

DHC

5/3/00



GREYSTONE ENERGY, INC.

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

Bus: 303-925-0542 • Fax: 303-925-0543

April 5th, 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.
Payne 2E Gallup / Dakota
3/ 1700 FNL, 900' FWL, Sec.35, T31N, R13W, N.M.P.M.
San Juan County, New Mexico

Dear Ms. Wrotenberry:

Greystone Energy, Inc. requests to downhole commingle the Flora Vista Gallup and the Basin Dakota pools in the subject well. The well is currently producing as a Dakota / Gallup 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:

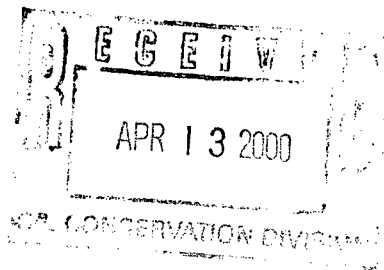
1. Form C-107A – Application for Downhole Commingling
2. Form C-102 – Location Plat showing each spacing unit and dedicated acreage
3. Production Curves for both the Dakota and Gallup
4. Working and Royalty Interest owner notification list
5. Bottom hole pressure data

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
1626 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

Payee

2E

E - 35- 31N - 13W

San Juan

Lease

Well No.

Unit Ltr. - Sec - Twp - Rge

County

Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 173252 Property Code 24069 API NO. 30-045-25882 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	Flora Vista Gallup / 76640		Basin Dakota / 71599
2. Top and Bottom of Pay Section (Perforations)	5634' - 5910'		6500' - 6601'
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) 600 PSI b. (Original) 1300 PSI	a. b.	a. 600 PSI b. 1400 PSI
6. Oil Gravity (EAPI) or Gas BTU Content	1244		1244
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: 3/15/00 Rates: 15 MCFD / 0 BOPD	Date: Rates: Date: Rates:	Date: Rates: Date: 3/15/00 Rates: 80 MCFD / 1 BOPD
8. Fixed Percentage Allocation Formula - % for each zone (total of %'s to equal 100%)	Oil: 26.8% Gas: 16.2 %	Oil: % Gas: %	Oil: 73.2 % Gas: 83.8%

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 4/4/00

TYPE OR PRINT NAME Brian D. Voigt TELEPHONE NO. (505) 632 - 8056 Ext 223

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

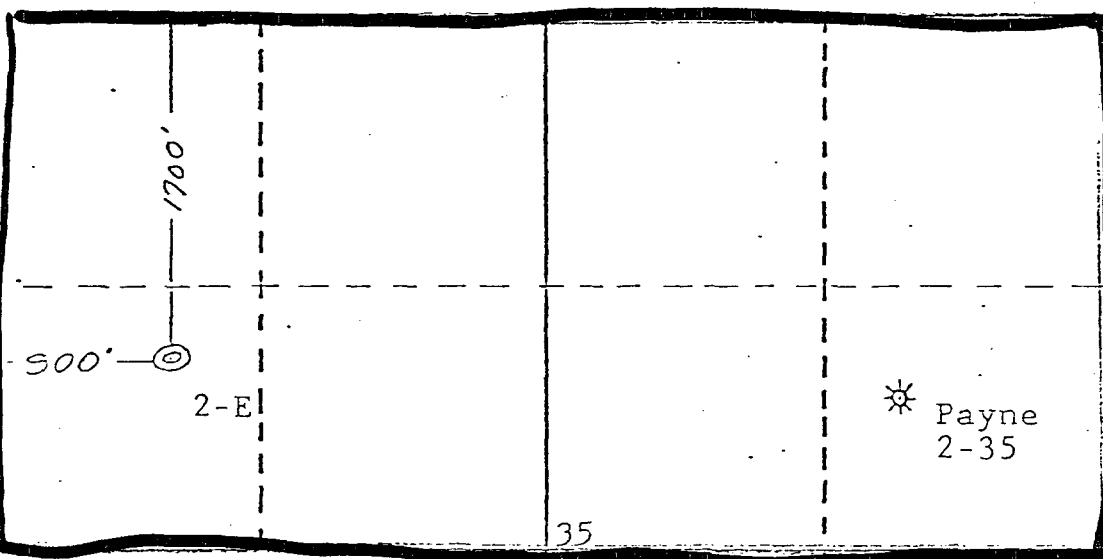
Color			Lease			Well No.		
CONSOLIDATED OIL & GAS, INC			PAYNE			2-E		
Letter	Section	Township	Range	County				
E	35	31 NORTH	13 WEST	SAN JUAN				
Well Location of Well:								
1700 feet from the NORTH line and			900 feet from the WEST line					
Well Level Elev.	Producing Formation		Pool			Dedicated Acres		
5821	Dakota		Basin Dakota			325.22		

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- 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 Communitized

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 Division.



RECEIVED

JAN 24 1984

BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA

CERTIFICATION

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

Name

Merle J. Savage

Position

Sr. Production Engineer

Company

Consolidated Oil & Gas, Inc.

Date

May 5, 1980

I hereby certify that the well location shown on this plat is as plotted from the notes of the original 1948 modification under supervision, and that it is true to the best of my knowledge and belief.

Date Surveyed

February 28, 1980

Registered Professional Engineer
For Land SurveyorJames P. Leese
Certificate No.

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

CONSOLIDATED OIL & GAS, INC.			PAYNE		Well No. 2-E
Letter E	Section 35	Township 31 NORTH	Range 13 WEST	County SAN JUAN	
Well Location of Well:					
1700 feet from the NORTH line and		900 feet from the WEST line			
Well Elev. 5821	Producing Formation Gallup	Pool Undesignated Gallup		Dedicated Acres 160 Acres	

Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.

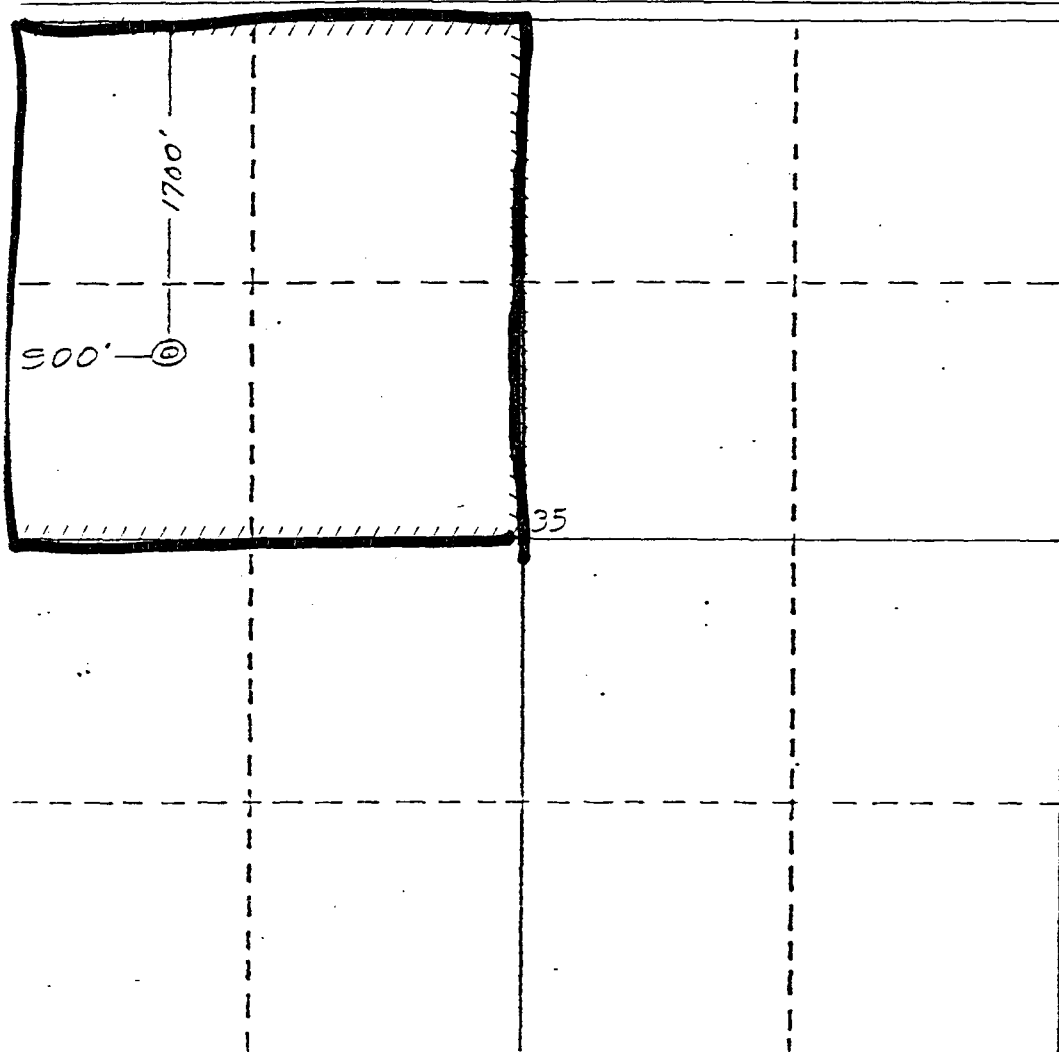
If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

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 Division.



CERTIFICATION

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

B. Rex

Name

B. Rex

Position

Prod. & Drilg. Technician

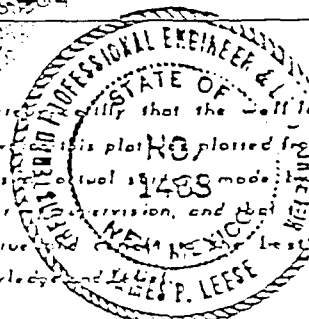
Company

Consolidated Oil & Gas, Inc.

Date

4-20-84

I hereby certify that the well location shown on this plat was plotted from field notes or actual survey made by me or under my supervision, and that the same is true to the best of my knowledge and belief.



Date Surveyed

February 28, 1980

Registered Professional Engineer

for Land Surveyor

James P. Leese

Certificate No.

1463

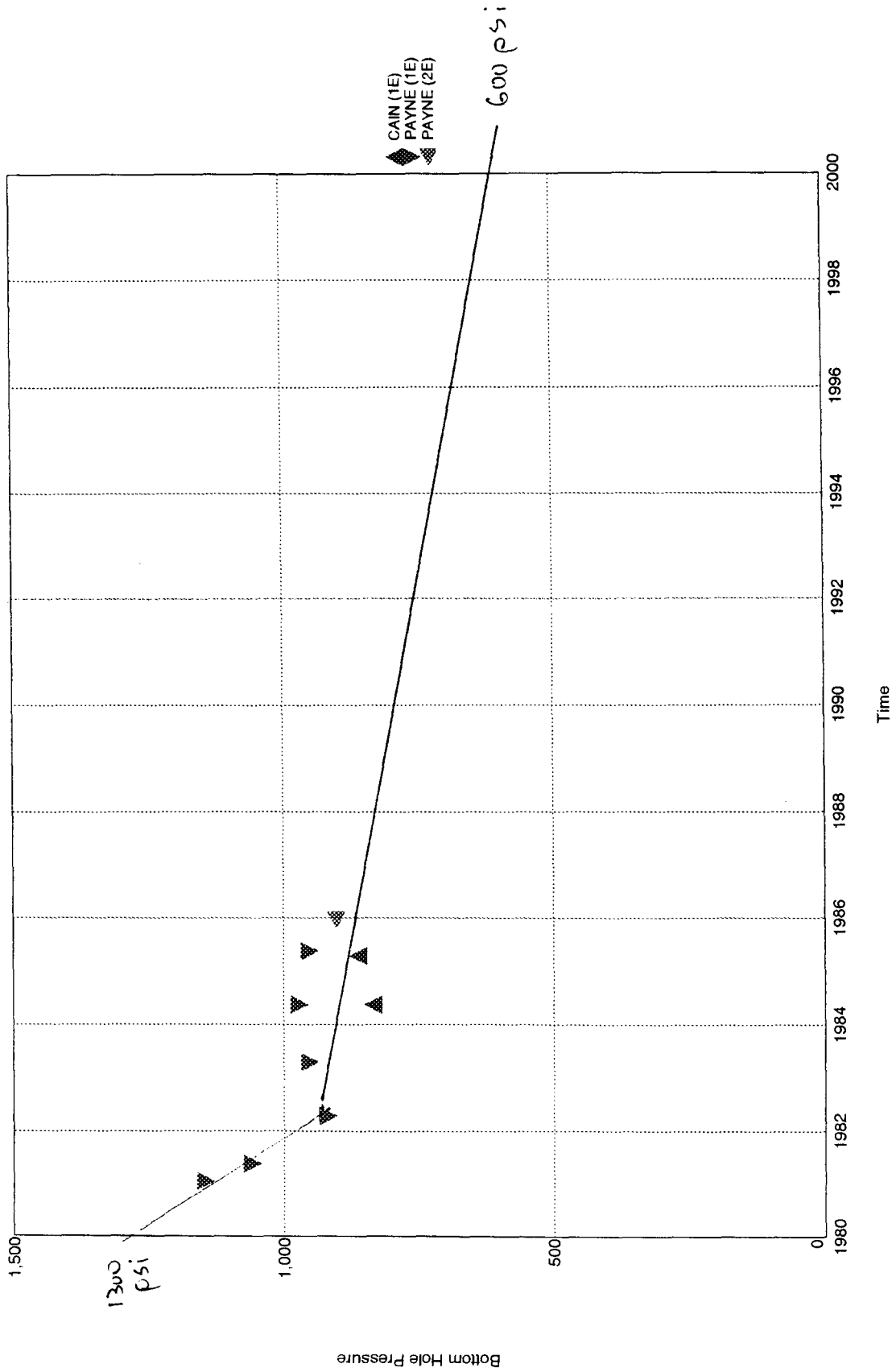
Pressure/Time Graph

Project: C:\Program Files\IHS Energy\PTools35\PROJECTS\Comingles\Payne-Jicarilla.mdb

Date: 3/31/2000
Time: 11:21 AM

Summary Lease Report

Payne 2E Offset Gallup Wells



Pressure/Time Graph

Project: C:\Program Files\IHS Energy\PTools35\PROJECTS\Reserves\2000\Babase.mdb

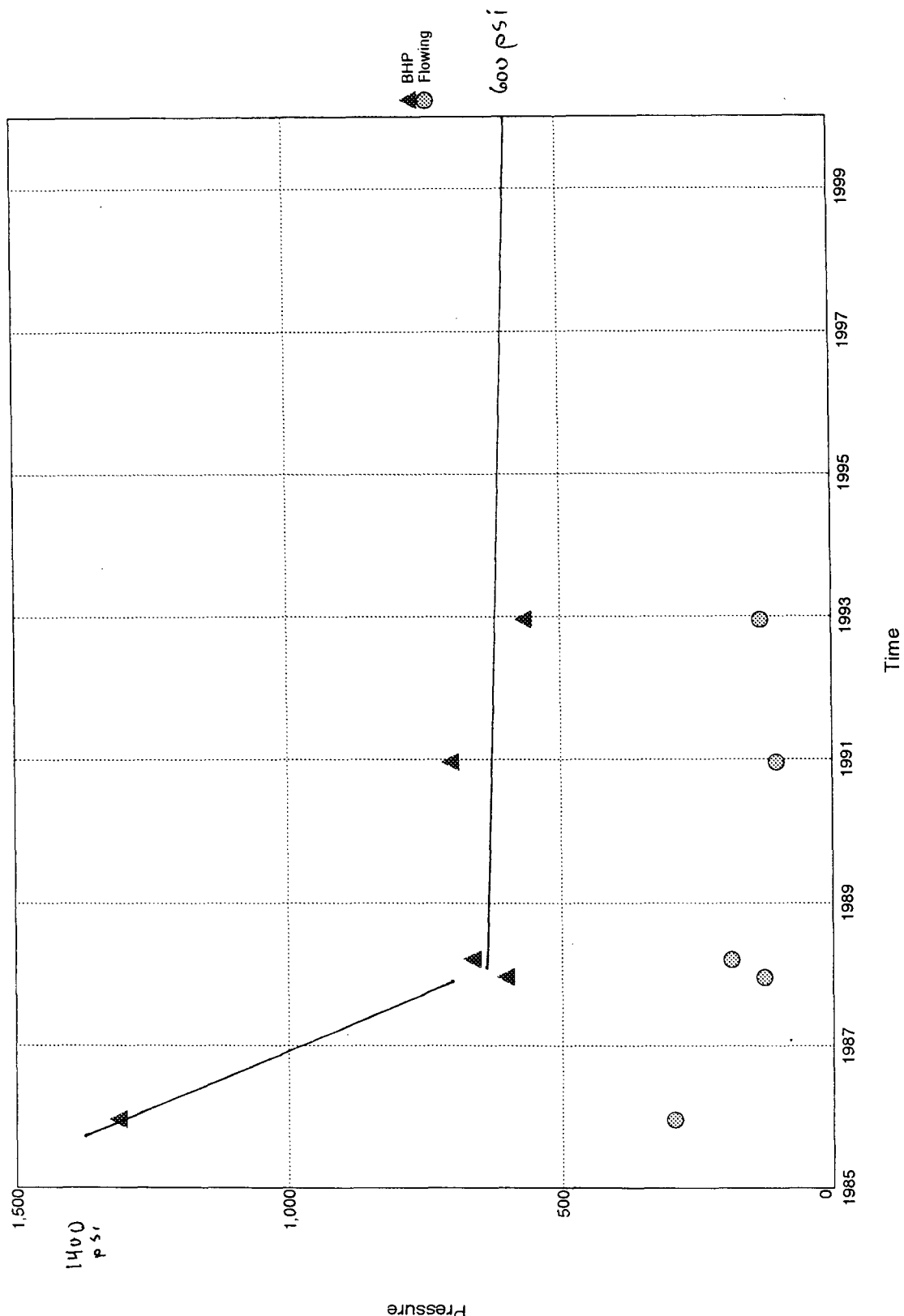
Date: 3/31/2000
Time: 11:25 AM

Lease Name:
County, ST:
Location:

PAYNE (2E)
SAN JUAN, NM
31N-13W-35

Field Name:
Operator:

BASIN (DAKOTA) DK
GREYSTONE ENERGY INC



Payne 2E - GP / DK

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)	%							
Gallup Formation	1,983	26.8%	114,096	16.2%				
Dakota Formation	5,403	73.2%	589,486	83.8%				
	7,386	100%	703,582	100%				

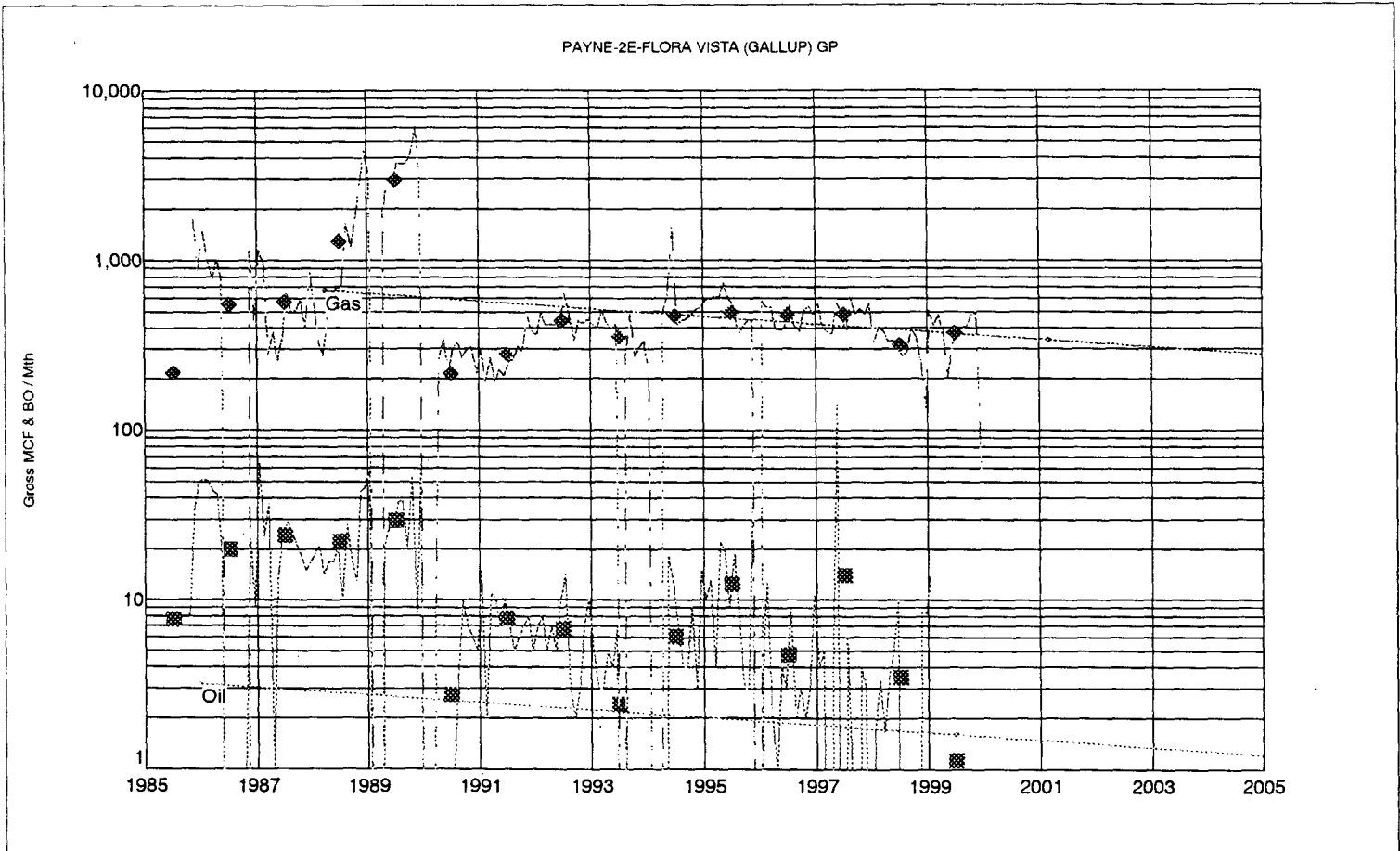
Based on production through Dec - 1999

Last Twelve Months Historic Production Report

Project: C:\Program Files\IHS Energy\PTools35\PROJECTS\Reserves\2000\BAFeb10.MDB

Lease Name: PAYNE (2E)
 County, ST: SAN JUAN, NM
 Location: 31N-13W-35

Field Name: FLORA VISTA (GALLUP) GP
 Operator: GREYSTONE ENERGY INC



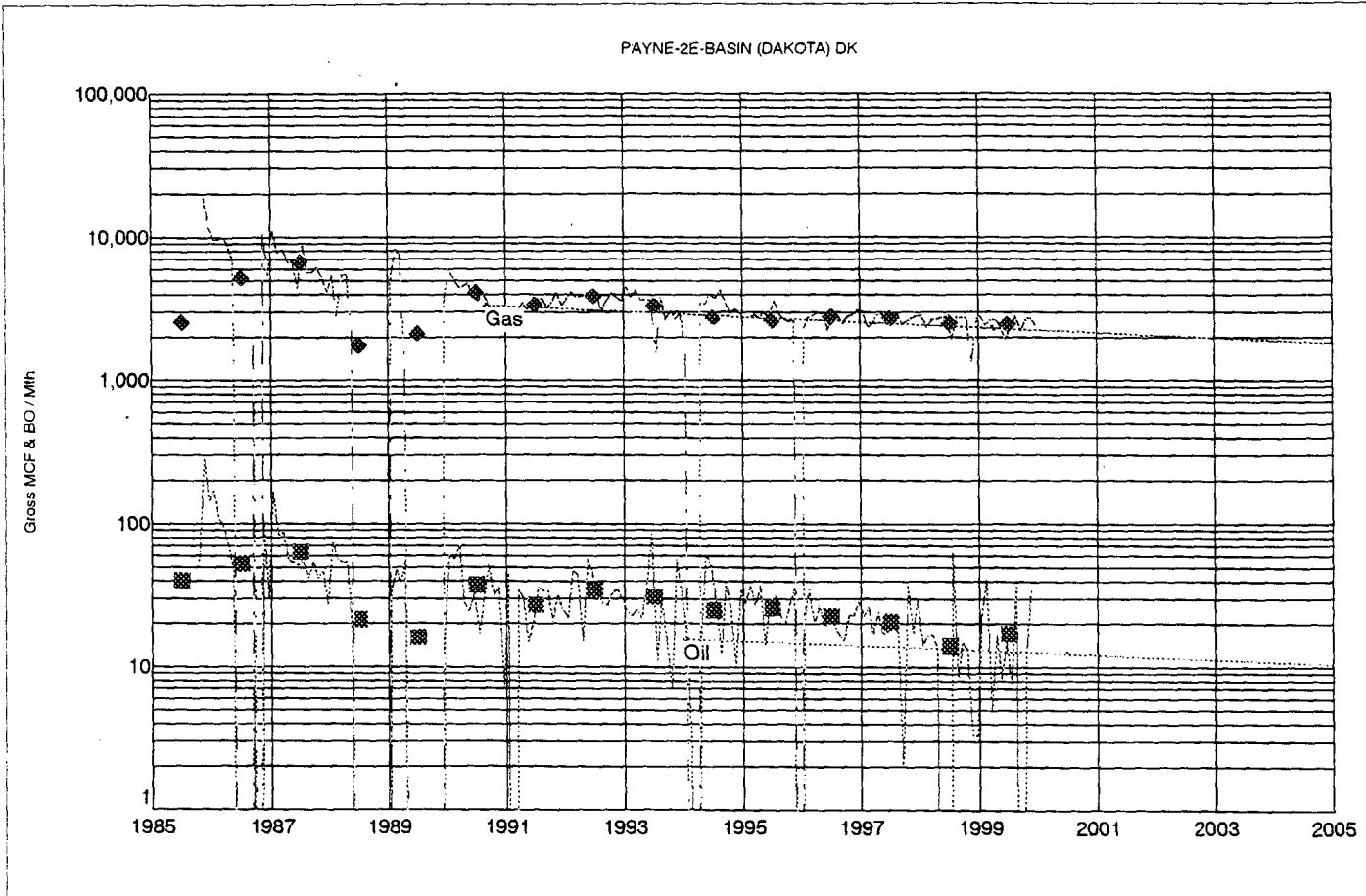
Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		1,969	109,578	885	859
01/1999	1	14	506	0	732
02/1999	1	0	417	0	0
03/1999	1	0	481	0	0
04/1999	1	0	374	0	0
05/1999	1	0	203	0	0
06/1999	1	0	323	0	0
07/1999	1	0	371	0	0
08/1999	1	0	401	0	0
09/1999	1	0	411	0	0
10/1999	1	0	475	0	0
11/1999	1	0	498	0	0
12/1999	1	0	58	0	0
Total:		1,983	114,096	885	1,591

Last Twelve Months Historic Production Report

Project: C:\Program Files\IHS Energy\PTools35\PROJECTS\Reserves\2000\BAFeb10.MDB

Lease Name: PAYNE (2E)
County, ST: SAN JUAN, NM
Location: 31N-13W-35

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



Date	Well Count	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		5,198	559,280	1,985	10,547
01/1999	1	22	2,831	0	2,921
02/1999	1	42	2,451	0	0
03/1999	1	5	2,676	0	0
04/1999	1	17	2,656	0	0
05/1999	1	8	2,389	0	0
06/1999	1	15	1,959	0	0
07/1999	1	8	2,343	0	0
08/1999	1	41	2,827	0	0
09/1999	1	0	2,239	0	0
10/1999	1	12	2,633	0	0
11/1999	1	36	2,805	0	0
12/1999	1	0	2,397	0	0
Total:		5,403	589,486	1,985	13,468

Owner Notification List

Shaded owners get AFE's

	Well / Reservoir	Owner	Interest
1	PAYNE 2E (DK)	GREYSTONE ENERGY INC	OR
	PAYNE 2E (DK)	GREYSTONE ENERGY INC	WI
	PAYNE 2E (GP)	GREYSTONE ENERGY INC	WI
2	PAYNE 2E (DK)	MINERALS MANAGEMENT SERVICE	RI
	PAYNE 2E (GP)	MINERALS MANAGEMENT SERVICE	RI
3	PAYNE 2E (DK)	GEODYNE RESOURCES INC	OR
	PAYNE 2E (DK)	GEODYNE RESOURCES INC	WI
	PAYNE 2E (GP)	GEODYNE RESOURCES INC	WI
4	PAYNE 2E (DK)	JAMES R PAYNE	OR
	PAYNE 2E (GP)	JAMES R PAYNE	OR
5	PAYNE 2E (DK)	ESTATE OF JO ANN SCHIMDT	OR
	PAYNE 2E (GP)	ESTATE OF JO ANN SCHIMDT	OR
6	PAYNE 2E (DK)	ELEANOR R EISEN	OR
	PAYNE 2E (DK)	THEODOR S RITTENBERG	OR
7	PAYNE 2E (DK)	INEZ K GROSS	OR
8	PAYNE 2E (DK)	ARTHUR ALSBERG	OR
	PAYNE 2E (DK)	ARTHUR ALSBERG	WI
9	PAYNE 2E (DK)	SANFORD E BECKER	OR
	PAYNE 2E (DK)	SANFORD E BECKER	WI
10	PAYNE 2E (DK)	MARJORIE A BACHMAN	OR
	PAYNE 2E (DK)	MARJORIE A BACHMAN	WI
11	PAYNE 2E (DK)	ADDIE GUTTAG	OR
	PAYNE 2E (DK)	ADDIE GUTTAG	WI
12	PAYNE 2E (DK)	SUSAN K BAKER	OR
	PAYNE 2E (DK)	SUSAN K BAKER	WI
13	PAYNE 2E (DK)	ROBERT DUNLAP	OR
14	PAYNE 2E (DK)	SEGAL OIL & GAS INC	WI
	PAYNE 2E (GP)	SEGAL OIL & GAS INC	WI
15	PAYNE 2E (DK)	JOHN V GUTTAG	OR
	PAYNE 2E (DK)	JOHN V GUTTAG	WI
16	PAYNE 2E (DK)	RICHARD S BECKER	OR
	PAYNE 2E (DK)	RICHARD S BECKER	WI
17	PAYNE 2E (DK)	SHELDON GARDNER	OR
18	PAYNE 2E (DK)	ELIZABETH VERPLANK	OR
19	PAYNE 2E (DK)	MARY T JARCHOW	OR
20	PAYNE 2E (DK)	JACK H OWENS	OR
21	PAYNE 2E (DK)	MARY KAY STEIN	OR
22	PAYNE 2E (DK)	THOMAS KAUFMANN	OR
	PAYNE 2E (DK)	THOMAS KAUFMANN	WI
23	PAYNE 2E (DK)	WILLIAM EARL OWENS	OR
24	PAYNE 2E (DK)	JAMES VAN DITTIE	OR
25	PAYNE 2E (DK)	JAMES B CAIN	OR
	PAYNE 2E (GP)	JAMES B CAIN	OR
26	PAYNE 2E (DK)	BOBBY WARD JACKSON	OR
	PAYNE 2E (GP)	BOBBY WARD JACKSON	OR
27	PAYNE 2E (DK)	J K WADLEY	OR
	PAYNE 2E (GP)	J K WADLEY	OR
28	PAYNE 2E (DK)	JANE K BEARD	OR
	PAYNE 2E (GP)	JANE K BEARD	OR
29	PAYNE 2E (DK)	W THOMAS BEARD III	OR
	PAYNE 2E (GP)	W THOMAS BEARD III	OR
30	PAYNE 2E (DK)	HERBERT KOKERNOT LEA	OR
	PAYNE 2E (GP)	HERBERT KOKERNOT LEA	OR
31	PAYNE 2E (DK)	MICHAEL SCOTT LEA	OR
	PAYNE 2E (GP)	MICHAEL SCOTT LEA	OR
32	PAYNE 2E (DK)	ELIZABETH BEARD TANKSLEY	OR
	PAYNE 2E (GP)	ELIZABETH BEARD TANKSLEY	OR
33	PAYNE 2E (DK)	MARTIN N LEEDS	WI
	PAYNE 2E (GP)	MARTIN N LEEDS	WI
34	PAYNE 2E (DK)	HORACE F MCKAY JR	OR
35	PAYNE 2E (DK)	MICHAEL STEVEN JACKSON	OR
	PAYNE 2E (GP)	MICHAEL STEVEN JACKSON	OR
36	PAYNE 2E (DK)	GENERAL MOTORS NPA	OR
	PAYNE 2E (DK)	GENERAL MOTORS NPA	WI
37	PAYNE 2E (DK)	TAURUS EXPLORATION USA, INC	OR
	PAYNE 2E (GP)	TAURUS EXPLORATION USA, INC	OR