

Office

District I

1625 N. French Dr., Hobbs, NM 88240

District II

811 South First, Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, NM 87505

Form C-103

Revised March 25, 1999

WELL API NO. 30-039-23517
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name: Jicarilla Apache Contract 119
8. Well No. Hoyt 2E
9. Pool name or Wildcat BS Mesa Gallup / Basin Dakota

<p>SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)</p>	
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other	
2. Name of Operator Greystone Energy, Inc.	
3. Address of Operator 5802 Highway 64, Farmington, NM 87401	
4. Well Location Unit Letter <u>E</u> : 1600' feet from the <u>South</u> line and <u>790'</u> feet from the <u>East</u> line Section <u>5</u> Township <u>26N</u> Range <u>4W</u> NMPM Rio Arriba County	
10. Elevation (Show whether DR, RKB, RT, GR, etc.) 7247' GR	

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data	
<p>NOTICE OF INTENTION TO:</p> <p>PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/></p> <p>TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/></p> <p>PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/></p> <p>OTHER: Commingle zones in pre-approved area <input checked="" type="checkbox"/></p>	<p>SUBSEQUENT REPORT OF:</p> <p>REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/></p> <p>COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/></p> <p>CASING TEST AND CEMENT JOB <input type="checkbox"/></p> <p>OTHER: <input type="checkbox"/></p>

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Based on Rule 303.C Downhole Commingling #3 B Exceptions for wells located in pre-approved pools or areas. Greystone Energy would like administrative approval to commingle the Hoyt 2E Gallup and Dakota Pools.

The attached C-107 has all the required information, also attached is the allocation method and supporting data.

Ownership between the the Gallup and Dakota zones are identical, all produced fluids are compatible with each other And commingling will not decrease the value of production.

NMOCD Reference case # DHC 2440 (The Hoyt #2 Gallup / Dakota) is our reference case #.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Kay Eckstein TITLE Production Tech DATE 8/7/00

Type or print name Kay Eckstein Telephone No. 505-632-8056

(This space for State use)

Original Signed by STEVEN N. HAYDEN DEPUTY OIL & GAS INSPECTOR, DIST. #

APPROVED BY _____ TITLE _____ DATE AUG - 9 2000

Conditions of approval, if any:

District I
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State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised May 15, 2000

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, New Mexico 87505
APPLICATION FOR DOWNHOLE COMMINGLING

APPLICATION TYPE
Y Single
Y Establish Pre-Approved Pools
EXISTING WELLBORE
Y Yes No

Greystone Energy, Inc. 5802 Highway 64, Farmington, New Mexico 87401

Operator Hoyt	2E	Address I - 5 - T26N - R4W	Rio Arriba
Lease	Well No.	Unit Letter-Section-Township-Range	County
OGRID No. 173252	Property Code	API No. 30-039-23517	Lease Type: Y Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	BS Mesa Gallup		Basin Dakota
Pool Code	72920		71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	7336'-7716'		8162'-8370'
Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	N/A		N/A
Oil Gravity or Gas BTU (Degree API or Gas BTU)			
Producing, Shut-In or New Zone	Producing		Producing
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: 6/30/00 Rates: 0 BOPD / 1.5 MCFD	Date: Rates:	Date: 6/30/00 Rates: 2 BOPD / 95 MCFD
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas 0.1 % 1.6 %	Oil Gas % %	Oil Gas 99.9 % 98.4 %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?
Yes X No
Yes X No

Are all produced fluids from all commingled zones compatible with each other?
Yes X No

Will commingling decrease the value of production?
Yes No X

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application?
Yes X No

NMOCD Reference Case No. applicable to this well: Administrative Order DHC-2440 (Hoyt # 2)

- 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, royalty and overriding royalty interests for uncommon interest cases.
 - Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

List of other orders approving downhole commingling within the proposed Pre-Approved Pools
List of all operators within the proposed Pre-Approved Pools
Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
Bottomhole pressure data.

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 08/01/00
303-925-0542

Hoyt #2E - GP / DK

Fixed Percentage Allocation Formula

	<table><tr><th>Oil (Barrels)</th><th>%</th></tr><tr><td>14</td><td>0.1%</td></tr></table>	Oil (Barrels)	%	14	0.1%	<table><tr><th>Gas (MCF)</th><th>%</th></tr><tr><td>13,843</td><td>1.6%</td></tr></table>	Gas (MCF)	%	13,843	1.6%
Oil (Barrels)	%									
14	0.1%									
Gas (MCF)	%									
13,843	1.6%									
Gallup Formation										
Dakota Formation	11,990 99.9%	862,388 98.4%								
	12,004 100%	876,231 100%								

Based on production through Dec - 1999