



GREYSTONE ENERGY, INC.

1801 Broadway, Suite 630 • Denver, CO 80202

Bus: 303-296-6762 • Fax: 303-296-6971

DHC 8/18/99

July 26th, 1999

2431

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

JUL 29 1999

NEW MEXICO OIL CONSERVATION DIVISION

RE: Administrative Approval to Downhole Commingle
Greystone Energy, Inc.
Champlin # 7
1650' FNL, 990' FEL, Sec.25 H, T27N, R4W, N.M.P.M.
Rio Arriba County, New Mexico

Dear Ms. Wrotenberry:

Greystone Energy, Inc. requests administrative approval to downhole commingle the Blanco Mesaverde and Tapacito Pictured Cliff pools in the subject well. The well is currently producing as a Mesaverde / Pictured Cliff dual completion. 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 Mesaverde and Pictured Cliff
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 with 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 – Farmington, 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
Champlin 7 4-25-27N-4W Rio ArribaLease Well No. Unit Ltr. - Sec - Twp - Rge County
Spacing Unit Lease Type: (Check 1 or more)

OGRID NO. 173252 Property Code 24023 API NO. 30-039-06915 Federa X 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 (Picture Cliffs) '85920		Blanco (Mesaverde) '72319
2. Top and Bottom of Pay Section (Perforations)	4022'-4092'		6156'-6294'
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	a. (Current) 375 psi	a.	a. 410 psi
Gas & Oil - Flowing: Measured Current	b. (Original) 1350 psi	b.	b. 1390 psi
All Gas Zones: Estimated Or Measured Original			
6. Oil Gravity (API) or Gas BTU Content	1.210		1.202
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: 65 mcf 0 bopd	Date: Rates:	Date: 6/30/99 Rates: 65 mcf 0.2 bopd
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 0 % Gas: 50.5 %	Oil: % Gas: %	Oil 100 % Gas 49.5 %

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? X Yes No
If not, have all working, overriding, and royalty interests been notified by certified mail? X Yes No
Have all offset operators been given written notice of the proposed downhole commingling? X Yes No
11. Will cross-flow occur? Yes X 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? X Yes No (If No, attach explanation)
12. Are all produced fluids from all commingled zones compatible with each other? X Yes No
13. Will the value of production be decreased by commingling? Yes X 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. X 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 7/26/99TYPE OR PRINT NAME Brian D. Voigt TELEPHONE NO. (505) 632-8056

Well Location and Acreage Dedication Form

Section A.

Date 5-22-63

Operator CONSOLIDATED OIL AND GAS, INC. Lease CHAMPLIN
 Well No. 7-25 Unit Letter H Section 25 Township 27 NORTH Range 4 WEST NMPM
 Located 1650 Feet From the NORTH Line, 990 Feet From the EAST Line
 County RIO ARriba G. L. Elevation 7208.8 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 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:

Owner

Land Description

RECEIVED

JUN 10 1963

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)

Wayne Rogers
 (Representative)

General Production Superintendent

(Address)

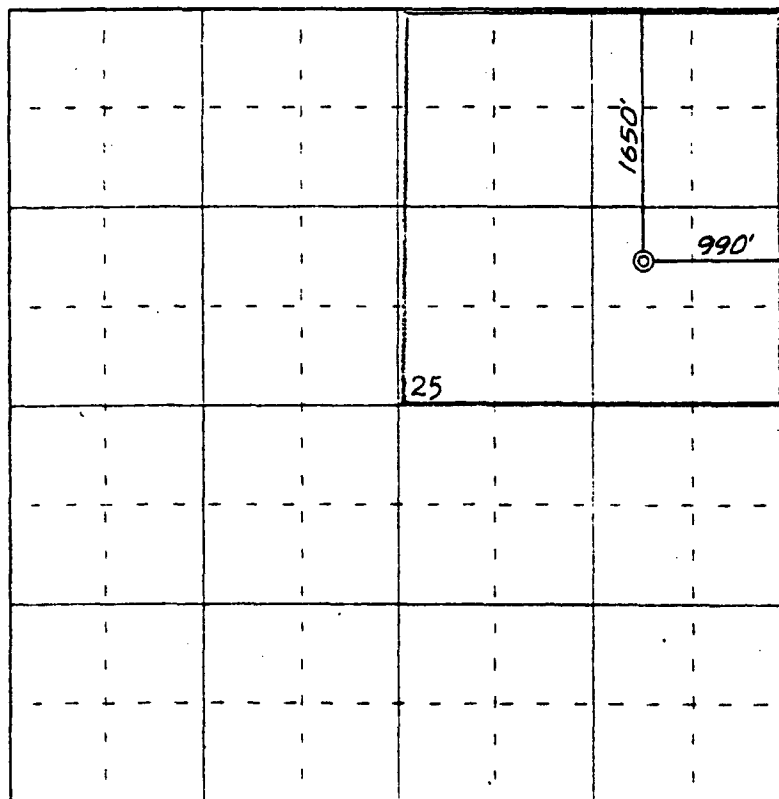
Writer Building

4150 E. Mexico Avenue

Denver 22, Colorado

Ref: GLO plat dated 8 Feb. 1884

Note: All distances must be from outer boundaries of section.



0 330 660 990 1320 1650 1980 2310 2640 2000 1800 1600 1400 1200 1000 800 600 400 200 0

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.

Date Surveyed 28 September 1962

James P. Leese
 Registered Professional Engineer and/or Land Surveyor
 James P. Leese, N. Mex. Reg. No. 1483
 San Juan Engineering Company

(Seal)

Farmington, New Mexico

Well Location and Acreage Dedication Form

Section A.

Date 5-22-63

Operator CONSOLIDATED OIL AND GAS, INC. Lease CHAMPLIN
 Well No. 7-25 Unit Letter H Section 25 Township 27 NORTH Range 4 WEST NMPM
 Located 1650 Feet From the NORTH Line, 990 Feet From the EAST Line
 County RIO ARriba G. L. Elevation 7208.8 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 Description

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Wayne Rogers

(Representative)

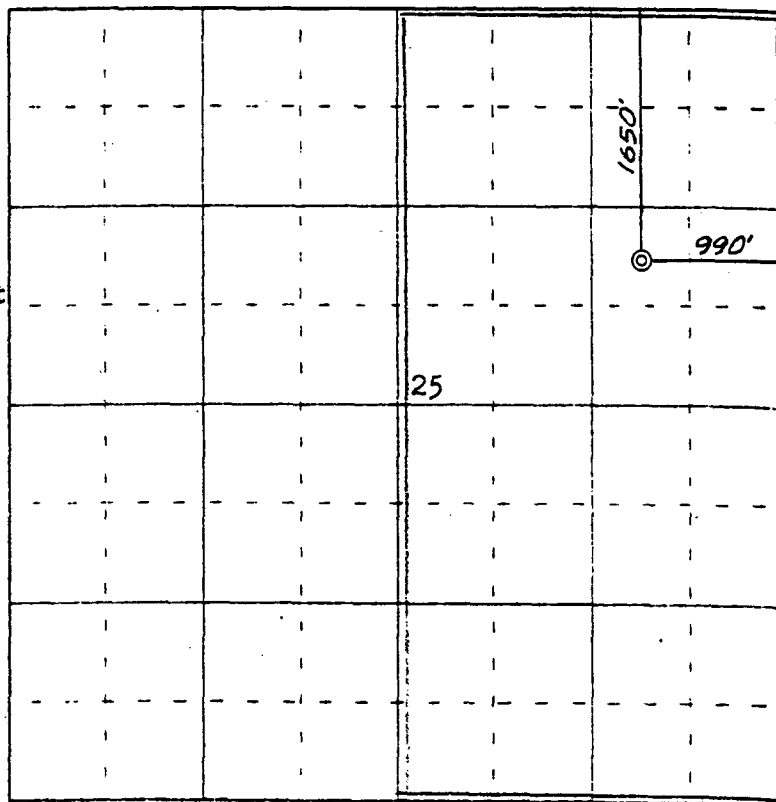
General Production Superintendent

(Address)

Writer Building4150 E. Mexico AvenueDenver 22, Colorado

Ref: GLO plat dated 8 Feb. 1884

Note: All distances must be from outer boundaries of section.



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Farmington, New Mexico

Champlin 7 MV / PC

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	3,301	100%	1,093,642	49.5%				
Pictured Cliffs Formation	-	0%	1,114,846	50.5%				
	3,301	100%	2,208,488	100%				

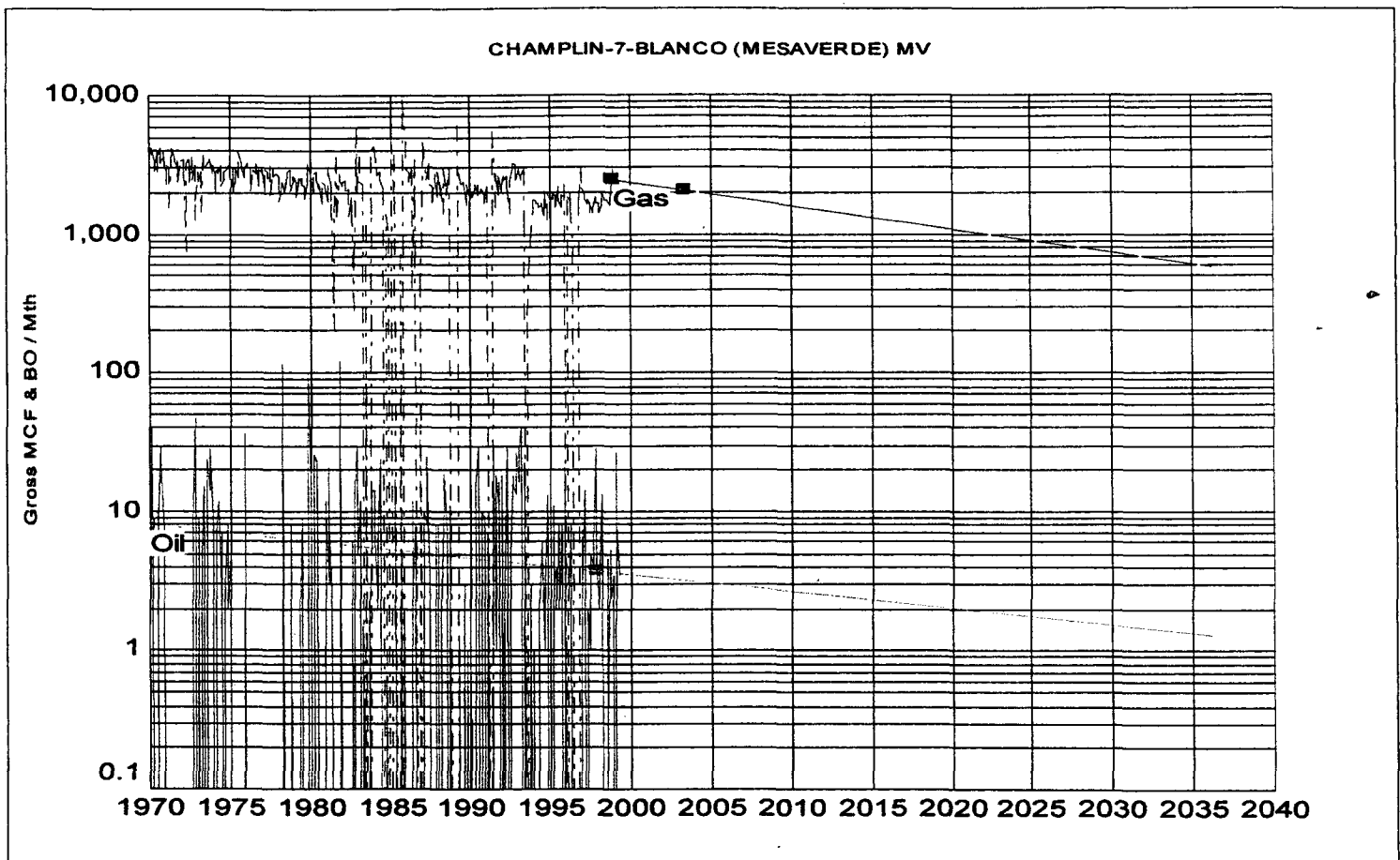
Based on production through Jan - 1999

Last Twelve Months Historic Production Report

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

Lease Name: CHAMPLIN (7)
 County, ST: RIO ARRIBA, NM
 Location: 27N-4W-25

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



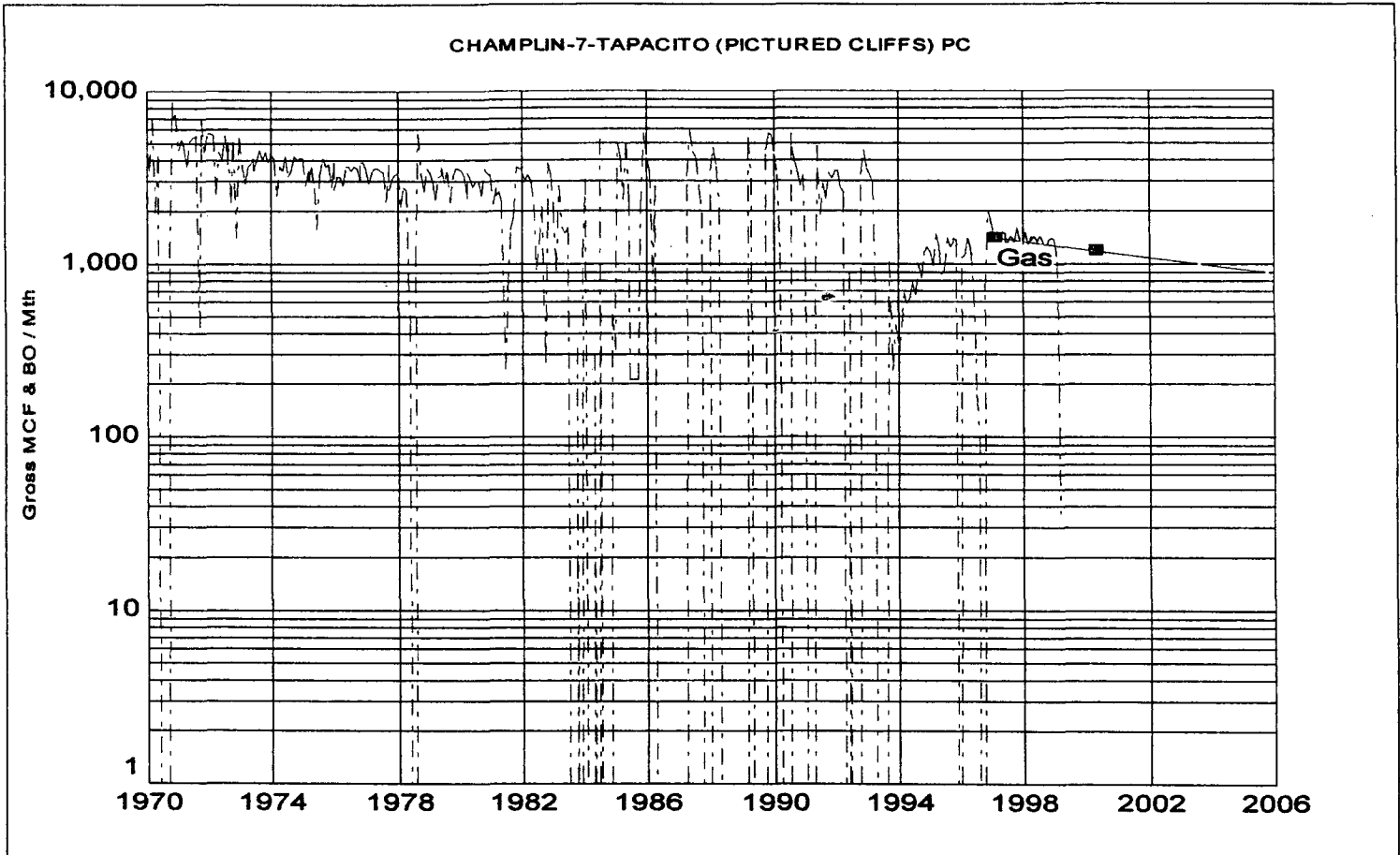
Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		3,247	1,068,540	530	0
04/1998	1	0	1,788	0	0
05/1998	1	0	1,745	0	0
06/1998	1	0	1,764	0	0
07/1998	1	5	1,755	0	0
08/1998	1	0	1,737	0	0
09/1998	1	5	1,616	0	0
10/1998	1	2	1,705	0	2,067
11/1998	1	4	2,879	0	2,539
12/1998	1	0	2,626	0	2,048
01/1999	1	27	2,443	0	1,958
02/1999	1	8	2,766	0	0
03/1999	1	3	2,278	0	0
Total:		3,301	1,093,642	530	8,612

Last Twelve Months Historic Production Report

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

Lease Name: CHAMPLIN (7)
 County, ST: RIO ARRIBA, NM
 Location: 27N-4W-25

Field Name: TAPACITO (PICTURED CLIFFS) PC
 Operator: CHATEAU OIL & GAS INC



Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		0	1,100,153	0	0
03/1998	1	0	1,456	0	0
04/1998	1	0	1,375	0	0
05/1998	1	0	1,454	0	0
06/1998	1	0	1,314	0	0
07/1998	1	0	1,439	0	0
08/1998	1	0	1,347	0	0
09/1998	1	0	1,155	0	0
10/1998	1	0	1,343	0	1,383
11/1998	1	0	1,402	0	1,107
12/1998	1	0	1,358	0	1,227
01/1999	1	0	1,015	0	763
02/1999	1	0	35	0	0
Total:		0	1,114,846	0	4,480

Offset Operator List

Champlin 7 MV / PC
H-25-27N-4W

Operator	Reservoir	Township	Range	Section
BURLINGTON RES O&G CO P.O. Box 4289 Farmington, NM 87499	MESAVERDE	27 N	3 W	19
	PICTURED CLIFFS	27 N	4 W	23
		27 N	4 W	26
		27 N	4 W	36

PICTURED CLIFFS	27 N	4 W	24
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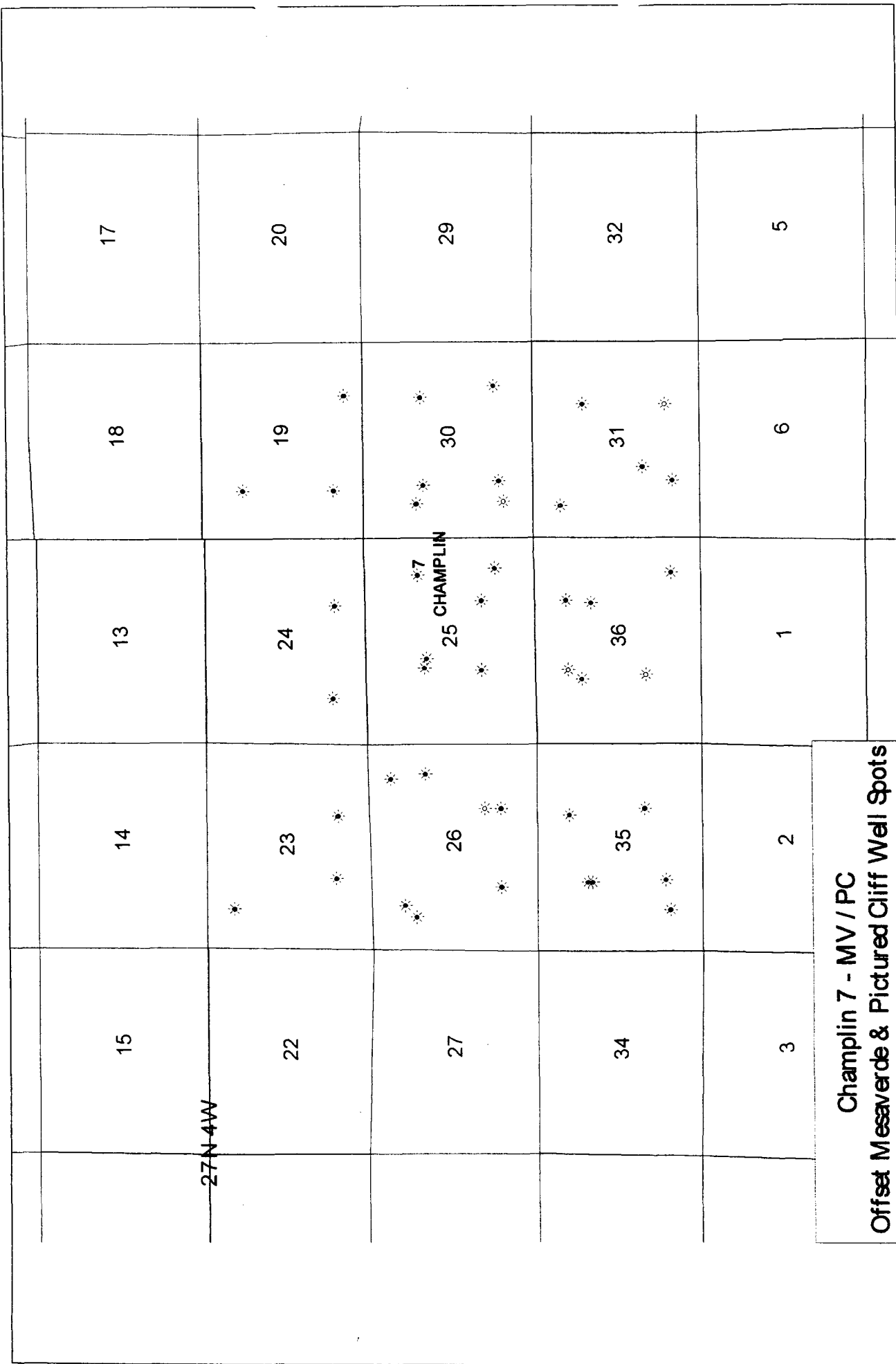
Greystone Energy, Inc. 1801 Broadway, Suite 630 Denver, CO 80202	MESAVERDE	27 N	4 W	25
	PICTURED CLIFFS	27 N	4 W	35

WILLIAMS PRODUCTION CO PO Box 215 Bloomfield, NM 87413	MESAVERDE	27 N	3 W	30
	PICTURED CLIFFS	27 N	3 W	31

PowerTools Map

Project: C:\Program Files\IHS Energy\PTTools\30\PROJECTS\Comingles\Champlin 7.mdb

Date: 7/22/1999
Time: 6:18 PM



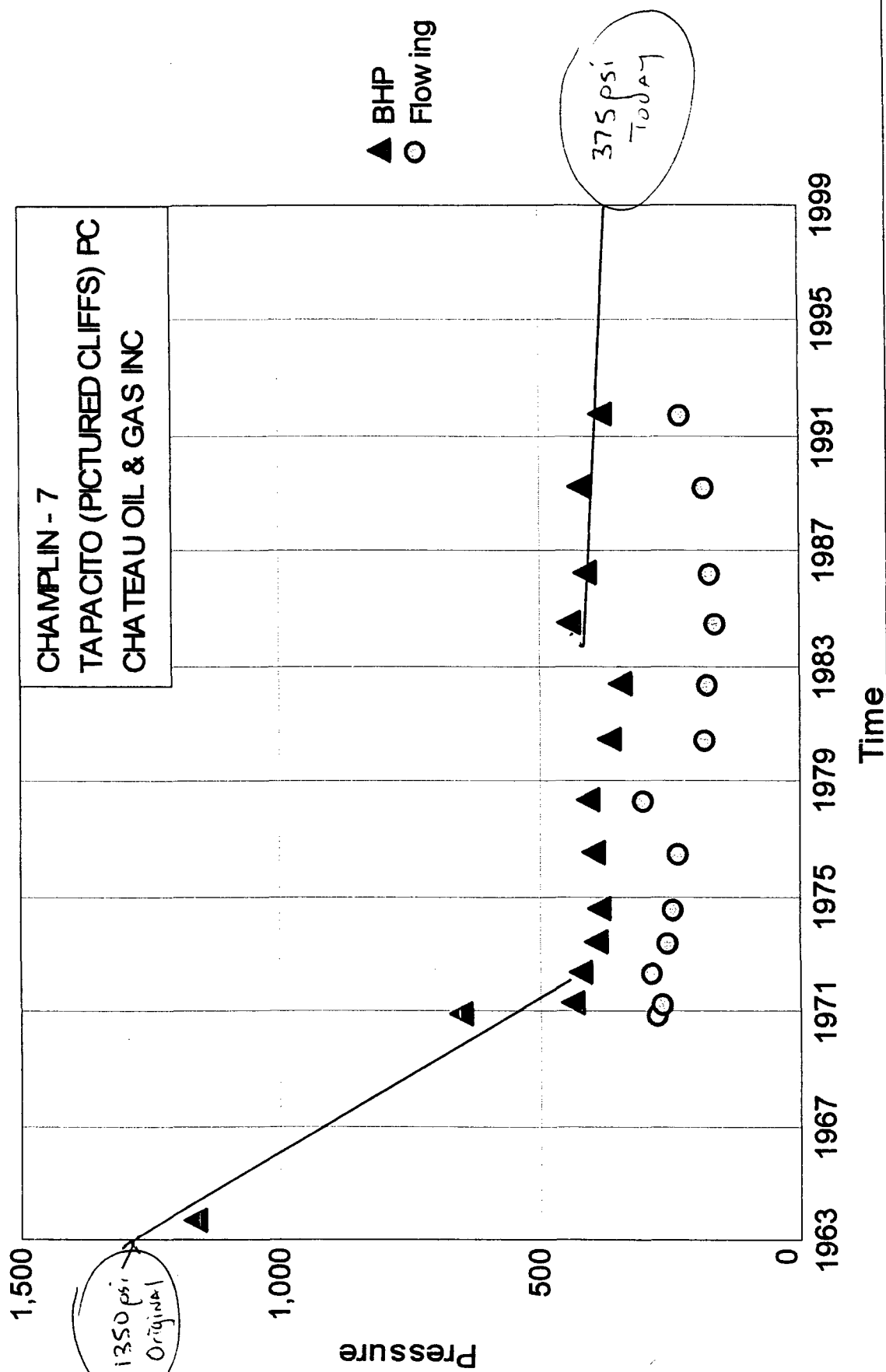
Pressure/Time Graph

4: C:\Program Files\IHS Energy\PTTools30\PROJECTS\Reserves\New Case\Reversion\pdp.mdb

Lease Name: CHAMPLIN (7)
County, ST: RIO ARRIBA, NM
Location: 27N-4W-25

Date: 7/21/1999
Time: 3:43 PM

Field Name: TAPACITO (PICTURED CLIFFS) PC
Operator: CHATEAU OIL & GAS INC



Pressure/Time Graph

Date: 7/21/1999
Time: 3:41 PM

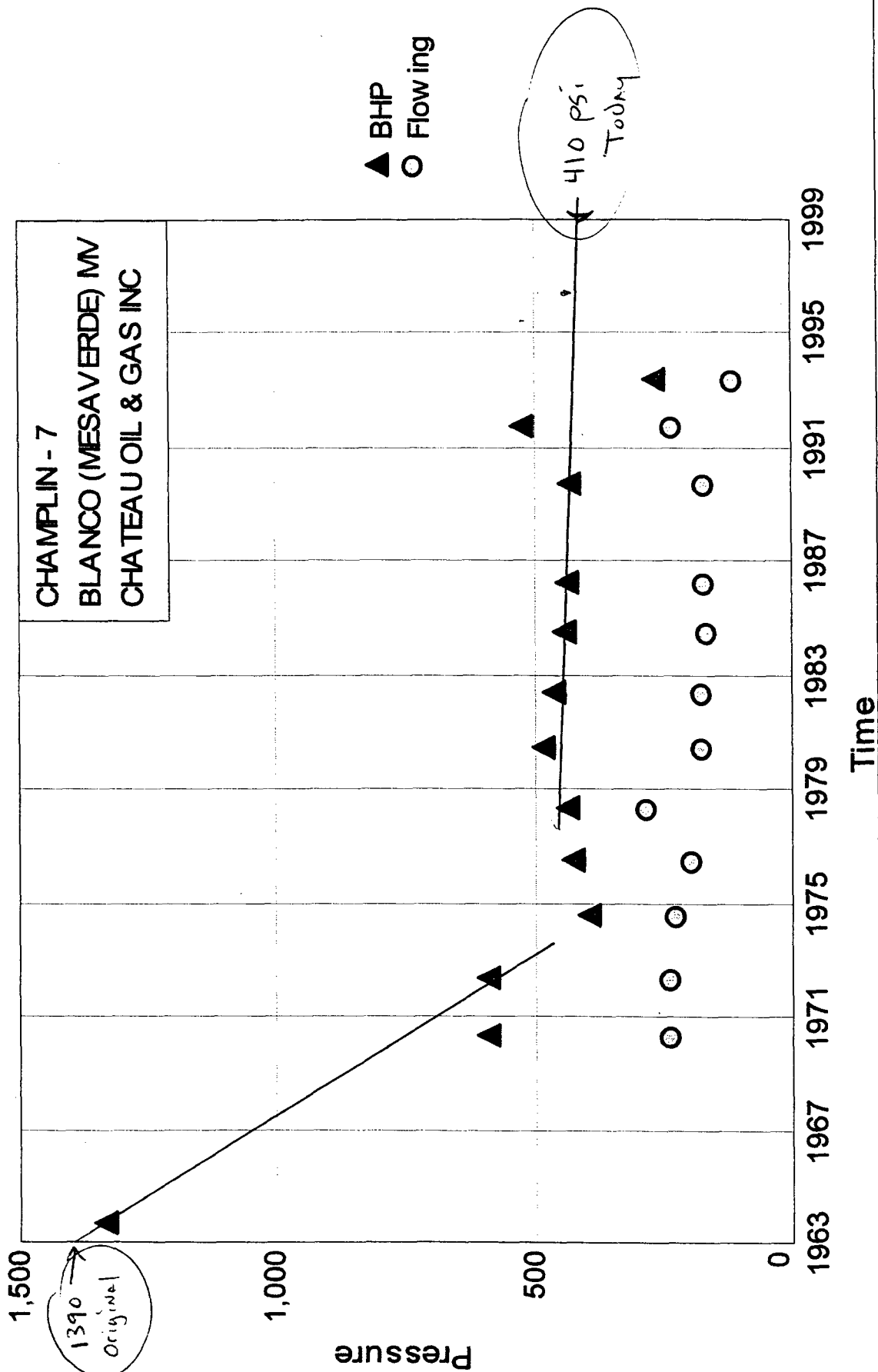
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Lease Name:
County, ST:
Location:

CHAMPLIN (7)
RIO ARRIBA, NM
27N-4W-25

Field Name:
Operator:

BLANCO (MESAVERDE) MV
CHATEAU OIL & GAS INC



Champlin 7 - Mesa Verde

MINERALS MANAGEMENT SERVICE

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

C/O ALVIN D. BAKER JR

PO BOX 12992

EL PASO TX 79913-0992

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

SHARON GILBERT

922 LINCOLN BLVD #2

SANTA MONICA CA 90403

KEVIN R MCCAULEY

7259 MINUET WAY

CITRUS HEIGHTS CA 95621

Champlin 7 - Mesa Verde

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

FINCHER OIL INVESTMENTS, INC

107 ST FRANCIS ST, #1502

MOBILE AL 36602

J & R PROPERTIES, LLC

1 COLORADO BLVD

DENVER CO 80206

SALLY ROYCE

ADDRESS UNKNOWN

Champlin 7 - Pictured Cliffs

MINERALS MANAGEMENT SERVICE

PO BOX 5810

DENVER CO 80217-5810

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DALLAS TX 75284-3169

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Champlin 7 - Pictured Cliffs

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ADDRESS UNKNOWN