

4



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

IN REPLY REFER TO:

NMSF078463
3162.3-2 (07100)

Greystone Energy Inc.
Attn.: Brian Voigt
1801 Broadway, Suite 630
Denver, Colorado 80202

RECEIVED
AUG 18 1999
OIL CON. DIV.
DIST. 3

Re: Nance 1E
SESW 27-31N-13W
Lease No. SF-078463
San Juan County, NM

Dear Mr. Voigt

Reference is made to your application dated July 12, 1999, requesting authorization to down hole commingle gas from the Gallup and Dakota formations in the above referenced well. After reviewing the production characteristics in both formations, we concur with the fixed allocation factors established in your application. Authorization is hereby given to allocate production in accordance with the factors outlined below:

<u>Formation</u>	<u>Gas</u>	<u>Oil</u>
Gallup	7%	1.0%
Dakota	93%	99.0%

Commingled production from each zone must be reported in accordance with these established allocation factors. The effective date of commingling will be the date commingling first occurs.

Please be advised that a Sundry Notice of Intent (Form 3160-5) will be required prior to commencing down hole commingling operations. That notice must include a detailed procedure for down hole commingling the well and describe any surface disturbing activities necessary to complete the work.

If you have any questions regarding the above, contact Jim Lovato at (505) 599-6367.

Sincerely,

s/s Errol Becher

Errol Becher
Acting Team Leader, Petroleum Management Team

cc:

— NMOCD, Santa Fe
NMOCD, Aztec