



GREYSTONE ENERGY, INC.

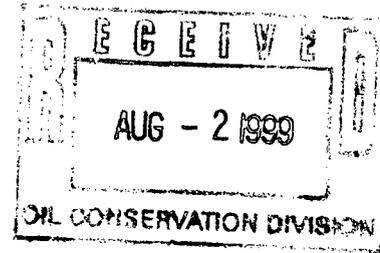
1801 Broadway, Suite 630 • Denver, CO 80202

Bus: 303-296-6762 • Fax: 303-296-6971

DHC 8/23/99

July 30th, 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.  
Hoyt #2  
1968' FSL, 1286' FWL, Sec.5 L, T26N, R4W, N.M.P.M.  
Rio Arriba County, New Mexico

2440

Dear Ms. Wrotenberry:

Greystone Energy, Inc. requests administrative approval to downhole commingle the Blanco Mesaverde, BS Mesa Gallup, and Basin Dakota pools in the subject well. The well is currently producing as a Mesaverde / Gallup / Dakota triple completion. The Dakota and Gallup zones do 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 these formations unloaded and producing at optimal rates.

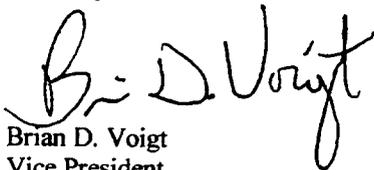
To comply with the New Mexico Oil Conservation Rules, Greystone Energy, Inc. is submitting the following data for your approval of the proposed commingling:

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, Gallup 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

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107A  
New 3-12-96

DISTRICT II  
811 South First St., Artesia, NM 88210-2835

OIL CONSERVATION DIVISION  
2040 S. Pacheco  
Santa Fe, New Mexico 87505-6429

APPROVAL PROCESS:  
 Administrative  Hearing

DISTRICT III  
1000 Rio Brazos Rd, Aztec, NM 87410-1693

EXISTING WELLBORE  
 YES  NO

**APPLICATION FOR DOWNHOLE COMMINGLING**

Operator Greystone Energy, Inc. Address 5802 Hwy 64 Farmington NM 87401  
 HOYT 2 L-5-26N-4W RIO ARRIBA  
 Lease Well No. Unit Ltr. - Sec - Twp - Rge Spacing Unit Lease Type: (Check 1 or more)  
 OGRID NO. 173252 Property Code 24035 API NO. 30-039-06690 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	BALANCO-MESAVERDE 72319	BS MESA GALLUP 72920	BASIN DAKOTA 71599
2. Top and Bottom of Pay Section (Perforations)	6092'-6282'	7740'-7763'	8234'-8383'
3. Type of production (Oil or Gas)	GAS	GAS	GAS
4. Method of Production (Flowing or Artificial Lift)	FLOWING	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	a. 540 PSI	a. 600 PSI
	b. (Original) 1400 PSI	b. 2240 PSI	b. 2630 PSI
6. Oil Gravity ( API) or Gas BTU Content	1255	1318	1256
7. Producing or Shut-in?	PRODUCING	PRODUCING	PRODUCING
Production Marginal? (yes or no)			
* 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 product 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: 32 MCFD 0 BOPD	Date: 6/30/99 Rates: 16 MCFD 0 BOPD	Date: 6/30/99 Rates: 74 MCFD .5 BOPD
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 2.9 % Gas: 23.7 %	Oil: 11.6 % Gas: 23.3 %	Oil 85.3 % Gas 53.0%

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 Voigt TITLE VP DATE 7/30/99  
 TYPE OR PRINT NAME BRIAN VOIGT TELEPHONE NO. (505) 632-8056

January 15, 1964

Section A.

Operator CONSOLIDATED GAS AND OIL INC. Lease Hoyt # 2-5  
 Well No. 2-5 Unit Letter L Section 5 Township 26 NORTH Range 4 WEST NMPM  
 Located 1968 Feet From the SOUTH Line, 1286 Feet From the WEST Line  
 County RIO ARriba G. L. Elevation 7284.0 Dedicated Acreage 320 Acres  
 Name of Producing Formation Blanco Mesaverde Pool Mesaverde

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below?  
 Yes \_\_\_\_\_ No 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 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

Section B.

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

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

Consolidated Oil & Gas  
 (Operator)

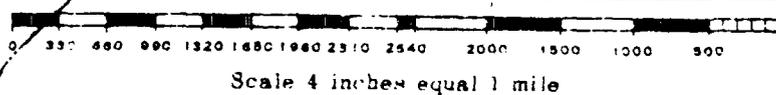
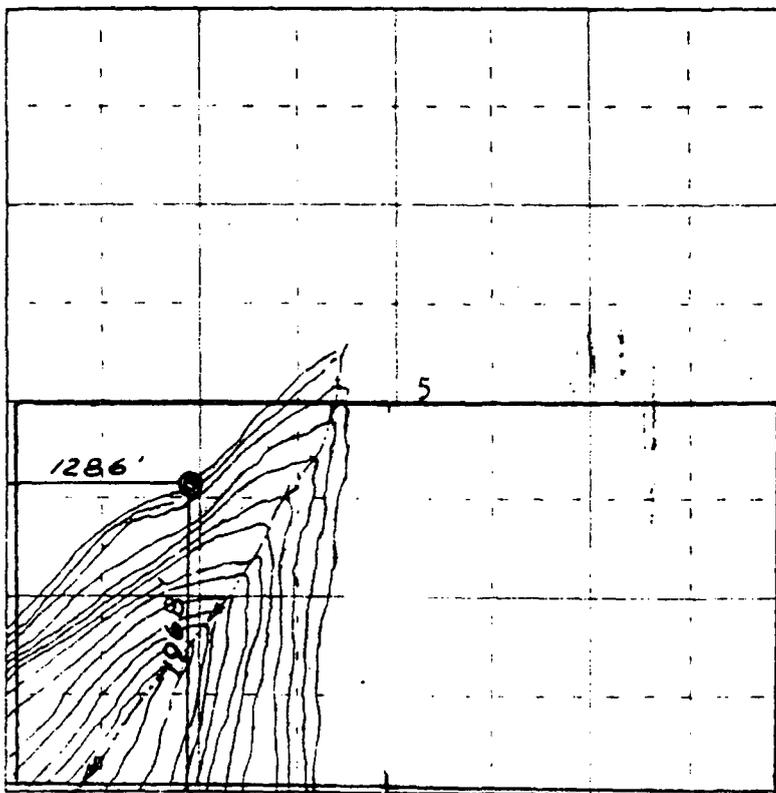
James Boyd Jr.  
 (Representative)

San Juan  
 (Address)

Box 2038

Farmington, New Mexico

*James P. Leese*



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 26 December 1963

*James P. Leese*  
 Registered Professional Engineer and/or Land Surveyor  
 James P. Leese, N. Mex. Reg. No. 1463  
 San Juan Engineering Company

Farmington, New Mexico

Well Location and Acreage Dedication Plat

Section A.

Date January 15, 1964

Operator CONSOLIDATED GAS AND OIL INC. Lease Hoyt # 2-5  
Well No. 2-5 Unit Letter L Section 5 Township 26 NORTH Range 4 WEST NMPM  
Located 1968 Feet From the SOUTH Line, 1286 Feet From the WEST Line  
County RIO ARriba G. L. Elevation 7284.0 Dedicated Acreage 320 Acres  
Name of Producing Formation Basin Dakots Pool Dakota

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below?  
Yes \_\_\_\_\_ No 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 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:

<u>Owner</u>	<u>Land Description</u>

Section B.

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

This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

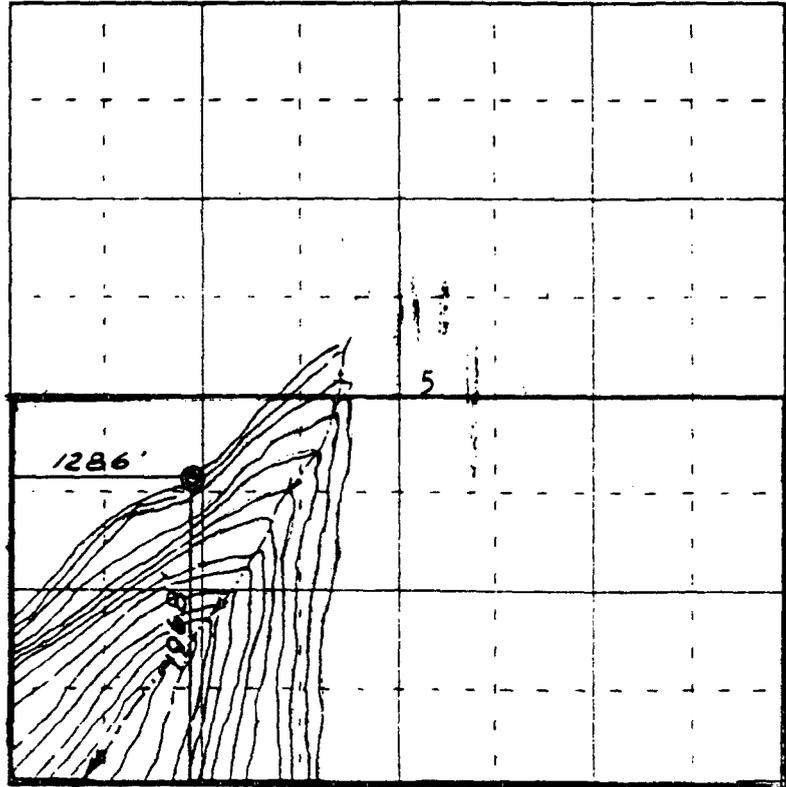
Consolidated Oil & Gas Inc.  
(Operator)

Thomas Boyd Jr.  
(Representative)

P.O. Box 2038  
(Address)

Farmington, New Mexico

*Thomas M. Boyd Jr.*



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 26 December 1963

*James P. Leese*  
Registered Professional Engineer and Land Surveyor  
James P. Leese, N. Mex. Reg. No. 1463  
San Juan Engineering Company



Farmington, New Mexico

# PowerTools Map

Project: C:\Program Files\HS Energy\PTools30\PROJECTS\Comingles\Hoyt 2.mdb

Date: 7/29/1999  
Time: 1:34 PM

25	30	29	28	27
36	31	32	33	34
1	6	5	4	3
12	7	8	9	10
13	18	17	16	15
Hoyt 2 - Mesaverde / Gallup / Dakota Offset Well Spots				26N 4W

# Offset Operators

Hoyt 2 - MV/ GP/ DK  
L-5-26N-4W

Operator	Reservoir	Township	Range	Section
AMOCO PRODUCTION CO C/O Don Duhrkopf 501 West Lake Park BLVD. Houston, TX 77079-2696	DAKOTA	26 N	4 W	4
	GALLUP	26 N	4 W	9
	MESAVERDE			

BURLINGTON RES O&G CO P.O. Box 4289 Farmington, NM 87499	DAKOTA	27 N	4 W	31
	MESAVERDE			

DAKOTA	27 N	4 W	32
GALLUP	27 N	4 W	33
MESAVERDE			

Greystone Energy, Inc. 1801 Broadway, Suite 630 Denver, Colorado 80202	DAKOTA	26 N	4 W	5
	GALLUP	26 N	4 W	6
		26 N	4 W	8

GALLUP	26 N	4 W	7
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MESAVERDE	26 N	4 W	5
	26 N	4 W	7

TAURUS EXPL USA INC 2198 Bloomfield Highway Farmington, NM 87401	DAKOTA	26 N	4 W	6
	MESAVERDE	26 N	4 W	8

MESAVERDE	26 N	4 W	7
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# Hoyt 2 - MV / GP / DK

## Fixed Percentage Allocation Formula

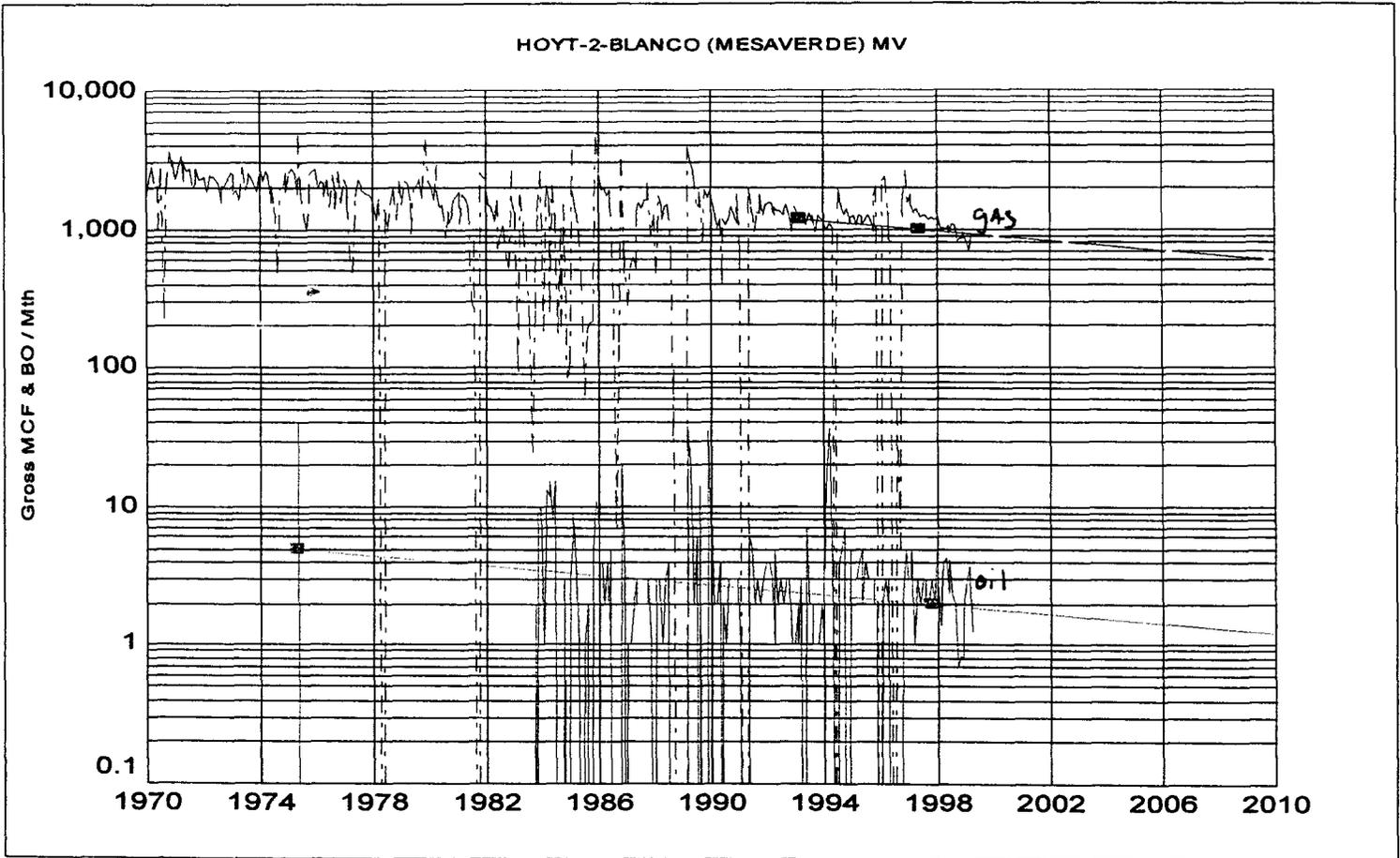
	Oil (Barrels)		Gas (MCF)	
		%		%
<b>Mesaverde Formation</b>	700	2.9%	776,964	23.7%
<b>Gallup Formation</b>	2,807	11.8%	765,898	23.3%
<b>Dakota Formation</b>	20,325	85.3%	1,738,568	53.0%
	23,832	100%	3,281,430	100%

Based on production through Jan - 1999

# Last Twelve Months Historic Production Report

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

Lease Name: HOYT (2) Field Name: BLANCO (MESAVERDE) MV  
 County, ST: RIO ARRIBA, NM (Jicarilla) Operator: CHATEAU OIL & GAS INC  
 Location: 26N-4W-5



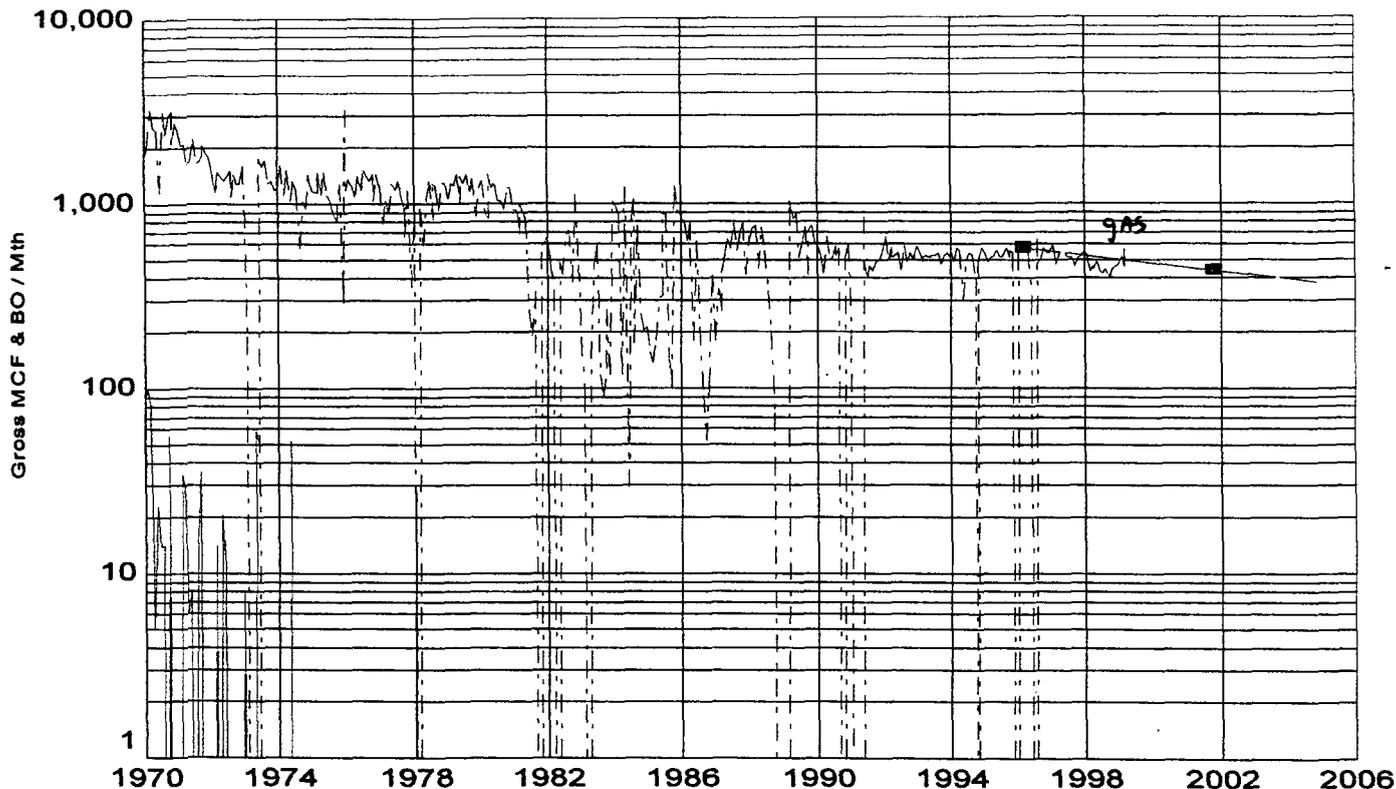
Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		673	765,861	47	0
04/1998	1	4	1,002	0	0
05/1998	1	2	1,054	0	0
06/1998	1	4	930	0	0
07/1998	1	2	1,103	0	0
08/1998	1	2	1,066	0	0
09/1998	1	1	814	0	0
10/1998	1	1	858	0	484
11/1998	1	1	869	0	1,262
12/1998	1	2	908	0	458
01/1999	1	3	823	0	435
02/1999	1	4	695	0	0
03/1999	1	1	981	0	0
<b>Total:</b>		<b>700</b>	<b>776,964</b>	<b>47</b>	<b>2,639</b>

# Last Twelve Months Historic Production Report

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

Lease Name:	HOYT (2)	Field Name:	B S MESA (GALLUP) GP
County, ST:	RIO ARRIBA, NM (Jicarilla)	Operator:	CHATEAU OIL & GAS INC
Location:	26N-4W-5		

HOYT-2-B S MESA (GALLUP) GP



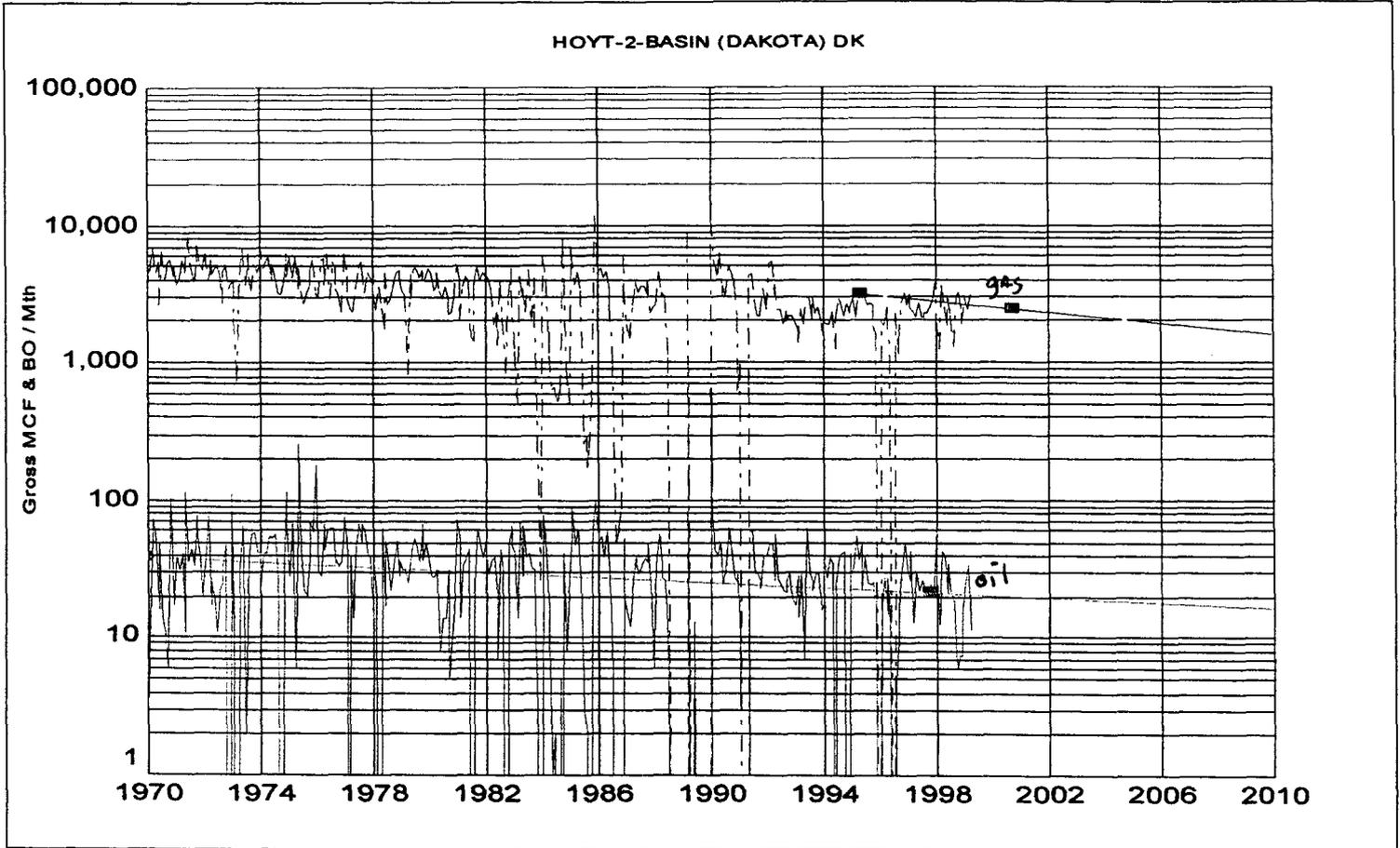
Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		2,807	760,321	343	0
04/1998	1	0	444	0	0
05/1998	1	0	481	0	0
06/1998	1	0	435	0	0
07/1998	1	0	422	0	0
08/1998	1	0	438	0	0
09/1998	1	0	400	0	0
10/1998	1	0	447	0	1,289
11/1998	1	0	450	0	445
12/1998	1	0	464	0	713
01/1999	1	0	526	0	2,438
02/1999	1	0	455	0	0
03/1999	1	0	615	0	0
<b>Total:</b>		<b>2,807</b>	<b>765,898</b>	<b>343</b>	<b>4,885</b>

# Last Twelve Months Historic Production Report

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

Lease Name: HOYT (2)  
 County, ST: RIO ARRIBA, NM (Jicarilla)  
 Location: 26N-4W-5

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



Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		20,084	1,709,090	1,774	0
04/1998	1	39	2,523	0	0
05/1998	1	21	1,842	0	0
06/1998	1	35	2,961	0	0
07/1998	1	21	2,150	0	0
08/1998	1	18	1,303	0	0
09/1998	1	6	2,938	0	0
10/1998	1	8	3,241	0	4,213
11/1998	1	8	2,273	0	2,768
12/1998	1	17	1,888	0	1,786
01/1999	1	24	2,859	0	2,659
02/1999	1	34	2,445	0	0
03/1999	1	11	3,055	0	0
<b>Total:</b>		<b>20,325</b>	<b>1,738,568</b>	<b>1,774</b>	<b>11,426</b>

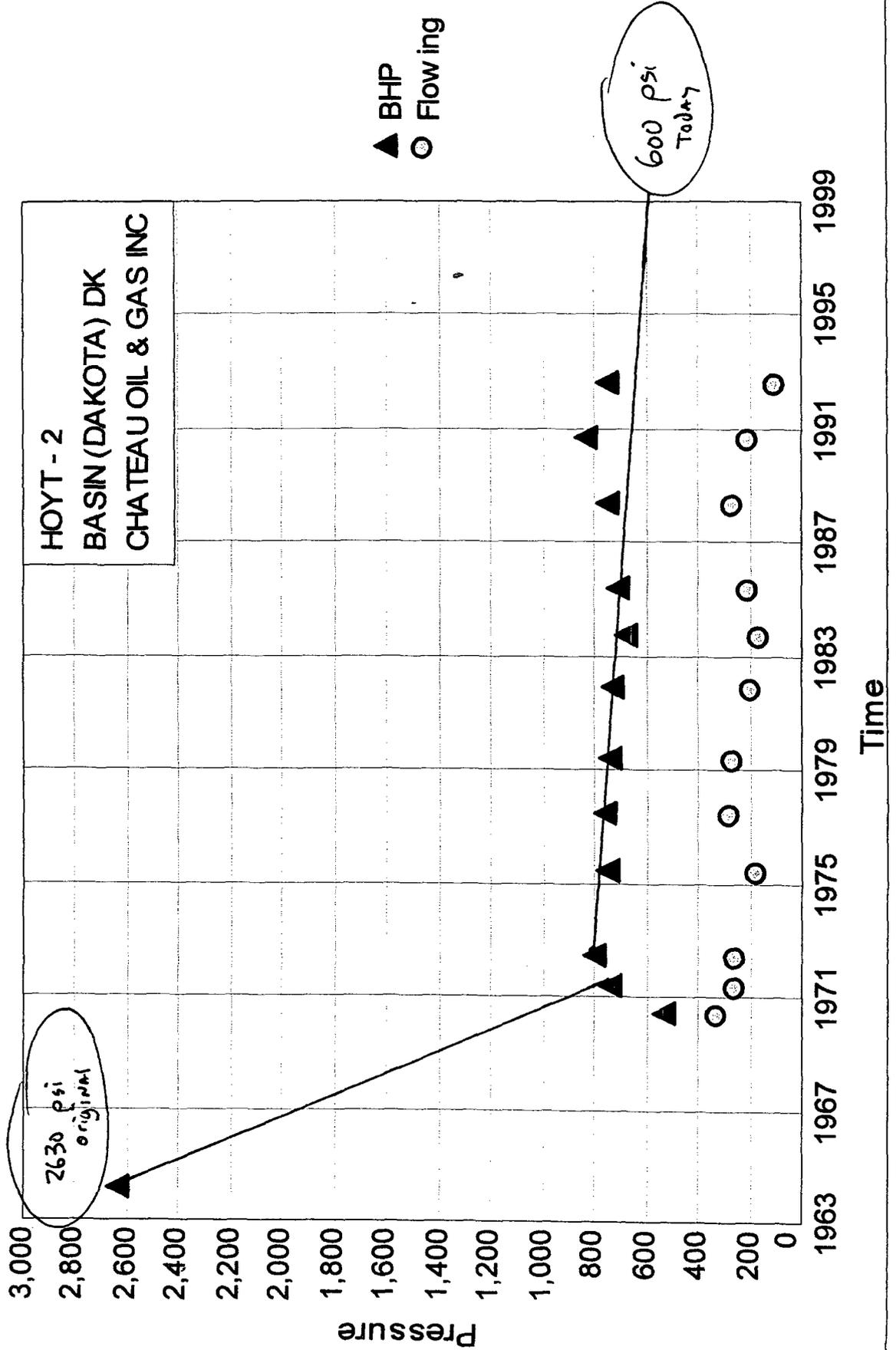
# Pressure/Time Graph

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Date: 7/28/1999  
Time: 6:24 PM

Lease Name: HOYT (2)  
County, ST: RIO ARRIBA, NM (Jicarilla)  
Location: 26N-4W-5

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



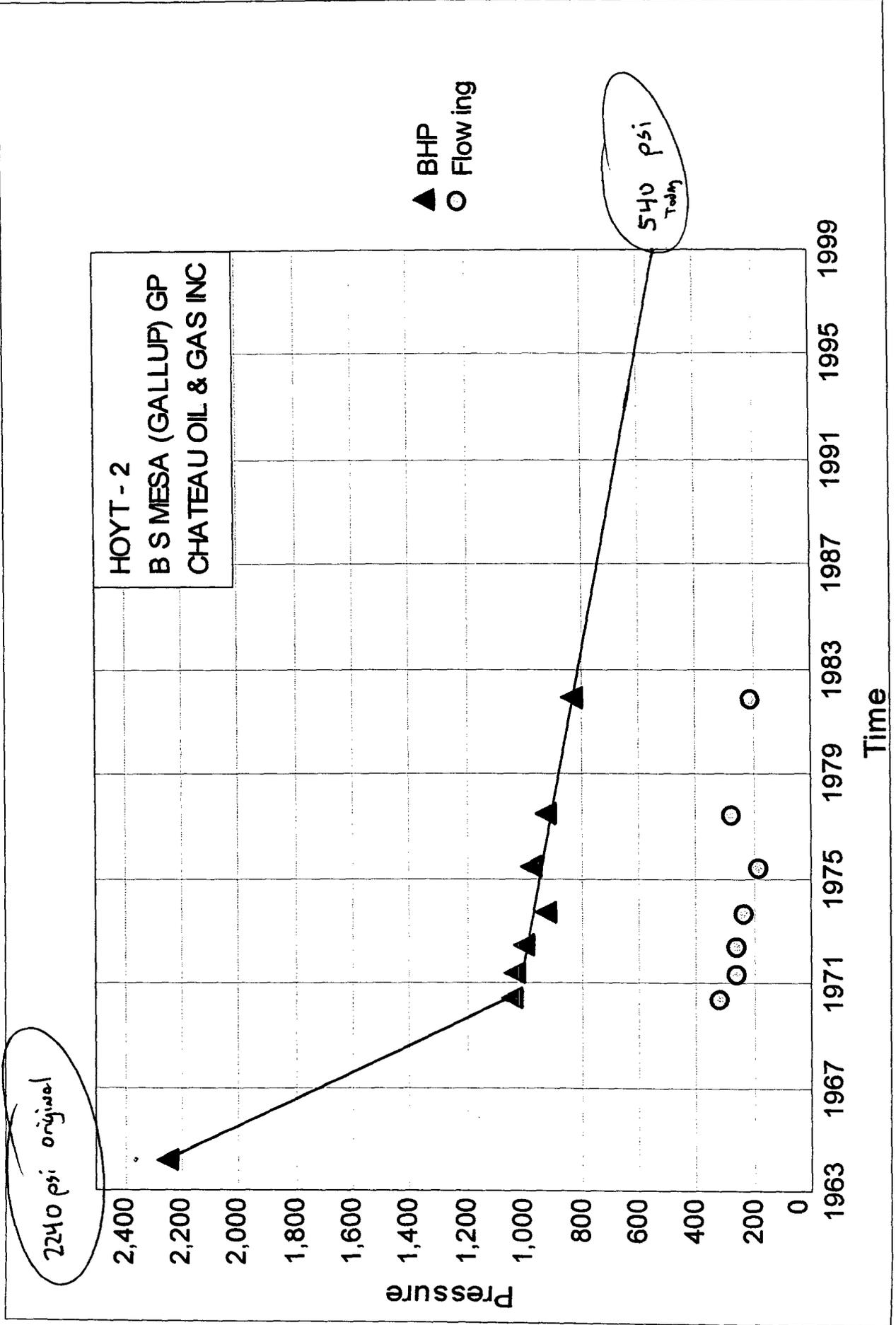
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Date: 7/28/1999  
Time: 6:27 PM

Lease Name: HOYT (2)  
County, ST: RIO ARRIBA, NM (Jicarilla)  
Location: 26N-4W-5

Field Name: B S MESA (GALLUP) GP  
Operator: CHATEAU OIL & GAS INC



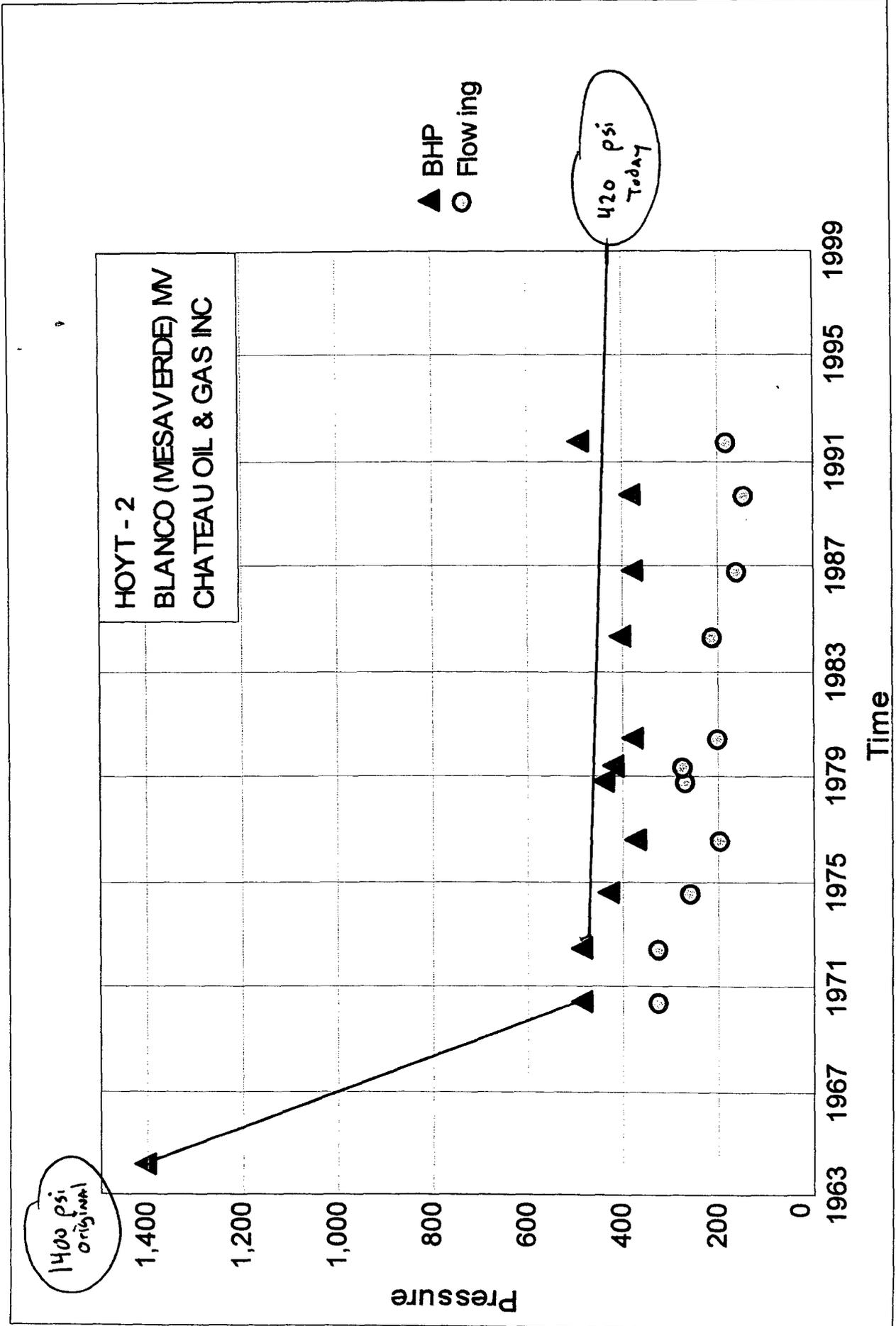
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Date: 7/28/1999  
Time: 6:29 PM

Lease Name: HOYT (2)  
County, ST: RIO ARRIBA, NM (Jicarilla)  
Location: 26N-4W-5

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



Interest Holders

**Hoyt 2 - Dakota**

JICARILLA APACHE TRIBE  
PO BOX 2053  
ALBUQUERQUE NM 87103-5810

ENERGEN RESOURCES CORPORATION  
2101 SIXTH AVE, NO  
BIRMINGHAM AL 35203-2784

Interest Holders

## Hoyt 2 - Gallup

JICARILLA APACHE TRIBE

PO BOX 2053

ALBUQUERQUE NM 87103-5810

ENERGEN RESOURCES CORPORATION

2101 SIXTH AVE, NO

BIRMINGHAM AL 35203-2784

**Hoyt 2 - Mesa Verde**

JICARILLA APACHE TRIBE  
PO BOX 2053  
ALBUQUERQUE NM 87103-5810

ENERGEN RESOURCES CORPORATION  
2101 SIXTH AVE, NO  
BIRMINGHAM AL 35203-2784