



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

September 20, 1999

RECEIVED
SEP 23 1999
OIL CON. DIV.
DIST. 3

Greystone Energy, Inc.
9155 East Nichols Avenue – Suite 350
Englewood, Colorado 80112
Attention: Brian D. Voigt

Administrative Order NSL-4360

Dear Mr. Voigt:

Reference is made to the following: (i) your application dated August 27, 1999; (ii) your telephone conversation with Mr. Michael E., Stogner, Engineer with the New Mexico Oil Conservation Division ("Division"), on Tuesday, August 31, 1999; and (iii) the records of the Division: all concerning Greystone Energy, Inc.'s request for an off-pattern non-standard Basin-Fruitland coal gas well location for the existing Payne Well No. 4 (**API No. 30-045-25514**), to be redesignated the True Grit Well No. 1, located 910 feet from the South line and 880 feet from the East line (Unit P) of ~~Section 35~~, Township 31 North, Range 13 West, NMPM, Basin-Fruitland Coal (Gas) Pool, San Juan County, New Mexico.

According to the Division's well records the Payne Well No. 4 was initially drilled in 1982 by Consolidated Oil & Gas, Inc. to a depth of 2,260 feet in order to test the Pictured Cliffs formation. This well was subsequently completed at a standard gas well location in the Fruitland Sand interval within a standard 160-acre gas spacing and proration unit comprising the SE/4 of Section 35.

It is our understanding that Greystone Energy, Inc. intends to recomplete this well up-hole into the Basin-Fruitland Coal (Gas) Pool and, pursuant to the "*Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool*," as promulgated by Division Order No. R-8768, as amended, the location of this well is considered to be unorthodox. Further, the E/2 of Section 35 is to be dedicated to this well in order to form a standard 320-acre stand-up gas spacing and proration unit for the Basin-Fruitland Coal (Gas) Pool.

By the authority granted me under the provisions of Rule 8 of these special pool rules the above-described unorthodox coal gas well location for this existing well is hereby approved.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec ✓
U. S. Bureau of Land Management - Farmington



GREYSTONE ENERGY, INC.

~~1801 Broadway, Suite 630 • Denver, CO 80202~~

~~Bus. 303-296-6762 • Fax 303-296-6971~~

Greystone Energy, Inc. has recently re-located its office to:
9155 East Nichols Avenue, Suite 350
Englewood, CO 80112
New Voice: 303-925-0542
New Fax: 303-925-0543

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AUG 30 1999

OIL CON. DIV.
DIST. 3

August 27th, 1999

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

RE: Administrative Approval for Unorthodox Location
Greystone Energy, Inc.
True Grit # 1 Fruitland Coal (Formerly the Payne 4 - Fruitland Sand / Pictured Cliff)
910' FSL, 880' FEL, Sec.35, T31N, R13W, N.M.P.M.
San Juan County, New Mexico

Dear Ms. Wrotenberry:

Greystone Energy, Inc. requests administrative approval of an unorthodox location pursuant to Rule 104 . F (2). Standard spacing for the Basin Fruitland Coal states that the first well in a section must be located in either the NE/4 or the SW/4. The existing well bore, which Greystone plans on utilizing, is in the SE/4.

To comply with the New Mexcio Oil Conservation Rules, Greystone Energy, Inc. is submitting the following data for support:

1. Original wellbore Form C-102 – showing exact well position for recompletion
2. Location Plat showing Offset lease hold and well spot
3. Offset operator / lease holder notification list

In accordance to New Mexico Oil Conservation Division Rule 104. F (3), all offset operators / leaseholders have been notified of this application by certified mail. As an offset operator / leaseholder, if you have an objection to this application you must file your objection in writing with the Division within 20 days from the date that the Division receives this application.

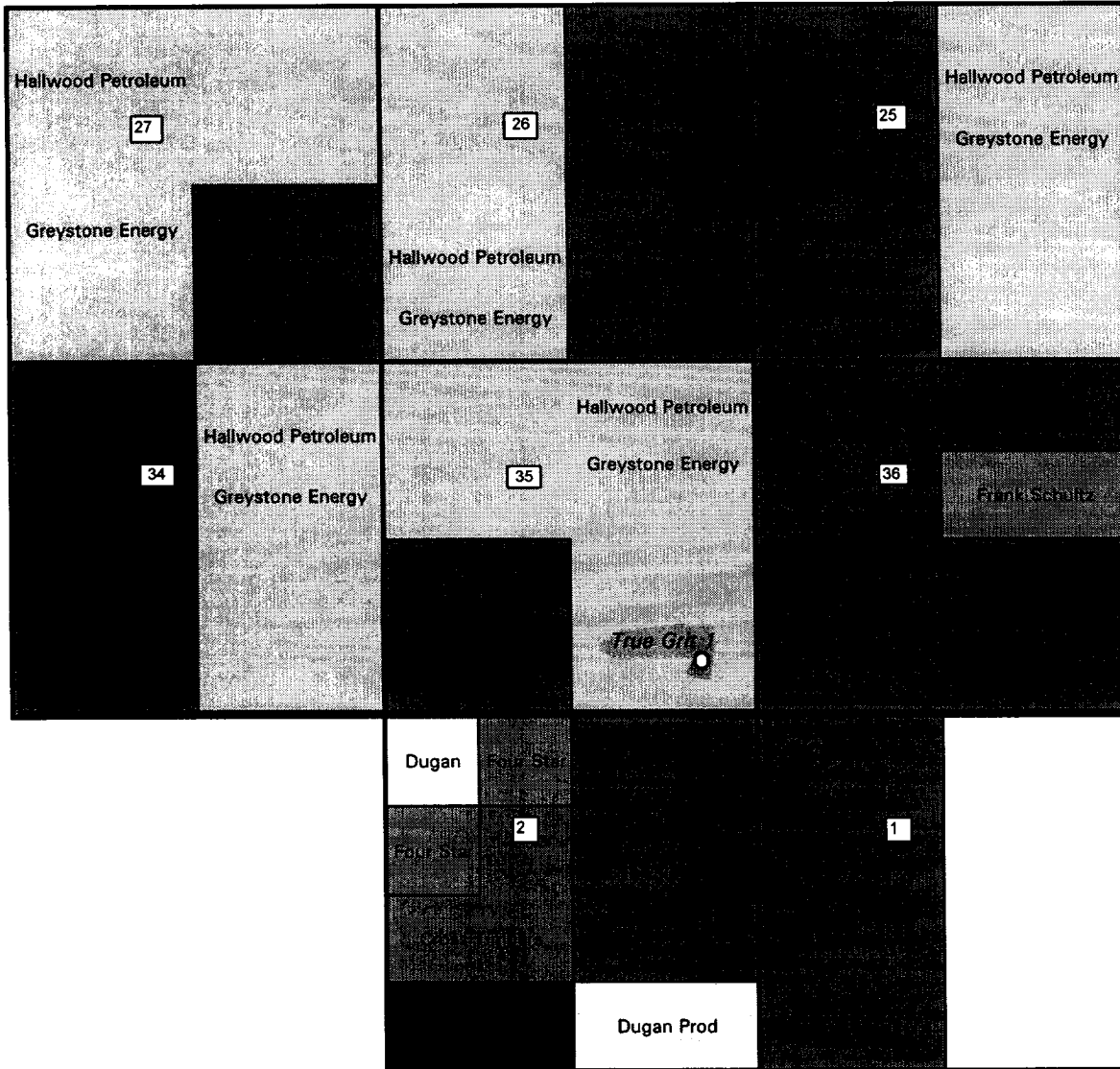
If additional information is needed, please contact me at (303) 925-0542 Ext. 223.

Sincerely,

Brian D. Voigt
Vice President

CC: NMOCD-Aztec, BLM – Farmington, Offset Operators / Lease Holders

True Grit #1 - Offset Operators and Owners



31 N. - 13 W.

30 N. - 13 W.

Offset Operator / Leaseholder List

True Grit #1 Fruitland Coal
35P-31N-13W
(Formerly the Payne 4 PC/ Frt. Snd)

Operator	Reservoir	Township	Range	Section	
DUGAN PRODUCTION CORP P.O. Box 420 Farmington, NM 87499-0420	Fruitland Coal	30 N	13 W	2	NW/4 of NW/4 S/2 OR SE/4
BURLINGTON RES O&G CO P.O. Box 4289 Farmington, NM 87499	Fruitland Coal	31 N	13 W	25 26 27 34 35 36	W/2 E/2 SE/4 W/2 SW/4 All excluding S/2 of SE/4
		30 N	13 W	1 2	W/2 E/2 Excluding S/2 of NE/4
Greystone Energy, Inc. 9155 East Nichols Ave, #350 Englewood, Colorado 80112	Fruitland Coal	31 N	13 W	25 26 27 34 35	E/2 W/2 All excluding SE/4 E/2 All excluding SW/4
HALLWOOD PETROLEUM INC. 4610 SOUTH ULSTER STREET, SUITE 200 DENVER, CO 80237	Fruitland Coal	31 N	13 W	25 26 27 34 35	E/2 W/2 All excluding SE/4 E/2 All excluding SW/4
Four Star Oil & Gas Co. P.O. Box 2100 Denver, Colorado 80201	Fruitland Coal	30 N	13 W	2	NE/4 of NW/4 SW/4 of NW/4
Cross Timbers Oil Co. 810 Houston St, #2000 Ft Worth, Texas 76102	Fruitland Coal	30 N	13 W	2	SE/4 of NW/4 N/2 of SW/4
Unocal Corporation P. O. Box 4551 Sugarland, Texas 77210	Fruitland Coal	30 N	13 W	2	S/2 of SW/4
W A Moncrief 9th & Commerce Ft Worth, Texas 76102	Fruitland Coal	30 N	13 W	2	S/2 of SW/4
Frank A. Schultz 730 Fidelity Union Dallas, Texas 75221	Fruitland Coal	31 N	13 W	2	S/2 of NE/4

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

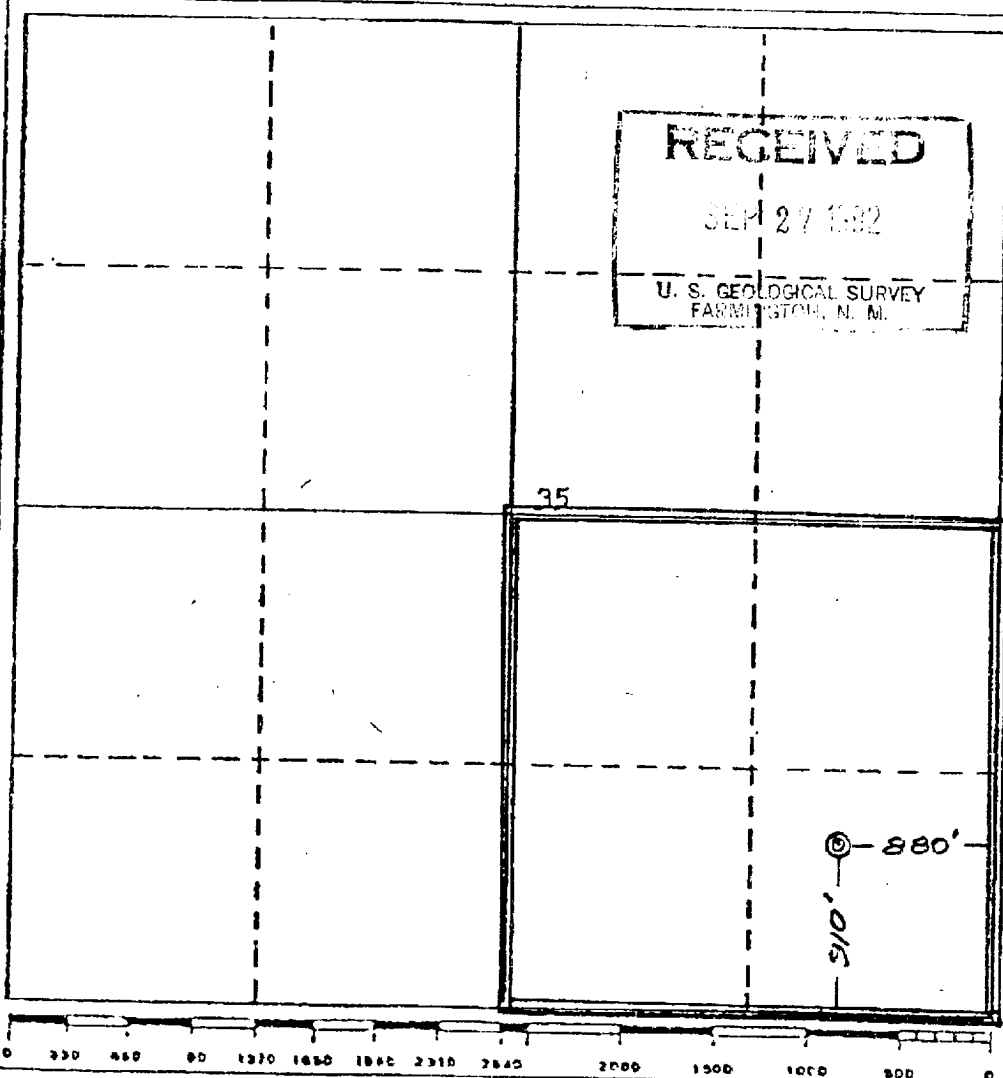
Operator CONSOLIDATED OIL & GAS, INC.		Lease PAYNE		Well No. 4
Unit Letter P	Section 35	Township 31 NORTH	Range 13 WEST	County SAN JUAN
Actual Footage Location of Well: 910 feet from the SOUTH line and 880 feet from the EAST line				
Ground Level Elev. 5975	Producing Formation PICTURED CLIFF/FRUITLAND	Pool UNDESIGNATED	Dedicated Acreage: 160 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. 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.)

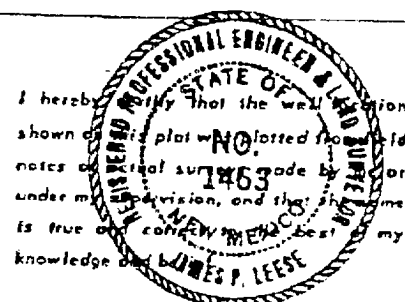
No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division



CERTIFICATION

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

Name DALE RICHARDSON
Position DRILLING & PROD. SUP'T.
CONSOLIDATED OIL & GAS, INC.
Company
Date September 14, 1982



Date Surveyed September 9, 1982
Registered Professional Engineer
Major Land Surveyor
James P. Leese
Certificate No. 1463