



GREYSTONE ENERGY, INC.

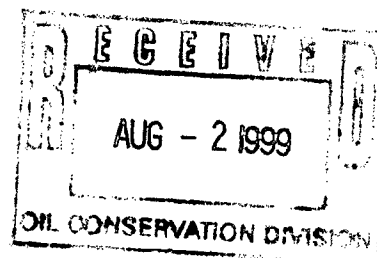
1801 Broadway, Suite 630 • Denver, CO 80202

Bus: 303-296-6762 • Fax: 303-296-6971

DHC 8/23/99

July 29th, 1999

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.
Jicarilla B #1
990' FNL, 1800' FEL, Sec.26 B, T26N, R4W, N.M.P.M.
Rio Arriba County, New Mexico

Dear Ms. Wrotenberry:

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,

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 b. (Original) 1280 PSI	a. b.	a. 990 PSI 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.

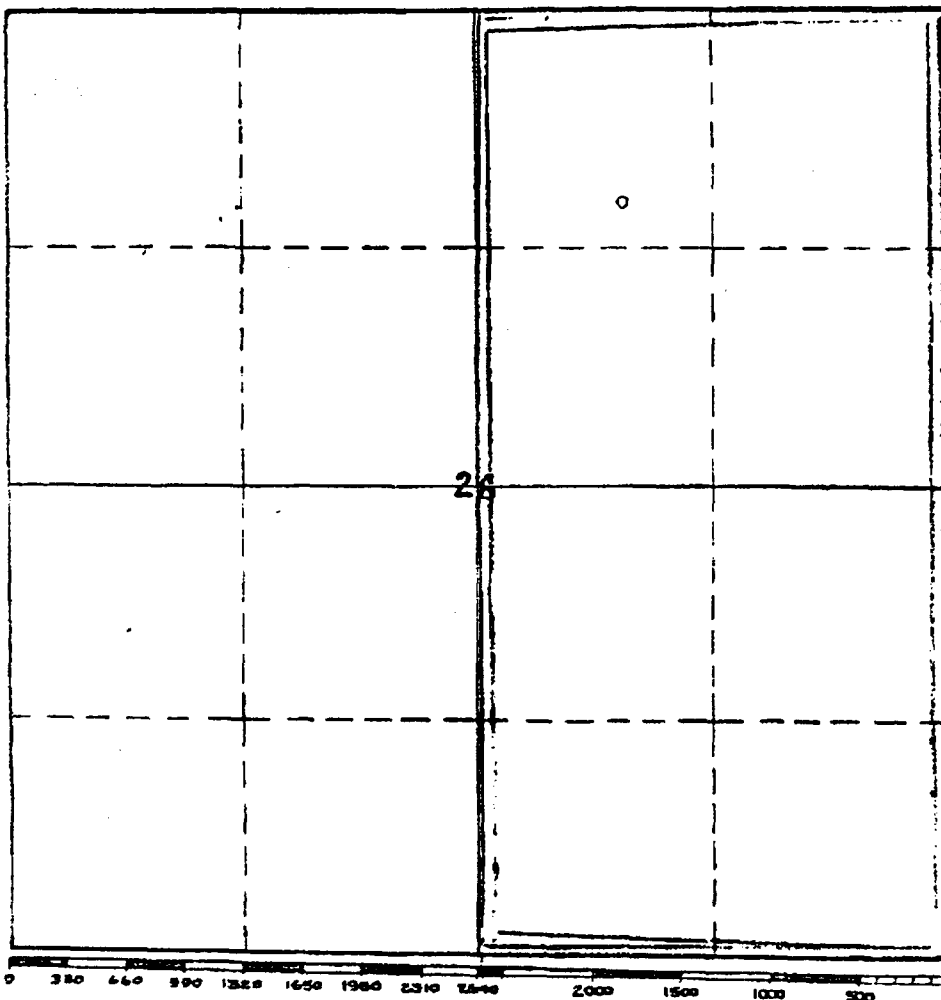
Date October 15, 1963

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:

OwnerLand DescriptionDakota is 320 standup as well

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)

W. A. Sullivan

(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

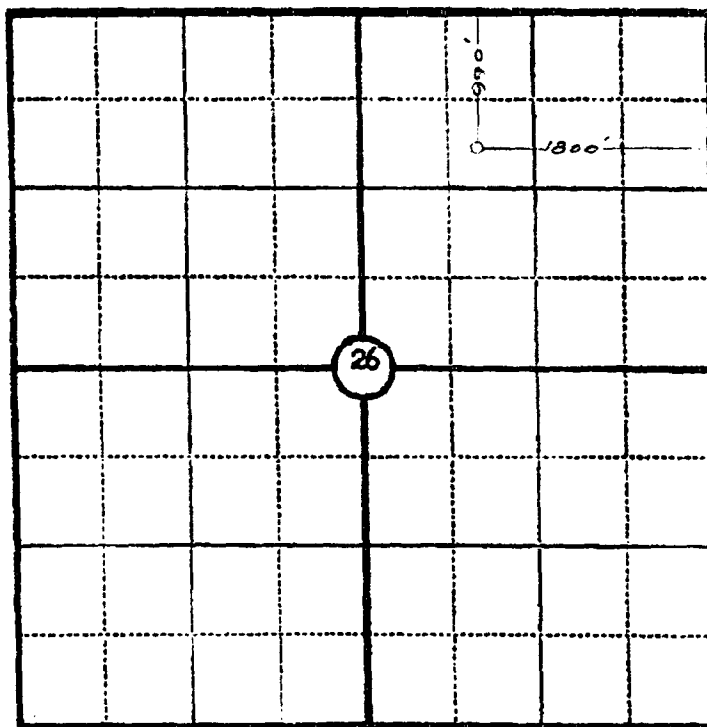
SEE ATTACHMENT
Certificate No.

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

Company Southern Union Gas CompanyLease Jicarilla Well No. 1-NSec. 26, T. 26 N., R. 4 W., N.M.P.M.Location 990' from the North line and 1800' from the East line.SURVEY
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.

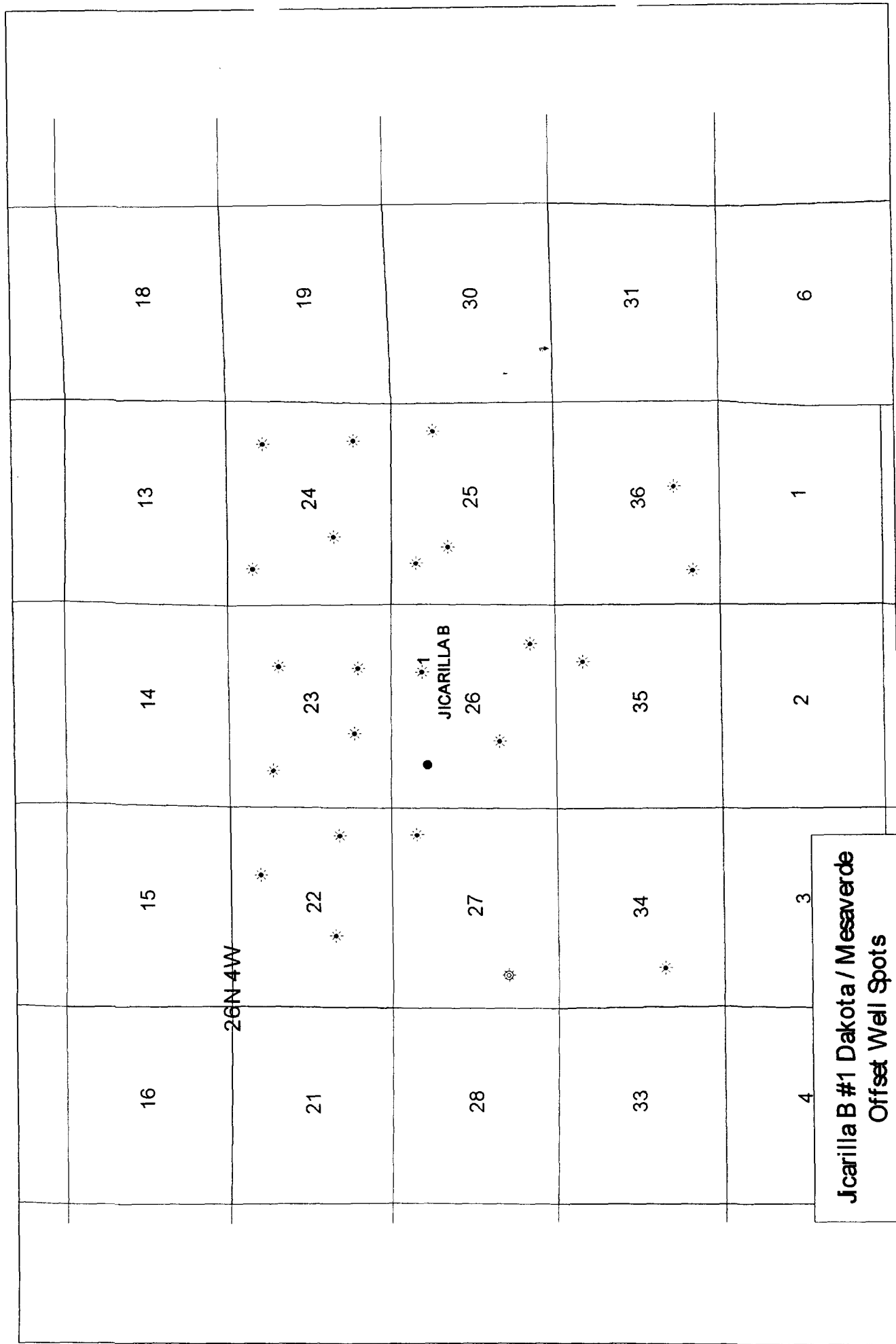
Seal:

Registered Professional
Engineer and Land Surveyor.Ernest V. Echobank
N. Mex. Reg. No. 1545Surveyed November 17, 1953.

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	DAKOTA	26 N	4 W	27
P.O. Box 4289	MESAVERDE			
Farmington, NM 87499				

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

CONOCO INC	DAKOTA	26 N	4 W	22
10 Desta Dr., Suite 100 W	MESAVERDE	26 N	4 W	23
Midland, TX 79705		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	MESAVERDE	26 N	4 W	27
2198 Bloomfield Highway		26 N	4 W	34
Farmington, NM 87401				

Jicarilla B #1 - MV / DK

Fixed Percentage Allocation Formula

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

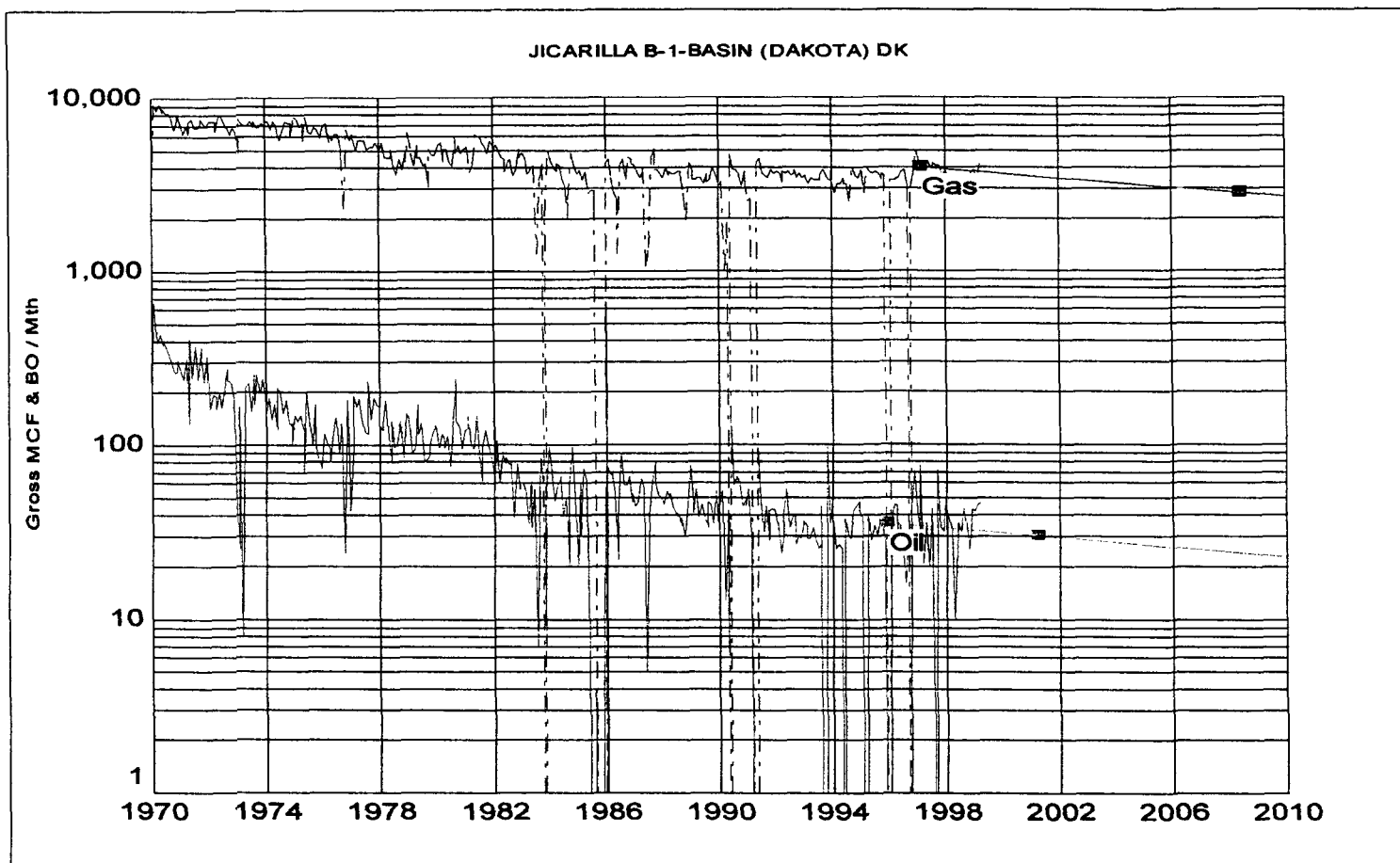
Based on production through Jan - 1999

Last Twelve Months Historic Production Report

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

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



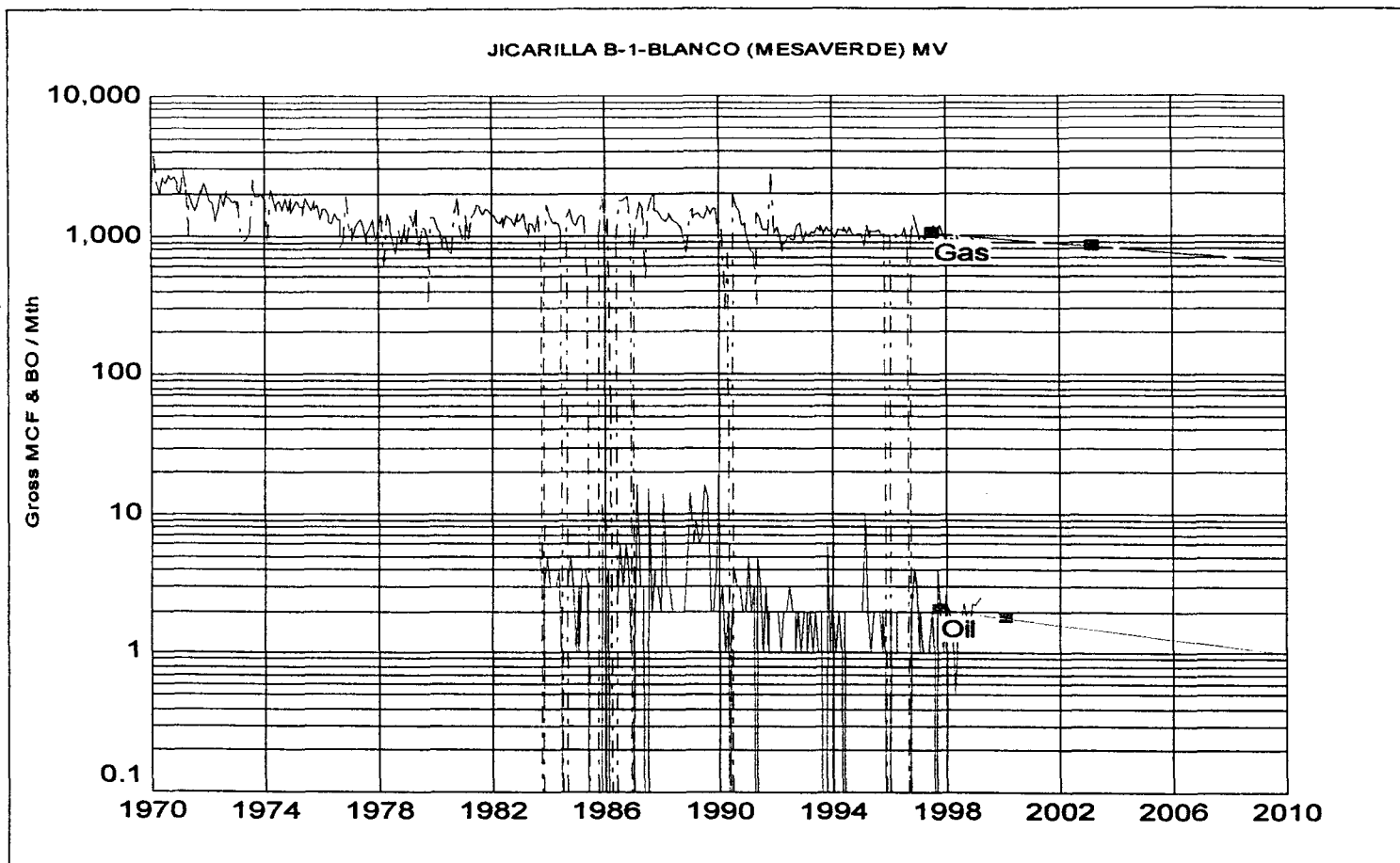
Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		71,247	2,041,250	8,760	0
04/1998	1	10	3,529	0	0
05/1998	1	32	3,607	0	0
06/1998	1	35	3,555	0	0
07/1998	1	32	3,622	0	0
08/1998	1	43	3,574	0	0
09/1998	1	33	3,392	0	0
10/1998	1	25	3,662	0	4,885
11/1998	1	41	3,606	0	5,395
12/1998	1	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
Total:		71,676	2,084,814	8,760	20,982

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

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



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
Total:		538	654,457	64	5,847

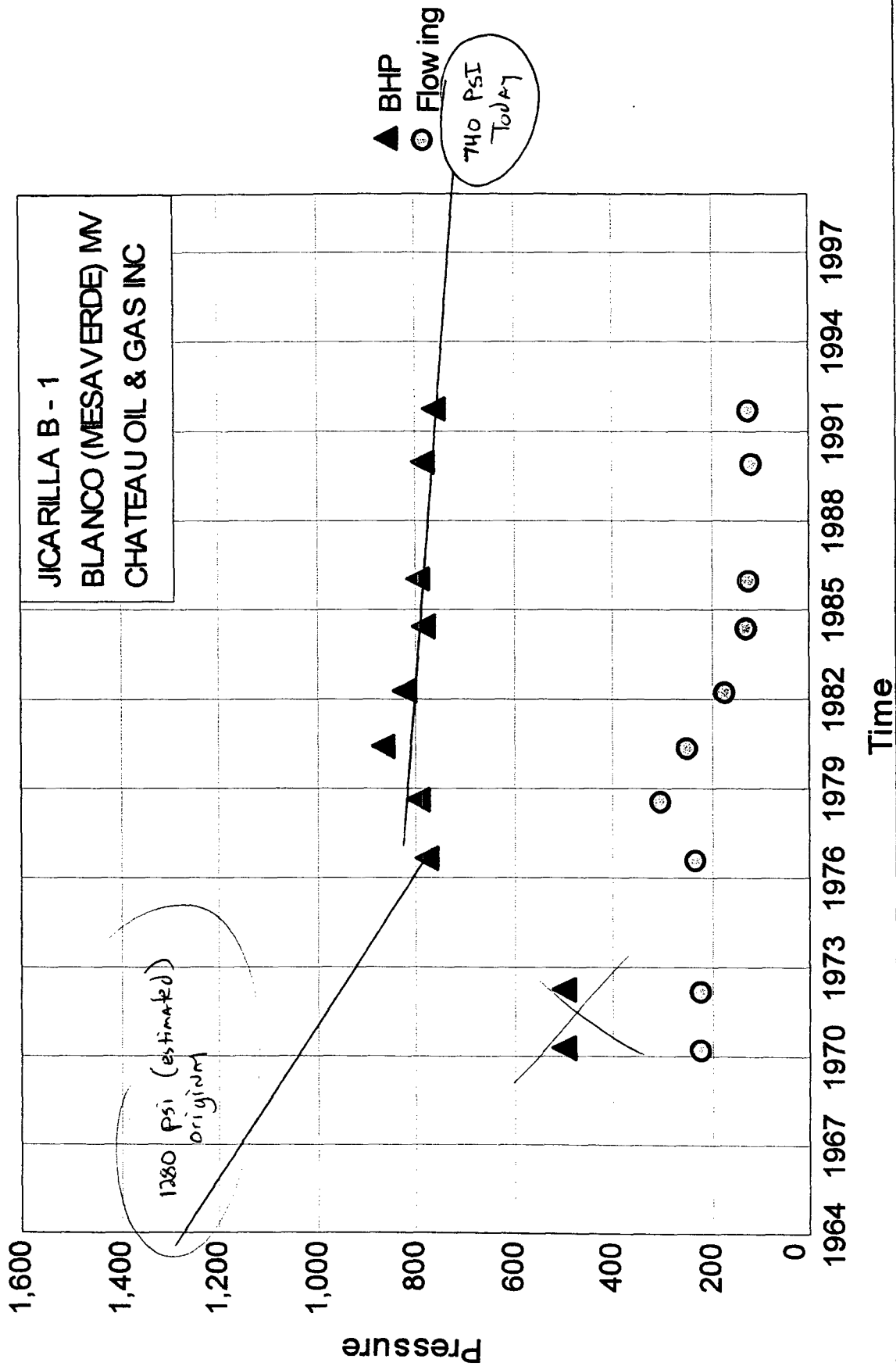
Pressure/Time Graph

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

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

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

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

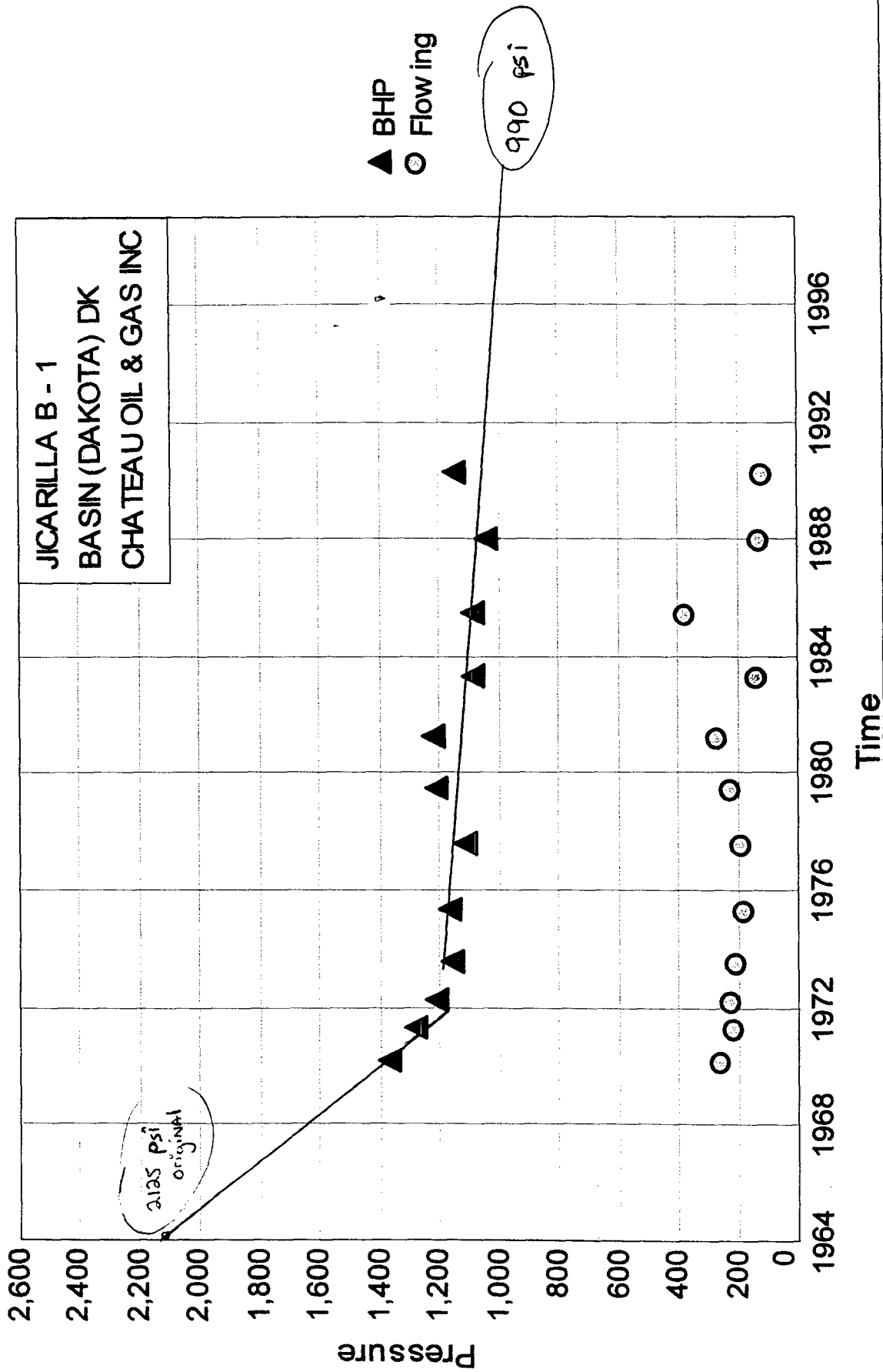


Pressure/Time Graph

Location: JICARILLA B (1)
 County, ST: RIO ARriba, NM (Jicarilla)
 Lease Name: 28N-4W-28

Date: 7/28/1999
 Time: 6:53 PM

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 & 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