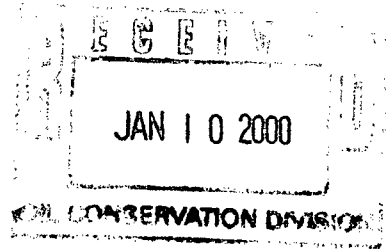




GREYSTONE ENERGY, INC.

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

Bus: 303-925-0542 • Fax: 303-925-0543



January 4th, 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.
Gross 1E MV / DK
1850' FSL, 790' FEL, Sec. 7I, T31N, R12W, 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 are an interest holder and require additional information, please contact me.

Sincerely,

Brian D. Voigt
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

Gross

1E

1 - 7- 31N - 12W

San Juan

Lease

Well No.

Unit Ltr. - Sec - Twp - Rge

County

Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 173252 Property Code 24033 API NO. 30-045-2361500 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)	4684' - 4891'		6830' - 7064'
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) 420 PSI b. (Original) 840 PSI	a. b.	a. 600 PSI b. 1710 PSI
6. Oil Gravity (EAPI) or Gas BTU Content	1137		1183
7. Producing or Shut-In?	PRODUCING		PRODUCING
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 * If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: Rates: Date: 11 / 30 / 99 Rates: 48 MCFD / 0.1 BOPD	Date: Rates: Date: Rates:	Date: Rates: Date: 11/30/99 Rates: 132 MCFD / 0 BOPD
8. Fixed Percentage Allocation Formula - % for each zone (total of %'s to equal 100%)	Oil: 72% Gas: 48 %	Oil: % Gas: %	Oil: 28 % Gas: 52 %

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 D. Voigt TITLE VP DATE 1/4/00

TYPE OR PRINT NAME Brian D. Voigt TELEPHONE NO. (505) 632 - 8056

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-121
Effective 1-1-65

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

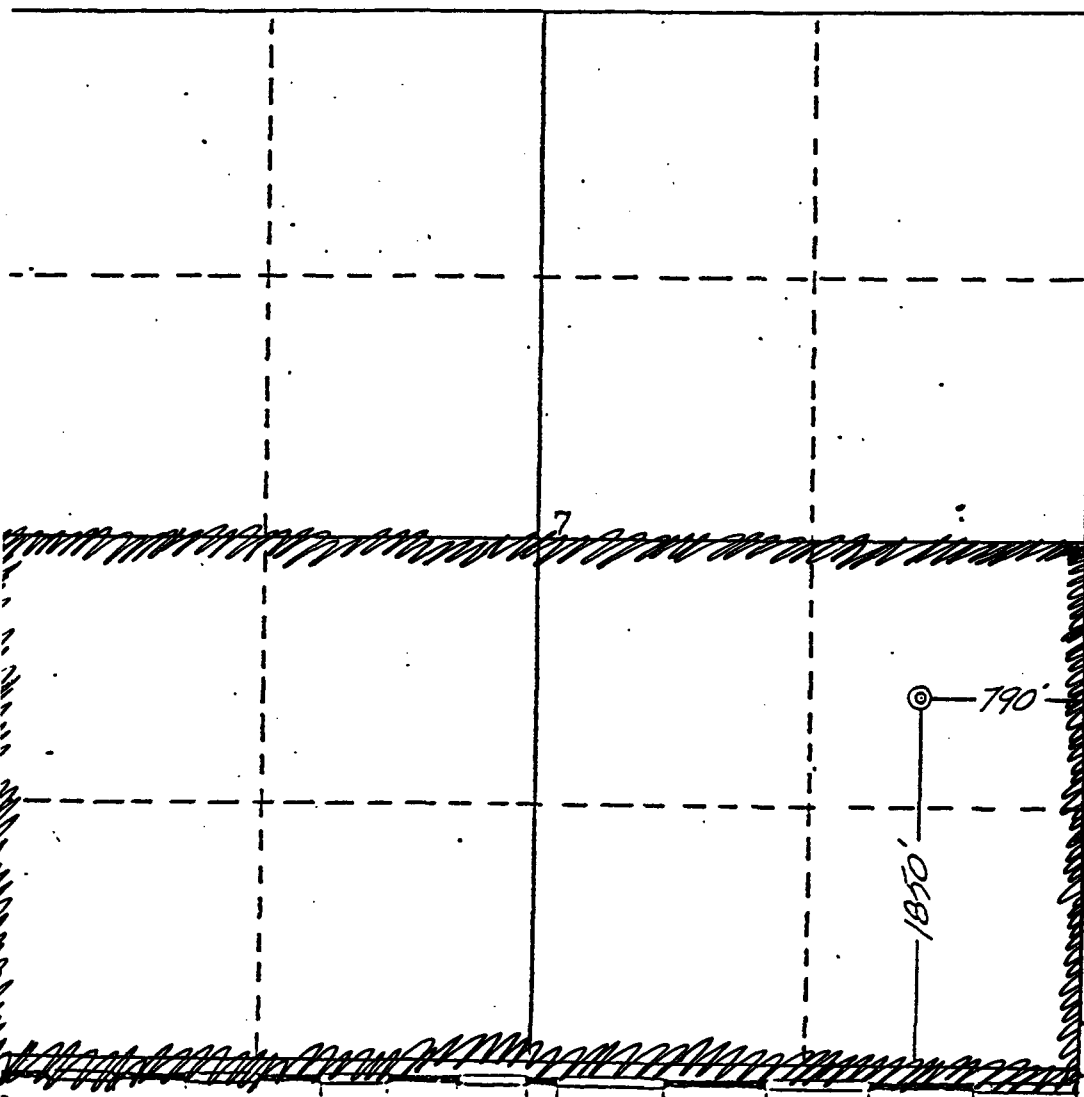
Operator CONSOLIDATED OIL AND GAS, INC.		Lease GROSS		Well No. 1-M	
Well Letter I	Section 7	Township 31 NORTH	Range 12 WEST	County SAN JUAN	
Actual Footage Location of Well: 1850 feet from the SOUTH line and 790 feet from the EAST line					
Ground Level Elev. 5933	Producing Formation Mesaverde	Pool Blanco Mesaverde		Dedicated Acreage: 316.21 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 communitization, 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 communitization, 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.

C. M. Parham

Name

C. M. Parham

Position

Sr. Production Engineer

Company

Consolidated Oil & Gas, Inc.

Date

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

25 January 1979

Registered Professional Engineer and Land Surveyor

March 23, 1979

Certificate No.

5992

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-12
Effective 1-1-65

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

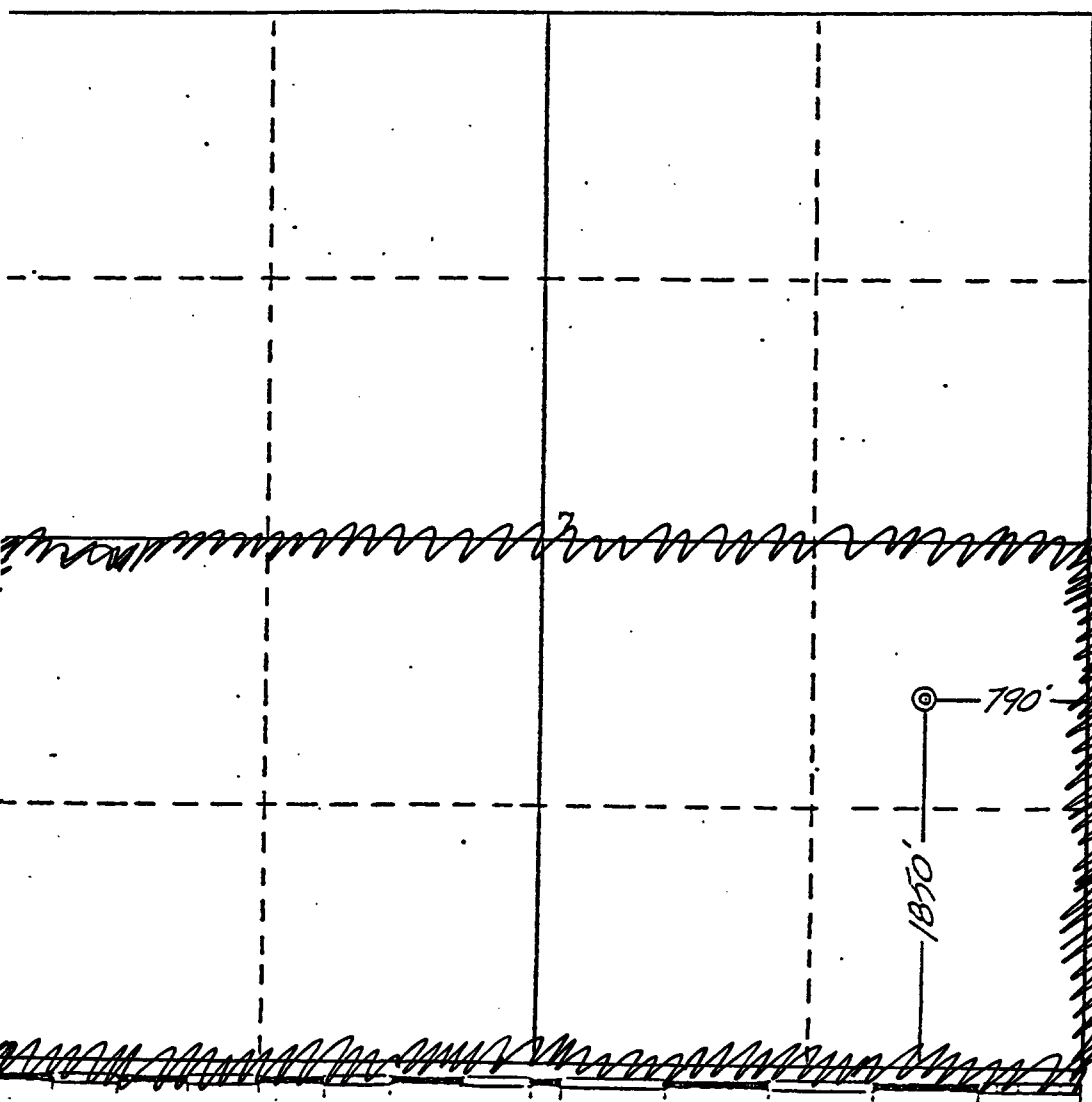
Operator CONSOLIDATED OIL AND GAS, INC.		Lease GROSS		Well No. 1-M	
Well Letter I	Section 7	Township 31 NORTH	Range 12 WEST	County SAN JUAN	
Actual Footage Location of Well: 1850 feet from the SOUTH line and 790 feet from the EAST line					
Ground Level Elev. 5933	Producing Formation Dakota		Pool Basin Dakota	Dedicated Acreage: 316.21	Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure 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 communitization, 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 communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



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C. M. Parham

Position

Sr. Production Engineer

Company

Consolidated Oil & Gas, Inc.

Date

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

25 January 1979

Registered Professional Engineer
and State Surveyor

MITCHELL COUNTY

Certificate No.

5992

Gross 1E MV / DK

Fixed Percentage Allocation Formula

	Oil (Barrels)	%	Gas (MCF)	%
Mesaverde Formation	4,064	72%	1,051,555	48%
Dakota Formation	1,563	28%	1,124,200	52%
	5,627	100%	2,175,755	100%

Based on production through October - 1999

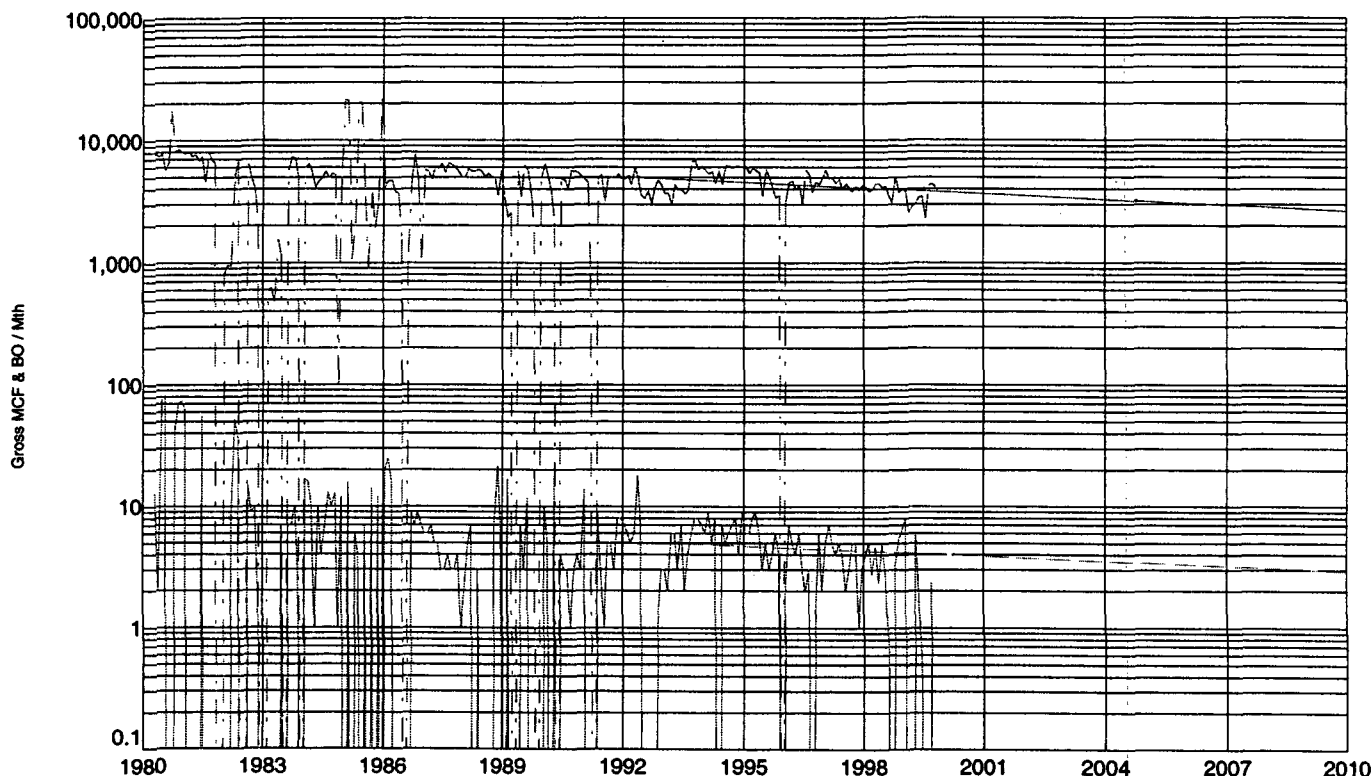
Last Twelve Months Historic Production Report

Project: C:\Program Files\IHS Energy\PTools35\PROJECTS\Reserves\New Case\Reversion\PdP.mdb

Lease Name: GROSS (1E)
 County, ST: SAN JUAN, NM
 Location: 31N-12W-7

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

GROSS-1E-BASIN (DAKOTA) DK



Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		1,532	1,082,108	1,116	1,116
11/1998	1	5	3,745	0	4,107
12/1998	1	6	4,059	0	4,548
01/1999	1	8	3,889	0	6,453
02/1999	1	0	2,552	0	1,100
03/1999	1	0	2,828	0	1,100
04/1999	1	6	3,045	0	1,100
05/1999	1	2	3,409	0	1,100
06/1999	1	0	3,458	0	1,100
07/1999	1	0	2,282	0	1,100
08/1999	1	0	4,260	0	1,100
09/1999	1	2	4,422	0	1,100
10/1999	1	0	4,143	0	1,100
Total:		1,563	1,124,200	1,116	16,107

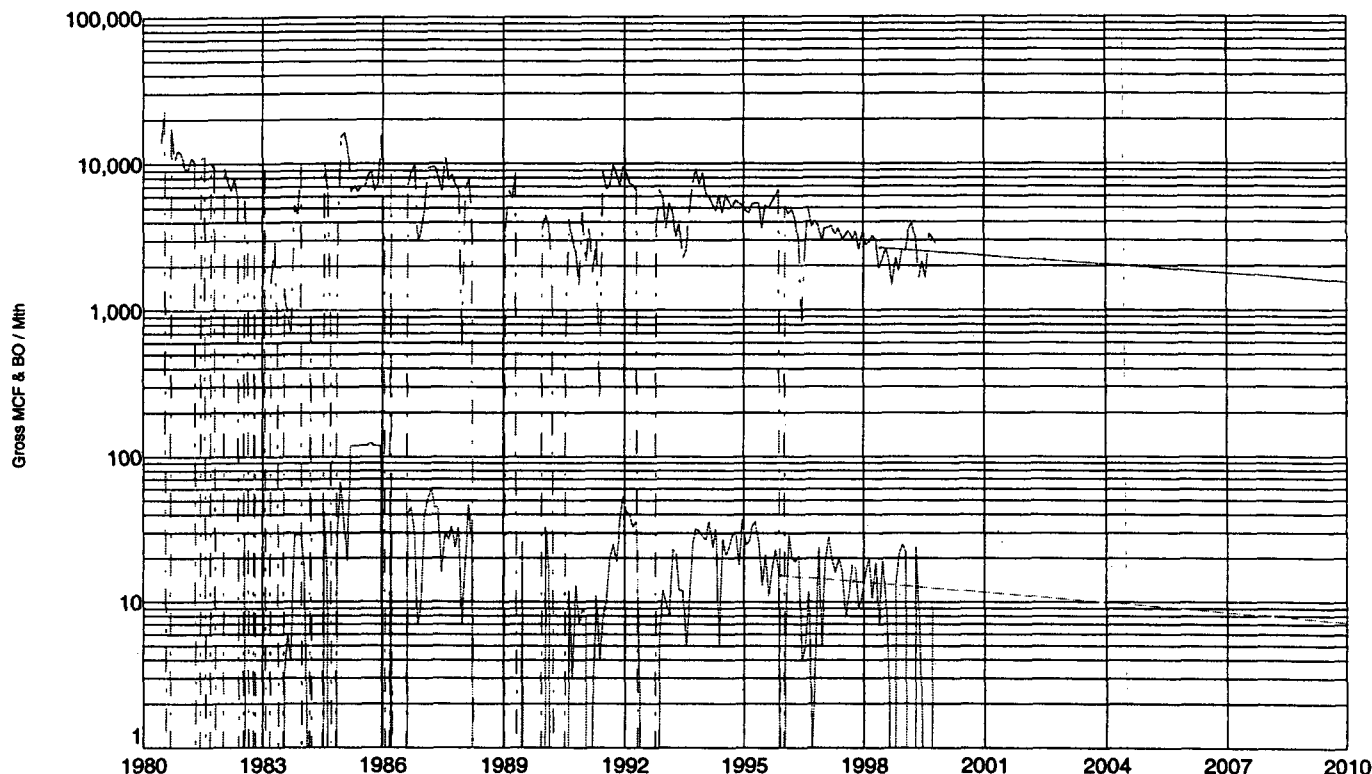
Last Twelve Months Historic Production Report

Project: C:\Program Files\IHS Energy\PTools35\PROJECTS\Reserves\New Case\Reversion\Pdp.mdb

Lease Name: GROSS (1E)
 County, ST: SAN JUAN, NM
 Location: 31N-12W-7

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

GROSS-1E-BLANCO (MESAVERDE) MV



Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		3,952	1,019,189	6,033	
11/1998	1	21	1,860	0	
12/1998	1	25	2,592	0	
01/1999	1	22	2,570	0	
02/1999	1	0	3,592	0	
03/1999	1	0	3,901	0	
04/1999	1	24	3,068	0	
05/1999	1	8	1,657	0	
06/1999	1	1	2,167	0	
07/1999	1	0	1,665	0	
08/1999	1	0	3,336	0	
09/1999	1	9	3,107	0	
10/1999	1	0	2,851	0	
Total:		4,064	1,051,555	6,033	

32,366

ff 67 mcf/p

~~12,447~~

- 0 -

Pressure/Time Graph

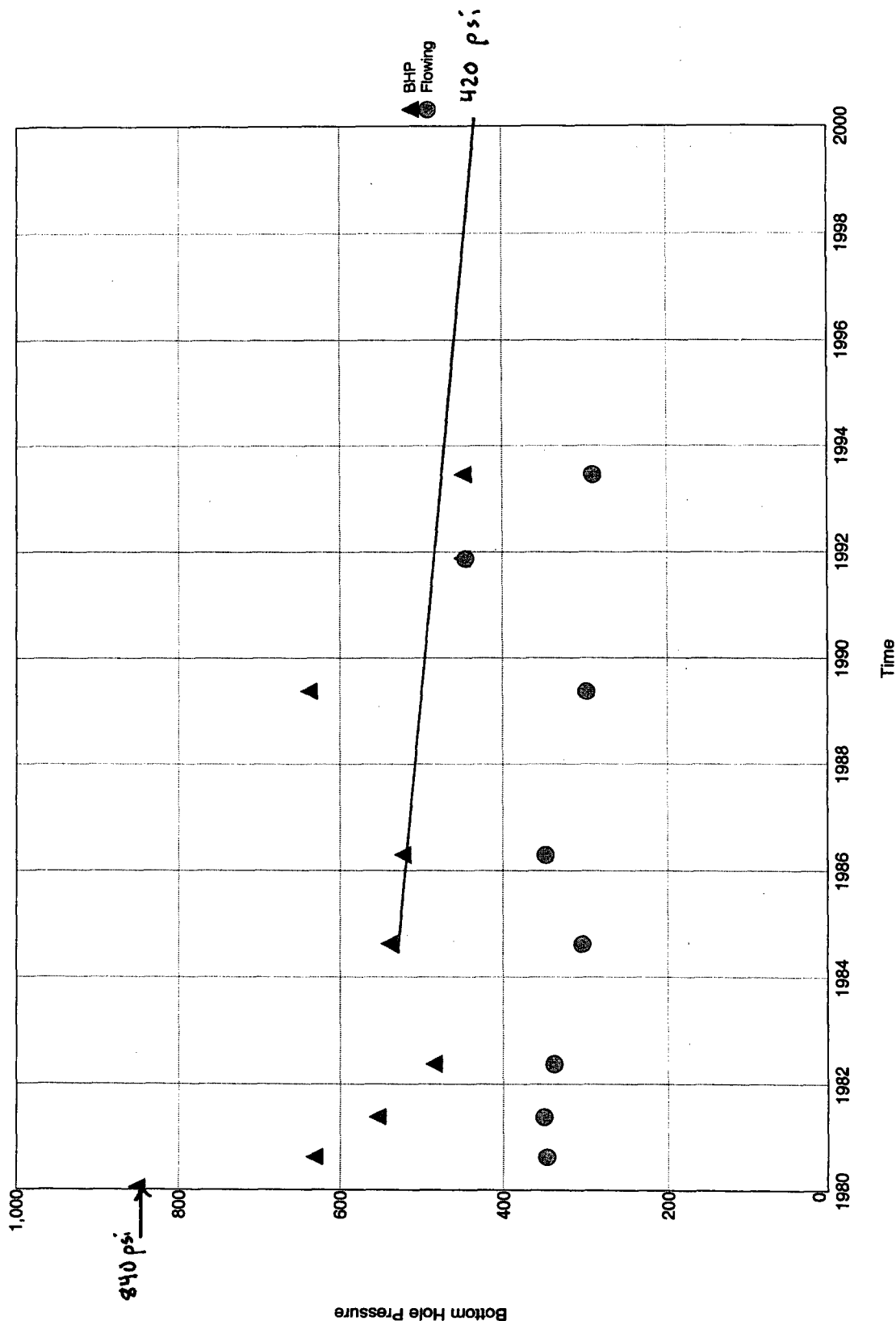
Project: C:\Program Files\IHS Energy\PTools35\PROJECTS\Comingles\Gross1E.mdb

Date: 1/3/2000
Time: 10:58 AM

Lease Name: GROSS (1E)
County, ST: SAN JUAN, NM
Location: 31N-12W-7

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

Gross 1E - Mesaverde



Pressure/Time Graph

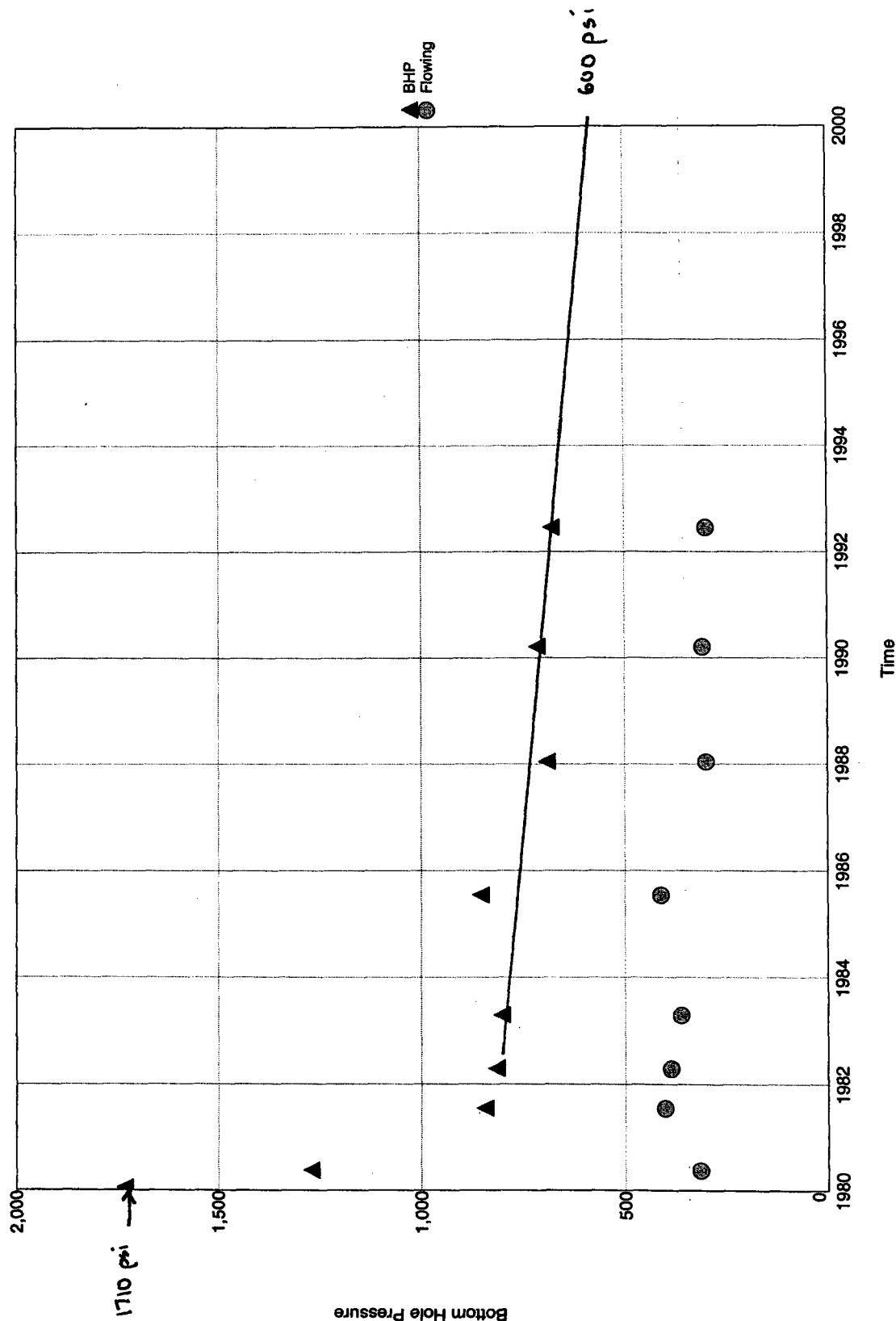
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Date: 1/3/2000
Time: 10:56 AM

Lease Name: GROSS (1E)
County, ST: SAN JUAN, NM
Location: 31N-12W-7

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

Gross 1E - Dakota



**Gross 1E DK/MV Commingle
Net Interest Ownership**

28

Royalty / Override Interest Holders

Name	Reservoir	Well #	Owner #	Owner	Type
Gross 1E	Dakota	1049	91	GREYSTONE ENERGY INC	OR
Gross 1E	Dakota	1049	1015	MARATHON OIL COMPANY	OR
Gross 1E	Dakota	1049	1069	ELEANOR R EISEN	OR
Gross 1E	Dakota	1049	1070	THEODOR S RITTENBERG	OR
Gross 1E	Dakota	1049	1071	INEZ K GROSS	OR
Gross 1E	Dakota	1049	1102	ARTHUR ALSBERG	OR
Gross 1E	Dakota	1049	1104	SANFORD E BECKER	OR
Gross 1E	Dakota	1049	1109	MARJORIE A BACHMAN	OR
Gross 1E	Dakota	1049	1111	ADDIE GUTTAG	OR
Gross 1E	Dakota	1049	1114	SUSAN K BAKER	OR
Gross 1E	Dakota	1049	1116	ROBERT DUNLAP	OR
Gross 1E	Dakota	1049	1119	JOHN V GUTTAG	OR
Gross 1E	Dakota	1049	1121	RICHARD S BECKER	OR
Gross 1E	Dakota	1049	1122	SHELDON GARDNER	OR
Gross 1E	Dakota	1049	1123	BURKE HEALEY	OR
Gross 1E	Dakota	1049	1124	BAREN HEALEY	OR
Gross 1E	Dakota	1049	1126	JOE D REID	OR
Gross 1E	Dakota	1049	1127	ELIZABETH VERPLANK	OR
Gross 1E	Dakota	1049	1128	MARY T JARCHOW	OR
Gross 1E	Dakota	1049	1130	JACK H OWENS	OR
Gross 1E	Dakota	1049	1131	MARY KAY STEIN	OR
Gross 1E	Dakota	1049	1132	THOMAS KAUFMANN	OR
Gross 1E	Dakota	1049	1133	WILLIAM EARL OWENS	OR
Gross 1E	Dakota	1049	1134	JAMES VAN DITTIE	OR
Gross 1E	Dakota	1049	1344	HORACE F MCKAY JR	OR
Gross 1E	Dakota	1049	1430	GENERAL MOTORS NPA	OR
Gross 1E	Dakota	1049	1011	MINERALS MANAGEMENT SERVICE	RI

Working Interest Holders

Gross 1E	Dakota	1049	91	GREYSTONE ENERGY INC	WI
Gross 1E	Dakota	1049	1102	ARTHUR ALSBERG	WI
Gross 1E	Dakota	1049	1104	SANFORD E BECKER	WI
Gross 1E	Dakota	1049	1109	MARJORIE A BACHMAN	WI
Gross 1E	Dakota	1049	1111	ADDIE GUTTAG	WI
Gross 1E	Dakota	1049	1114	SUSAN K BAKER	WI
Gross 1E	Dakota	1049	1117	SEGAL OIL & GAS INC	WI
Gross 1E	Dakota	1049	1119	JOHN V GUTTAG	WI
Gross 1E	Dakota	1049	1121	RICHARD S BECKER	WI
Gross 1E	Dakota	1049	1132	THOMAS KAUFMANN	WI
Gross 1E	Dakota	1049	1316	MARTIN N LEEDS	WI
Gross 1E	Dakota	1049	1339	ALBERT K LEVINE	WI
Gross 1E	Dakota	1049	1430	GENERAL MOTORS NPA	WI

Royalty / Override Interest Holders

Gross 1E	Mesaverde	1050	91	GREYSTONE ENERGY INC	OR
Gross 1E	Mesaverde	1050	1069	ELEANOR R EISEN	OR
Gross 1E	Mesaverde	1050	1070	THEODOR S RITTENBERG	OR
Gross 1E	Mesaverde	1050	1071	INEZ K GROSS	OR
Gross 1E	Mesaverde	1050	1102	ARTHUR ALSBERG	OR
Gross 1E	Mesaverde	1050	1104	SANFORD E BECKER	OR
Gross 1E	Mesaverde	1050	1109	MARJORIE A BACHMAN	OR
Gross 1E	Mesaverde	1050	1111	ADDIE GUTTAG	OR
Gross 1E	Mesaverde	1050	1114	SUSAN K BAKER	OR
Gross 1E	Mesaverde	1050	1116	ROBERT DUNLAP	OR
Gross 1E	Mesaverde	1050	1119	JOHN V GUTTAG	OR
Gross 1E	Mesaverde	1050	1121	RICHARD S BECKER	OR
Gross 1E	Mesaverde	1050	1122	SHELDON GARDNER	OR
Gross 1E	Mesaverde	1050	1123	BURKE HEALEY	OR
Gross 1E	Mesaverde	1050	1124	BAREN HEALEY	OR
Gross 1E	Mesaverde	1050	1126	JOE D REID	OR
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Gross 1E	Mesaverde	1050	1128	MARY T JARCHOW	OR
Gross 1E	Mesaverde	1050	1130	JACK H OWENS	OR
Gross 1E	Mesaverde	1050	1131	MARY KAY STEIN	OR
Gross 1E	Mesaverde	1050	1132	THOMAS KAUFMANN	OR
Gross 1E	Mesaverde	1050	1134	JAMES VAN DITTIE	OR
Gross 1E	Mesaverde	1050	1344	HORACE F MCKAY JR	OR
Gross 1E	Mesaverde	1050	1430	GENERAL MOTORS NPA	OR
Gross 1E	Mesaverde	1050	1011	MINERALS MANAGEMENT SERVICE	RI

Working Interest Holders

Gross 1E	Mesaverde	1050	91	GREYSTONE ENERGY INC	WI
Gross 1E	Mesaverde	1050	1102	ARTHUR ALSBERG	WI
Gross 1E	Mesaverde	1050	1104	SANFORD E BECKER	WI
Gross 1E	Mesaverde	1050	1109	MARJORIE A BACHMAN	WI
Gross 1E	Mesaverde	1050	1111	ADDIE GUTTAG	WI
Gross 1E	Mesaverde	1050	1114	SUSAN K BAKER	WI
Gross 1E	Mesaverde	1050	1119	JOHN V GUTTAG	WI
Gross 1E	Mesaverde	1050	1121	RICHARD S BECKER	WI
Gross 1E	Mesaverde	1050	1132	THOMAS KAUFMANN	WI
Gross 1E	Mesaverde	1050	1430	GENERAL MOTORS NPA	WI