

DHC 9/7/99

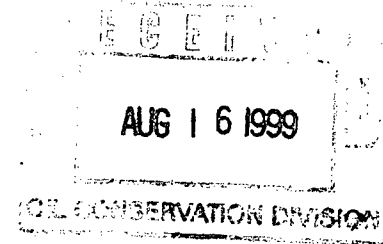
Hallwood Petroleum, Inc.

4610 S. Ulster Street • Suite 200 • P.O. Box 378111
Denver, Colorado 80237 • (303) 850-7373

CERTIFIED MAIL NO. P 212 222 752

August 6, 1999

Mr. David Catanach,
Hearing Examiner
State of New Mexico
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505



RE: Ocotillo Hills Com # 2
Unit G – Section 21-T21S-R26E
Eddy County, New Mexico
Application for Downhole Commingling

Dear Mr. Catanach:

Hallwood Petroleum, Inc., as operator of the Ocotillo Hills Com # 2 well, respectfully submits a Form 107-A, Application for Downhole Commingling. Enclosed with this application are supportive documents and a list of offset operators who are being notified of this proposal.

The Ocotillo Hills Com # 2 was drilled in 1975 and originally completed in the Morrow formation at 10,850' – 10,965'. The field for this completion is the Avalon-Morrow. This well produced as a single completion Morrow well until August 1991. In 1991 Hallwood Petroleum recompleted the well up to the Canyon formation of the Upper Penn. Group at 9355-9420' and dual completed the well with the Morrow production coming up the tubing string and the Canyon production producing up the casing/tubing annulus. The completion at 9355-9420' is in the Undesignated Avalon Upper Pennsylvanian Gas Pool. This Canyon (Upper Penn.) completion (at 9355-9420') declined rapidly, was difficult to produce up the annulus and was shut-in 3/15/97.

In May 1998 Hallwood Petroleum, Inc. commenced a workover to test the Strawn formation in the Ocotillo Hills Com #2 well as it was actively being developed in Section 21 and adjacent sections. The Morrow zones were temporarily abandoned below a plug/packer arrangement and the Strawn was perforated at 9776-9790' and fracture stimulated. The aforementioned uphole Canyon perforations are still shut-in and isolated behind the tubing and packer in the well and all production from 05/29/98 until the present is from the Strawn zone.

Mr. David Catanach
State of New Mexico
Oil Conservation Division
August 6, 1999
Page 2

Hallwood Petroleum, Inc. is seeking this downhole commingling for two (2) reasons:

1. The Upper completion Avalon Upper Penn zone is currently not producing and loads up and logs off in the larger area of the casing/tubing annulus. Although production from this zone is not expected to be significant we believe the fluids and pressures are compatible and a modest 7-15 MCFD along with possibly 1/2 BCPD is obtainable by commingling this zone with the other two zones.
2. Hallwood wants to be able to commingle the Strawn and Morrow zones to improve the overall profitability of this well. The Morrow zones are currently shut-in, but can be easily commingled with the Strawn zones by pulling a plug set in a packer. The Strawn zone at 9776-9790' has depleted rapidly in the last 14 months and the pressures are now in a range that will allow for commingling with no crossflow or fluid incompatibility problems.

Hallwood believes that commingling of the three proposed formations will not cause any fluid compatibility problems and will likely increase production and recoveries from the commingled zones. Also, the additional gas volumes from the Morrow zone (lower completion) should assist in lifting oil production from the upper and intermediate completions.

We hope that this information and supporting attachments are satisfactory for your review and approval of this application. Should you need any additional data, please contact me at (303) 850-6403. Hallwood is confident that increased production can be obtained from a downhole commingling of the Upper Penn, Strawn and Morrow zones as these three zones have such similar fluids, rates and pressures. This downhole commingling will also allow us to add two (2) currently shut-in zones back into the revenue stream, thus increasing cash flow and reserves for all parties involved with this well.

Sincerely,

HALLWOOD PETROLEUM, INC.



Kevin E. O'Connell
Drilling and Production Manager

Mr. David Catanach
State of New Mexico
Oil Conservation Division
August 6, 1999
Page 3

KEO/jeY

Enclosures

cc: OCD District II
 811 S. First Street
 Artesia, NM 88210

State of New Mexico
Commissioner of Public Lands
310 Old South Santa Fe Trail
P.O. Box 1148
Santa Fe, NM 87504-1148

Bureau of Land Management
Carlsbad Field Office
620 Greene Street
Carlsbad, NM 88221-1778

Offset Operators (4)

Well File

KEO99.015

Hallwood Petroleum, Inc., P. O. Box 378111, Denver, CO 80237

Operator

Ocotillo Hills Com #2

Address

G-21-21S-26E

County

Eddy

Well No.

Unit ID - Sub - Type - Figs

Spacing Unit Lease Types: (check 1 or more)

OGRID NO.

009812

Property Code

004901

API NO.

30-015-21573

Federal

☒

State

☒

(and/or) Fee

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zones	Lower Zone
1. Pool Name and Pool Code	Avalon - Upper Penn.	Avalon - Strawn	Avalon - Morrow
2. Top and Bottom of Pay Section (Perforations)	9355-9420'	9776-9790'	10850-10965'
3. Type of production (Oil or Gas)	Gas (& condensate)	Gas (& condensate)	Gas (& condensate)
4. Method of Production (Flowing or Artificial Lift)	Flowing	Flowing	Flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Gas & Oil - Flowing: All Gas Zones: Estimated Current Measured Current Estimated Or Measured Original	a. (Current) 700-900 psig	a. 1206 psig	a. 835-980 psig
	b. (Original) 3643 psig	b. 1877 psig (in 1998)	b. 4400 psig (in 1975)
6. Oil Gravity (°API) or Gas BTU Content	54.5 API gravity 1210 BTU	59.7 API gravity 1129 BTU	51.5 API gravity 1061 BTU
7. Producing or Shut-in?	Shut-in	Producing	Shut-in
Production Marginal? (yes or no) • If Shut-in, give date and oil/gas/water rates of last production Note: For new zones with no production history, applicants 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)	Yes	Yes	Yes
	Date: 1/1997 Rates: 15-25 MCFD x 1 BOPD x 0 BWPD	Date: Rates: N/A	Date: 5/1998 Rates: 190 MCFD x 1 BCPD x 6 BWPD
	Date: Rates: N/A	Date: 6/99 Rates: 110 MCFD x 5 BCPD x 1 BWPD	Date: Rates: N/A
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 15 % Gas: 3 %	Oil: 78 % Gas: 46 %	Oil: 7 % Gas: 51 %

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. NMOC Reference Cases for Rule 303(C) Exceptions: ORDER NO(S):

16. ATTACHMENTS:
- Attachment #2: C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
 - Attachment #3, 3A, 3B: 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.
 - Attachment #1: Data to support allocation method or formula.
 - Attachment #4 & 4S: 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

Kevin E. O'Connell

TITLE

Drilg & Prod Manager

DATE

8/5/99

TYPE OR PRINT NAME

Kevin E. O'Connell

TELEPHONE NO. (303)

850-7373

Attachment #1

Supporting Data (for Part 9) of Form 107-A To Determine Allocation Percentages

1) Avalon Morrow Production January–April 1998

	<u>Total</u>	<u>Monthly</u>	<u>Daily</u>
Gas	15,800 MCF	3950 MCF/Mo.	130 MCFD
Oil			
(Condensate)	68.6 BO	17.15 BO/Mo.	0.56 BCPD

2) Avalon Strawn Production January-May 1999

	<u>Total</u>	<u>Monthly</u>	<u>Daily</u>
Gas	17,733 MCF	3547 MCF/Mo.	116 MCFD
Oil			
(Condensate)	949.53 BO	189.9 BO/Mo.	6.2 BCPD

3) Undesignated Avalon Upper Penn December 1996-March 1997

	<u>Total</u>	<u>Monthly</u>	<u># Days</u>	<u>Daily</u>
Gas	445 MCF	111 MCF	65	7 MCF
Oil	Estimate ¼ - ½ BOPD, well loaded up			

Total production for 3 zones = 253 MCFD x 8 BCPD

	<u>Gas</u>	<u>Oil (Condensate)</u>
% Morrow	51%	7%
% Strawn	46%	78%
% Penn	<u>3%</u>	<u>15%</u>
Total	100%	100%

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

Attachment #2

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator Hallwood Petroleum, Inc.			Lease Ocotillo Hills		Well No. 2
Unit Letter G	Section 21	Township 21S	Range 26E	County NMPM Eddy	
Actual Footage Location of Well: 2310 feet from the North line and 1980 feet from the East line					
Ground level Elev. 3,255' GR		Producing Formation Morrow		Pool Avalon	Dedicated Acreage: 320 Acres

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

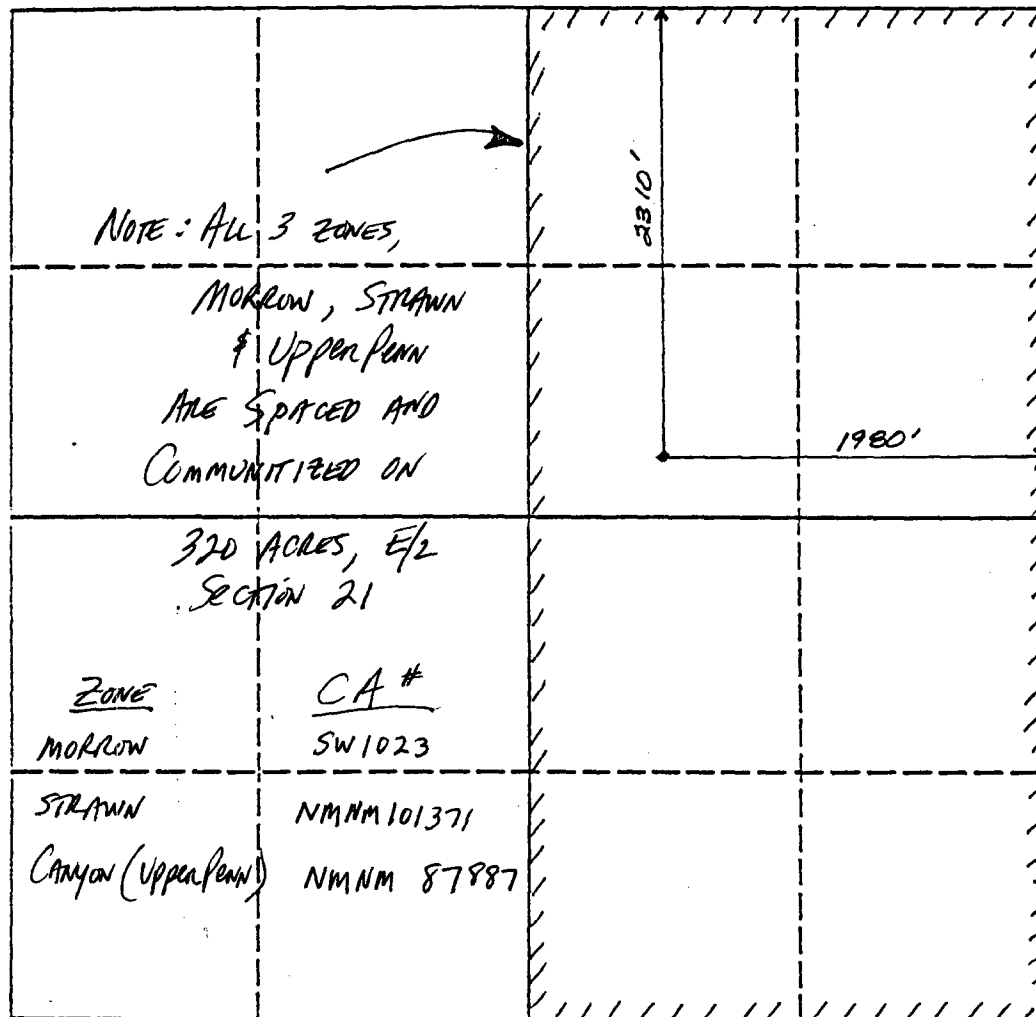
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

☒ Yes ☐ No If answer is "yes" type of consolidation Communitization Agreement #NMNM72628

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 interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature Holly S. Richardson

Printed Name
Holly S. Richardson

Position
Sr. Ops. Eng. Tech.

Company
Hallwood Petroleum, Inc.

Date
6/5/91

SURVEYOR CERTIFICATION

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

Date Surveyed

(As attached)

Signature & Seal of
Professional Surveyor

Certificate No.

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

Attachment #2A

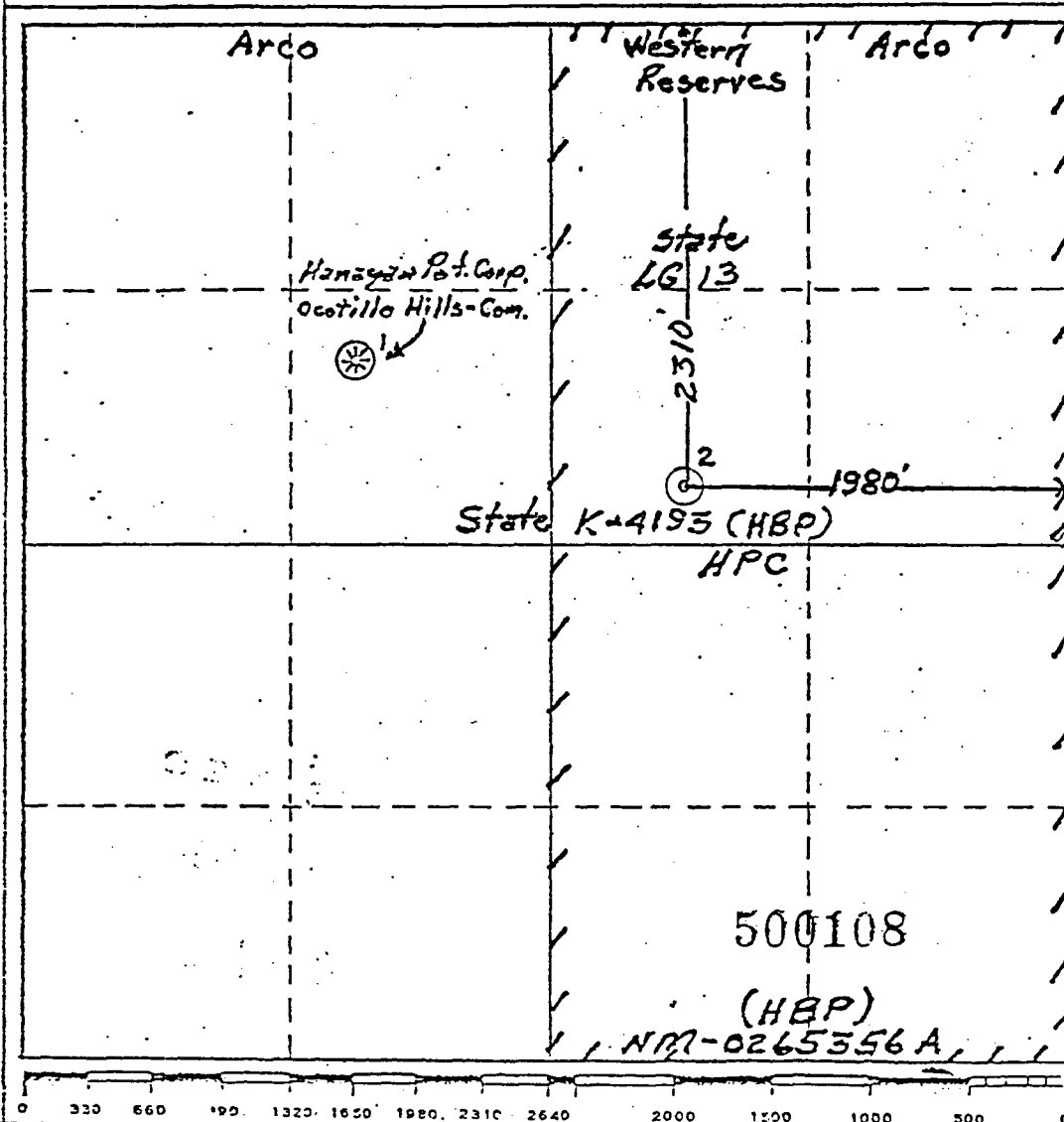
Operator Hanayan Petroleum Corporation		Lease Ocotilla Hills		Well No. 2	
Unit Letter G	Section 21	Township 21 South	Range 26 East	County Eddy	
Actual Footage Location of Well: 2310 feet from the North line and 1980 feet from the East line					
Ground Level Elev. 3255	Producing Formation Morrow		Pool Avalon Morrow		Dedicated Acreage: 320 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure 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 Will be communitized

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) SE/4

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 Commission.



CERTIFICATION

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

Name
Hugh C. Hanayan
Position
Vice President
Company
Hanayan Petroleum Corp.
Date
6/20/75

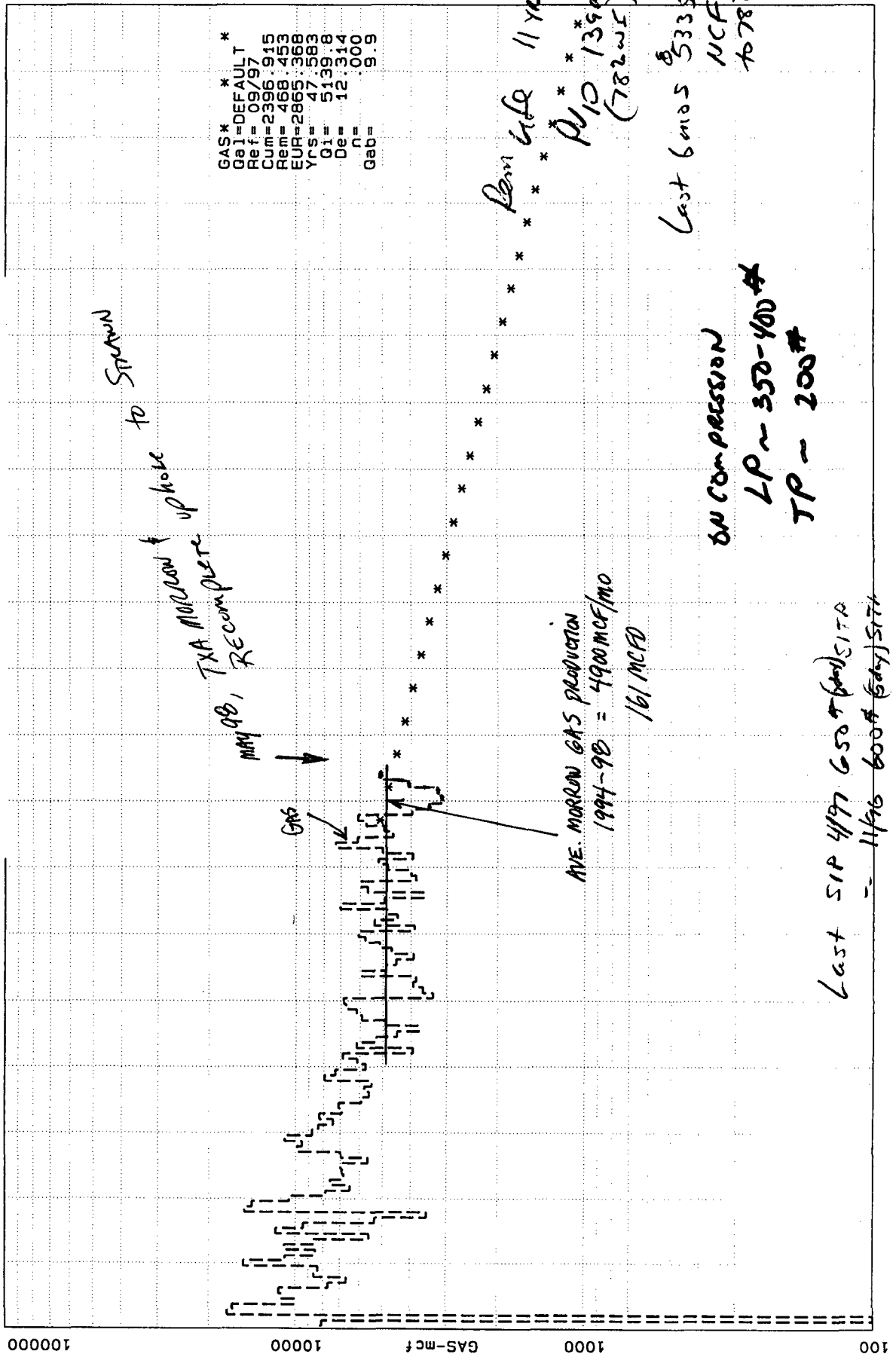
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
June 20, 1975
Registered Professional Engineer and/or Land Surveyor
[Signature]
Certificate No.
N. M. 0265356 A

OCOTILLO HILLS COM 2 (MOR)
 AVALON (MORROW)
 NM EDDY
 HALLWOOD PETROLEUM INC.
 MORROW (10850-10965)

DATE: 04/09/98
 TIME: 14:59:42

Attachment #3



OCOTILLO HILLS COM 2 (STRAWN)
 AVALON (MORROW)
 NM EDDY
 HALLWOOD PETROLEUM INC.
 STRAWN (9776-9790)

DATE: 06/30/99
 TIME: 13:38:54



2002

2001

2000

1999

1998

NWSENW

26E

21

21S

GAS

MAJOR:

010403

PDP

01228

01228

010403

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010403

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010403

EP889 BEGIN DATE: 08/01/91 END DATE: 03/31/97

DATE: 04 AUG 1999 PAGE: 1

STATE: NEW MEXICO
SPG : 1.228 CATCLAW DRAW

FACILITY WELL
10401.000 OCOTILLO HILLS 2 CISCO CANYON ★
10401.001 OCOTILLO HILLS 2 CISCO CANYON

★ UPPER PENN. ZONE
pumps AT
9355-9420'

MONTH	INTEREST PERCENT	GRS OIL PROD	NET OIL SALES	GAS PROD	GAS SALES	WATER PROD	DAYS PROD
03/97	100.00000			63.00	50.00		13.0
02/97	100.00000			143.00	123.00		19.0
01/97	100.00000			104.00	86.00		17.0
12/96	100.00000			135.00	118.00		16.0
11/96	100.00000			193.00	162.00		29.0
10/96	100.00000			187.00	161.00		25.0
09/96	100.00000			115.00	92.00		22.0
08/96	100.00000			155.00	132.00		22.0
07/96	100.00000			178.00	145.00		31.0
06/96	100.00000			127.00	103.00		23.0
05/96	100.00000			216.06	185.26		28.0
04/96	100.00000			222.51	195.01		25.0
03/96	100.00000			185.91	171.61		13.0
02/96	100.00000			226.53	197.93		26.0
01/96	100.00000			259.56	232.06		25.0
12/95	100.00000			238.86	204.76		31.0
11/95	100.00000			189.98	156.98		30.0
10/95	100.00000			200.83	166.73		31.0
09/95	100.00000			206.56	173.56		30.0
08/95	100.00000			226.18	192.08		31.0
07/95	100.00000			227.16	193.06		31.0
06/95	100.00000			229.96	196.96		30.0
05/95	100.00000			249.33	217.43		29.0
04/95	100.00000			281.64	248.64		30.0
03/95	100.00000			264.21	230.11		31.0
02/95	100.00000			235.56	204.76		28.0
01/95	100.00000			275.66	243.76		29.0
12/94	100.00000			253.11	222.31		28.0
11/94	100.00000			237.38	207.68		27.0
10/94	100.00000			212.53	178.43		31.0
09/94	100.00000			230.56	200.86		27.0
08/94	100.00000			205.93	178.43		25.0
07/94	100.00000			238.36	208.66		27.0
06/94	100.00000			254.33	221.33		30.0
05/94	100.00000			319.79	285.69		31.0
04/94	100.00000			267.36	239.86		25.0
03/94	100.00000			311.01	276.91		31.0
02/94	100.00000			303.81	273.01		28.0
01/94	100.00000			290.54	256.44		31.0
12/93	100.00000			257.01	226.21		28.0
11/93	100.00000			256.28	223.28		30.0
10/93	100.00000			296.14	264.24		29.0
09/93	100.00000			219.71	191.11		26.0
08/93	100.00000			288.59	254.49		31.0
07/93	100.00000			307.11	273.01		31.0
06/93	100.00000			279.79	254.49		23.0
05/93	100.00000			321.74	287.64		31.0

EP889 WELL HISTORY REPORT
 BEGIN DATE: 08/01/91 END DATE: 03/31/97
 STATE: NEW MEXICO
 SPG : 1.228 CATCLAW DRAW

DATE: 04 AUG 1999 PAGE: 2

FACILITY	WELL	BEGIN DATE	END DATE	MONTH	INTEREST PERCENT	GRS OIL PROD	NET OIL SALES	GAS PROD	GAS SALES	WATER PROD	DAYS PROD
				04/93	100.00000			344.04	311.04		30.0
				03/93	100.00000			295.16	263.26		29.0
				02/93	100.00000			285.29	254.49		28.0
				01/93	100.00000			360.74	326.64		31.0
				12/92	100.00000			829.73	795.63		31.0
				11/92	100.00000			339.16	306.16		30.0
				10/92	100.00000			450.47	450.47		23.0
				09/92	100.00000			573.32	573.32		30.0
				08/92	100.00000			676.68	676.68		31.0
				07/92	100.00000			758.58	758.58		31.0
				06/92	100.00000			801.48	801.48		30.0
				05/92	100.00000			1236.35	1236.35		31.0
				04/92	100.00000			1298.76	1298.76		27.0
				03/92	100.00000			1245.13	1245.13		25.0
				02/92	100.00000			1520.09	1520.09		29.0
				01/92	100.00000			1715.10	1715.10		30.0
				12/91	100.00000			2785.69	2785.69		27.0
				11/91	100.00000			1930.58	1930.58		12.0
				*WELL				28133.93	26556.23		1770.0
				**FAC				28133.93	26556.23		1770.0

Attachment #4

List of Offset Operators

Ocotillo Hills Com #2 Well

T21S-R26E, Eddy County, New Mexico
Section 15

1. Devon Energy Corporation
20 N. Broadway, Suite 1500
Oklahoma City, OK 73102
2. Mewbourne Oil Company
P. O. Box 5270
Hobbs, NM 88241

T21S-R26E, Eddy County, New Mexico
Section 16

1. Devon Energy Corporation
20 N. Broadway, Suite 1500
Oklahoma City, OK 73102

T21S-R26E, Eddy County, New Mexico
Section 17

1. Devon Energy Corporation
20 N. Broadway, Suite 1500
Oklahoma City, OK 73102

T21S-R26E, Eddy County, New Mexico
Section 20

1. Devon Energy Corporation
20 N. Broadway, Suite 1500
Oklahoma City, OK 73102

List of Offset Operators

Ocotillo Hills Com #2 Well

T21S-R26E, Eddy County, New Mexico

Section 21

1. Hallwood Energy Corporation
P. O. Box 378111
Denver, CO 80237
2. Mewbourne Oil Company
P. O. Box 5270
Hobbs, NM 88241

T21S-R26E, Eddy County, New Mexico

Section 22

1. Mewbourne Oil Company
P. O. Box 5270
Hobbs, NM 88241

T21S-R26E, Eddy County, New Mexico

Section 27

N/A

T21S-R26E, Eddy County, New Mexico

Section 28

1. Pacific Enterprise Oil Company USA
P. O. Box 1350
Midland, TX 79702

T21S-R26E, Eddy County, New Mexico

Section 29

1. Hanagan Petroleum Corporation
P. O. Box 1737
Roswell, NM 88201

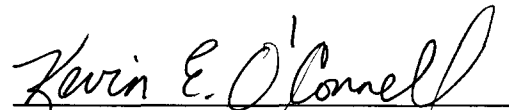
Attachment #5

Verification and Affidavit

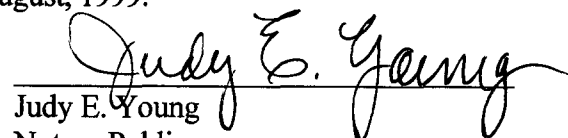
STATE OF COLORADO)
)
COUNTY OF DENVER) SS

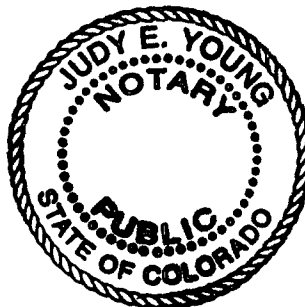
Kevin E. O'Connell, of lawful age, being first duly sworn on his oath, deposes and says:

That he is employed in an engineering capacity by Hallwood Energy Corporation, in its Denver Office; that he has responsibilities for New Mexico permitting matters; that Hallwood's Application for administrative approval to downhole commingle the Upper Penn, Strawn and Morrow zones in the Ocotillo Hills Com #2 well, located in Unit G, Section 21-T21S-R26E, Eddy County, New Mexico has been prepared under his direction and supervision; that the matters and things therein set forth are true and correct to the best of his knowledge and belief; that a copy thereof was sent by certified mail from Applicant's Denver, Colorado office on August 6, 1999 to affected lease operators on Attachment #4 pursuant to Form 107-A; and that to the best of his knowledge and belief these parties are the only owners to whom notice of such Application is required to given in accordance with the provisions of the Rules and Regulations of the Oil Covservation Division of the State of New Mexico.


Kevin E. O'Connell

Subscribed and sworn to before me this 6th day of August, 1999.


Judy E. Young
Notary Public



My Commission Expires
April 19, 2001

KEO99.017

Attachment #6

Supportive Data (for Part 10) of Form 107-A

List of Working, Overriding & Royalty Interest Owners

Ocotillo Hills Com #2

Undesignated Avalon Upper Pennsylvanian Zone

Avalon Strawn Zone

Avalon Morrow Zone (See Note 1)

<u>OWNER NAME</u>	<u>PERCENT</u>	<u>TYPE OWNER*</u>
EM Nominee Partnership Company	65.234400	WI
Devon Energy Corporation	19.140600	WI
State of New Mexico	6.250000	RI
Minerals Management Service	6.250000	RI
Morris E. Schertz	.333339	OI
Richard H. Coats	1.171875	OI
Nuevo Seis, Inc.	.125000	OI
RR Hinkle Company, Inc.	.203120	OI
F. Andrew Grooms	.125000	OI
Madison M. Hinkle	.130208	OI
Rolla R. Hinkle, III	.130208	OI
Charles R. Wiggins	.781250	OI
Barbara Hannifan	.125000	OI
TOTAL	100.000000	

*WI = Working Interest RI = Royalty Interest OI = Override Interest
Note 1: Interest in all three (3) zones is identical.

Hallwood Petroleum, Inc.

4610 S. Ulster Street • Suite 200 • P.O. Box 378111
Denver, Colorado 80237 • (303) 850-7373

Attachment #7

August 6, 1999

TO: Address List for Offset Operators

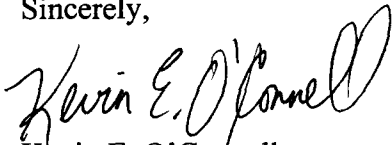
RE: Ocotillo Hills Com #2
Unit G-Section 21-T21S-R26E
Eddy County, New Mexico
Application for Downhole Commingling

Gentlemen:

Hallwood Petroleum, Inc. is applying for administrative approval to commingle production from the Upper Penn, Strawn and Morrow zones in the above referenced well. If you, as an offset operator, have no objection to the proposed commingling, please sign the waiver at the bottom of this page and return one copy in the enclosed self-addressed stamped envelope.

Thank you for your cooperation.

Sincerely,



Kevin E. O'Connell
Drilling and Production Manager

Office: (303) 850-6403
Fax: (303) 850-6290

KEO/je
Enclosures
KEO99.023

WAIVER

WE HEREBY WAIVE ANY OBJECTIONS TO HALLWOOD PETROLEUM, INC.'S
APPLICATION TO COMMINGLE PRODUCTION AS SET FORTH ABOVE.

NAME: _____

TITLE: _____

DATE: _____

Attachment #7

Address List for Offset Operators

Ocotillo Hills Com #2

1. Devon Energy Corporation
20 N. Broadway, Suite 1500
Oklahoma City, OK 73102-9951
2. Mewbourne Oil Company
P. O. Box 5270
Hobbs, NM 88241
3. Pacific Enterprise Oil Company USA
P. O. Box 1350
Midland TX 79702
4. Hanagan Petroleum Corporation
P. O. Box 1737
Roswell, NM 88201

NEW MEXICO STATE LAND OFFICE**CERTIFICATE OF APPROVAL****COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO**

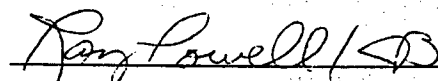
Hallwood Petroleum, Inc.
Ocotillo Hills Well No. 2
Eddy County, New Mexico
E2, Section 21, Township 21 South, Range 26 East
Strawn

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced Agreement, dated February 1, 1999, which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 29th day of March, 1999.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN DUPLICATE*

(See other instructions on reverse side)

Form approved. **KEO**
Budget Bureau No. 1004-0137
Expires August 31, 1985

WELL COMPLETION OR RECOMPLETION REPORT AND LOG*

1. TYPE OF WELL:		OIL WELL <input type="checkbox"/>	GAS WELL <input checked="" type="checkbox"/>	DRY <input type="checkbox"/>	Other _____		
b. TYPE OF COMPLETION:		NEW WELL <input type="checkbox"/>	WORK OVER <input checked="" type="checkbox"/>	DEEP-EN <input type="checkbox"/>	PLUG BACK <input type="checkbox"/>	DIFF. GENVR. <input checked="" type="checkbox"/>	Other <u>Dual Completion</u>
2. NAME OF OPERATOR HALLWOOD PETROLEUM, INC.						5. LEASE DESIGNATION AND SERIAL NO. SW1028	
3. ADDRESS OF OPERATOR P. O. Box 378111, Denver, Colorado 80237						6. IF INDIAN, ALLOTTEE OR TRIBE NAME _____	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)* At surface Unit G: 2310' FNL & 1980' FEL At top prod. interval reported below Same At total depth Same						7. UNIT AGREEMENT NAME <u>Attachment #9</u>	
14. PERMIT NO. _____ DATE ISSUED _____						8. FARM OR LEASE NAME OCOTILLO HILLS	
15. DATE SPUDDED 6/25/75						9. WELL NO. 2	
16. DATE T.D. REACHED -						10. FIELD AND POOL, OR WILDCAT Avalon Upper Penn/Canyon	
17. DATE COMPL. (Ready to prod.) 11/19/91 (Canyon)						11. SEC. T. R. M., OR BLOCK AND SURVEY OR AREA Sec21-T21S-R26E	
18. ELEVATIONS (DP, RKB, RT, GR, ETC.)* 3271' KB, 3255' GR						12. COUNTY OR PARISH Eddy	
19. ELEV. CASINGHEAD 3255'						13. STATE NM	
20. TOTAL DEPTH, MD & TVD 11,148'		21. PLUG BACK T.D., MD & TVD 11,070'		22. IF MULTIPLE COMPL., HOW MANY* 2		23. INTERVALS DRILLED BY ROTARY TOOLS X CABLE TOOLS	
24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD)* Canyon: 9352'-9480'						25. WAS DIRECTIONAL SURVEY MADE No	
26. TYPE ELECTRIC AND OTHER LOGS RUN Dual Induction Laterolog, Compensated Neutron/Form. Density 7/31/75						27. WAS WELL CORED No	
28. CASING RECORD (Report all strings set in well)							
CASING SIZE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	CEMENTING RECORD		AMOUNT PULLED	
8.625	24	2500	12.25	850 sacks		0	
5.50	17.20	11148	7.875	700 sacks		0	
29. LINER RECORD							
SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)	30. TUBING RECORD		
None					SIZE	DEPTH SET (MD)	PACKER SET (MD)
					2.875	10,780'	10,780'
31. PERFORATION RECORD (Interval, size and number) 9355'-9360', 4 spf 9364'-9378', 4 spf 9390'-9420', 4 spf				32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.			
				DEPTH INTERVAL (MD)		AMOUNT AND KIND OF MATERIAL USED	
				9355'-9420'		3108 gallons of 15% HCL acid and nitrogen	
33. PRODUCTION							
DATE FIRST PRODUCTION 11/19/91		PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump) Flowing				WELL STATUS (Producing or shut-in) Producing	
DATE OF TEST 11/24/91	HOURS TESTED 24	CHOSE SIZE 48/64	PROD'N. FOR TEST PERIOD →	OIL—BSL. 0	GAS—MCF. 321	WATER—BSL. 0	GAS-OIL RATIO N/A
FLOW. TUBING PRESS. 100	CASING PRESSURE 100	CALCULATED 24-HOUR RATE →	OIL—BSL. 0	GAS—MCF. 321	WATER—BSL. 0	OIL GRAVITY-API (CORR.) N/A	
34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.) Sold						TEST WITNESSED BY D.Little - Company pumper	
35. LIST OF ATTACHMENTS State of New Mexico - Administrative Order MC-3012							
36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records							
SIGNED <u>[Signature]</u>		TITLE <u>Production Analyst</u>			DATE <u>12/18/91</u>		

*(See Instructions and Spaces for Additional Data on Reverse Side)

37. SUMMARY OF POROUS ZONES: (Show all important zones of porosity and contents thereof; cored intervals; and all drill-stem, tests, including depth interval tested, cushion used, time tool open, flowing and shut-in pressures, and recoveries):

FORMATION	TOP	BOTTOM	DESCRIPTION, CONTENTS, ETC.	GEOLOGIC MARKERS		
				NAME	MEAS. DEPTH	TOP TRUE VERT. DEPTH
			<p>NOTE: =====</p> <p>Data on reverse side is for the recompletion and dual completion of the Upper Penn - Cisco Canyon 9355'-9420' gross interval that was added and dual completed with the Morrow formation 10850'-60', 10885'-95' and 10955'-65', that has been producing since 1975.</p> <p>Upper zone (Upper Penn Field - Cisco Canyon) is produced up the casing/tubing annulus.</p> <p>Lower zone (Avalon Field - Morrow) is produced up 2 7/8" tubing and packer (set at 10780').</p>			

38.

Attachment #9.

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BRUCE KING
GOVERNOR

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

Attachment #9
pg 3/4

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

THE APPLICATION OF HALLWOOD PETROLEUM, INC.

ADMINISTRATIVE ORDER MC-3012

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Under the provisions of Rule 112-A, III, Hallwood Petroleum, Inc. made application to the New Mexico Oil Conservation Division on June 5, 1991, for permission to dually complete its Ocotillo Hills Well No. 2 located 2310 feet from the North line and 1980 from the East line (Unit G) of Section 21, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico, in such a manner as to permit production of gas from the Avalon Morrow Gas Pool through a string of 2 7/8 inch tubing and the production of gas from the Undesignated Avalon Upper Pennsylvanian Gas Pool through the 5 1/2 inch casing/tubing annulus.

Now, on this 23 day of July, 1991 the Division Director finds that:

- (1) The application has been filed under the provisions of Rule 112-A, III and IV of the Division's General Rules and Regulations;
- (2) The proposed dual completion will not cause waste nor impair correlative rights; and
- (3) The mechanics of the proposed dual completion are feasible and consonant with good conservation practices.

IT IS THEREFORE ORDERED THAT:

- (1) The applicant herein, Hallwood Petroleum, Inc., be and the same is hereby authorized to dually complete its Ocotillo Hills Well No. 2, located 2310 feet from the North line and 1980 feet from the East line (Unit G) of Section 21, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico, in such a manner as to permit production of gas from the Avalon Morrow Gas Pool through a string of 2 7/8 inch tubing and the production of gas from the Undesignated Avalon Upper Pennsylvanian Gas Pool through the 5 1/2 inch casing/tubing annulus.

Attachment # 9
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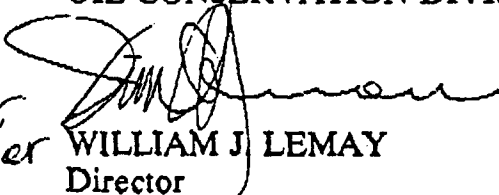
PROVIDED HOWEVER THAT, applicant shall complete, operate and produce said well in accordance with the provisions of Rule 112-A.

PROVIDED FURTHER THAT, applicant shall take packer-leakage tests upon completion and annually thereafter.

IT IS FURTHER ORDERED THAT, jurisdiction of this cause is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

for 
WILLIAM J. LEMAY
Director

cc: Oil Conservation Division - Artesia
U.S. Bureau of Land Management - Carlsbad