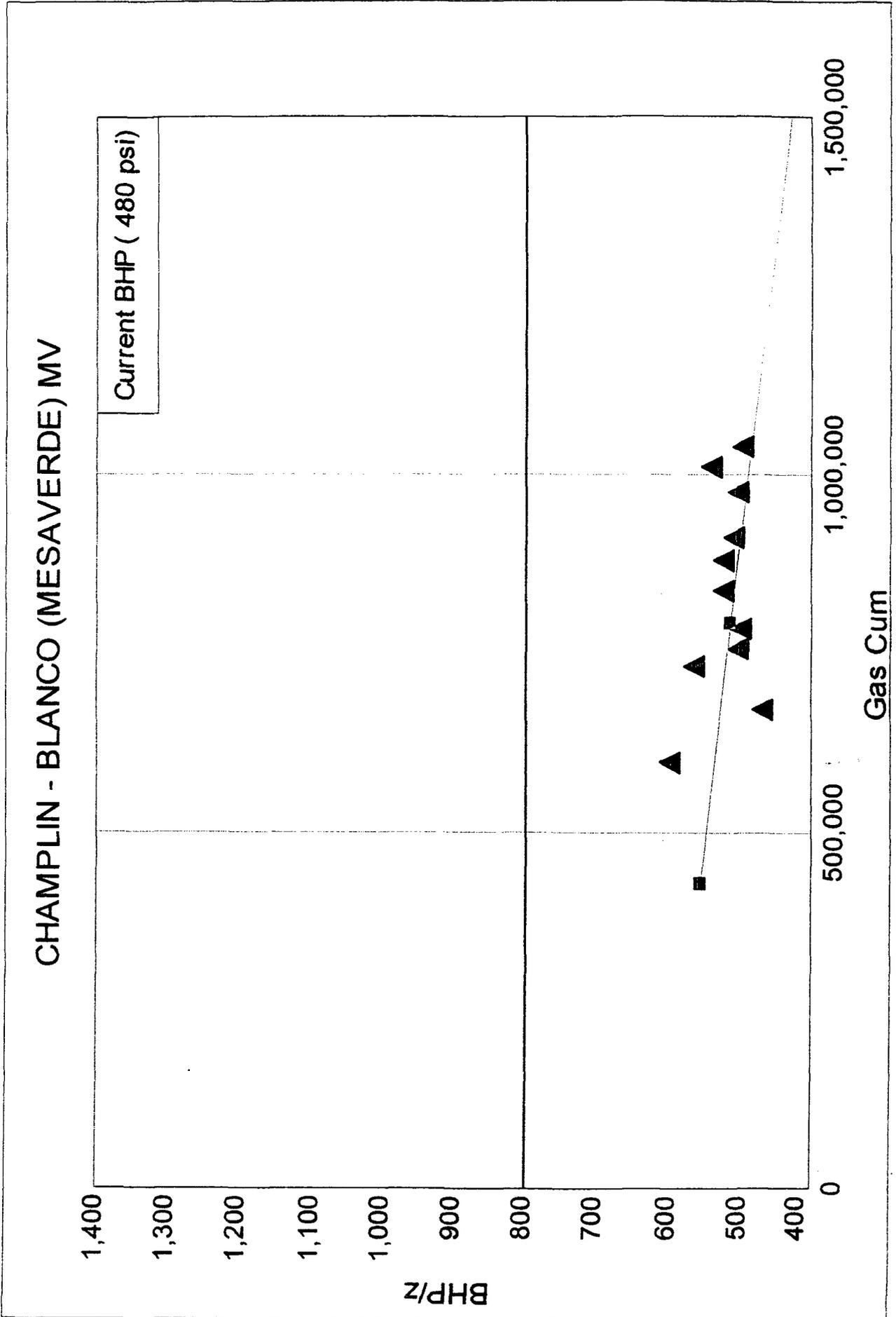
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Date: 7/8/1999  
Time: 9:34 PM

Lease Name: CHAMPLIN (3)  
County, ST: RIO ARRIBA, NM  
Location: 27N-4W-35

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



# Pressure/Cum Graph

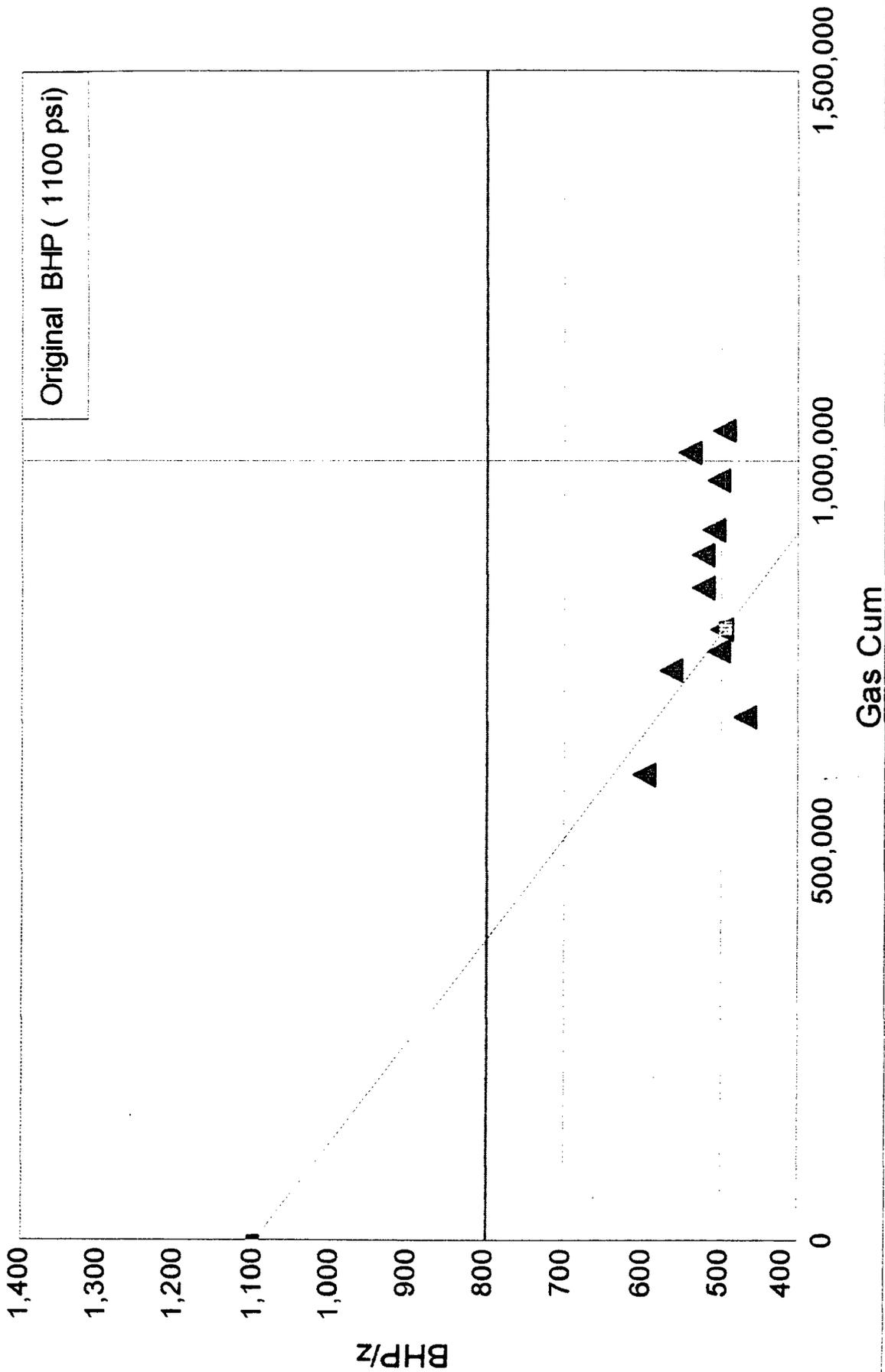
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Date: 7/8/1999  
Time: 9:38 PM

Lease Name: CHAMPLIN (3)  
County, ST: RIO ARRIBA, NM  
Location: 27N-4W-35

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

## CHAMPLIN - BLANCO (MESAVERDE) MV



Offset Operator List

Champlin 3 MV / PC  
35B-27N-4W

| Operator  | Reservoir       | Township | Range | Section |
|---|-----------------|----------|-------|---------|
| AMOCO PRODUCTION CO<br>C/O Don Duhrkopf<br>501 West Lake Park BLVD.<br>Houston, TX 77079-2696 | MESAVERDE       | 26 N     | 4 W   | 3       |
|   | PICTURED CLIFFS | 26 N     | 4 W   | 3       |
| BURLINGTON RES O&G CO<br>P.O. Box 4289<br>Farmington, NM 87499                                | MESAVERDE       | 26 N     | 4 W   | 1       |
|   | PICTURED CLIFFS | 27 N     | 4 W   | 26      |
|   |                 | 27 N     | 4 W   | 27      |
|   |                 | 27 N     | 4 W   | 34      |
|   |                 | 27 N     | 4 W   | 36      |
| Greystone Energy, Inc.<br>1801 Broadway, Suite 630<br>Denver, Colorado 80202                  | MESAVERDE       | 26 N     | 4 W   | 2       |
|   | PICTURED CLIFFS | 26 N     | 4 W   | 2       |
|   |                 | 26 N     | 4 W   | 2       |
|   |                 | 26 N     | 4 W   | 2       |
|   |                 | 27 N     | 4 W   | 25      |
|   |                 | 27 N     | 4 W   | 25      |
|   |                 | 27 N     | 4 W   | 25      |
|   |                 | 27 N     | 4 W   | 25      |
|   |                 | 27 N     | 4 W   | 35      |
|   |                 | 27 N     | 4 W   | 35      |

|        |    |    |                     |    |    |
|--------|----|----|---------------------|----|----|
| 20     | 21 | 22 | 23                  | 24 | 19 |
| 29     | 28 | 27 | 26                  | 25 | 30 |
| 32     | 33 | 34 | CHAMPLIN<br>3<br>35 | 36 | 31 |
| 5      | 4  | 3  | 2                   | 1  | 6  |
| 8      | 9  | 10 | 11                  | 12 | 7  |
| 17     | 16 | 15 | 14                  | 13 | 18 |
| 26N-4W |    |    |                     |    |    |

## Champlin 3 - Mesa Verde

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

UNION PACIFIC RESOURCES  
POBOX 843169  
DALLAS, TX 75284-3169

LMA ROYALTIES LTD  
PO BOX 1778  
COLORADO SPRINGS, CO 80901-1778

HAROLD W SMITH JR  
PO BOX 1527  
SUN VALLEY, ID 83353

ROBBY E BAKER  
1575 BELVIDERE STREET  
APT 125  
EL PASO, TX 79912-2635

PATRICIA PENROSE SCHIEFFER  
C/O THOMAS SCHIEFFER  
1000 BALLPARK WAY, SUITE 300  
ARLINGTON, TX 76011

MARY F ROBERTS  
C/O MR. D. KEITH ROBERTS  
PO BOX 15940  
SANTA FE, NM 87506

LESLIE C TATUM  
PO BOX 7392  
NORTH KANSAS CITY, MO 64116

## Champlin 3 - Mesa Verde

SHARON GILBERT  
922 LINCOLN BLVD #2  
SANTA MONICA, CA 90403

ROGER E KELLY TRUSTEE  
ROGER & JEANNE KELLY LIVING TRUST  
1200 WILSHIRE BLVD, 6TH FLOOR  
LOS ANGELES, CA 90017

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

J & R PROPERTIES, LLC  
1 COLORADO BLVD  
DENVER, CO 80206

### **Champlin 3 - Pictured Cliffs**

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