



**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

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