

BMG**BENSON-MONTIN-GREER DRILLING CORP.**

March 19, 1997

FAX TO WILLIAM B. LeMAY
505-827-1150New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504

Attention: Mr. William B. LeMay

Re: CASE NO. 11728
APPLICATION FOR UNORTHODOX
LOCATION - SE/4 SEC. 28, T-32N, R-13W

Gentlemen:

As an owner of interest in the NE/4 of Section 33, we oppose the application for an unorthodox (off-pattern) location in the SE/4 of Section 28.

We believe the OCD's spacing order generally should be upheld and exceptions granted only under extenuating circumstances. Should the NMOCD determine that the productive formation does not extend across the applicant's lands to a standard location and that it is necessary to drill off-pattern in order to establish production, then we think it essential that the OCD establish a meaningful penalty.

Under conditions in which all wells essentially produce at capacity, as we presume is the case here, then a meaningful penalty can only be achieved by limiting the producing days per month to the proportion that the productive reservoir bears to the spacing unit.

We request this letter be incorporated in the records of Case 11728.

Yours truly,

BENSON-MONTIN-GREER DRILLING CORP.By: 

Albert R. Greer, President

ARG/tlp

ROBERT L. BAYLESS

P. O. BOX 168
FARMINGTON, NM 87499

FAX NO
(505) 326-6911

OFFICE NO
(505) 326-2659

Case 11728

March 17, 1997

New Mexico Oil Conservation Division
ATTN: William B. Lemay
PO Box 2088
Santa Fe, NM 87504

**RE: UNORTHODOX LOCATION IN SAN JUAN COUNTY, NEW MEXICO
REQUESTED BY THOMPSON ENGINEERING
SE 1/4 SECTION 28, T32N, R13W**

Gentlemen,

We have noted the above application for an unorthodox location and wish to enter our protest on the grounds that it unduly impacts the well in which we have an interest in North East of Section 33, T32N, R13W.

A location such as proposed would be so near to our present legally located well that it would cause drainage and financially impact us. The logic in the original spacing as set forth by the NMOCD provided for 320 acre spacing and drainage. This violation of spacing would be not in the best interest of the industry.

Correlative rights has long been an issue which the NMOCD has diligently worked to protect and it does not appear there is any topographic, cultural, nor building reasons to cause a divergence in the obligations under the correlative rights issue.

Thank you for your consideration.

Yours truly,


Robert L. Bayless
RLB/pc

1/13/97 copy to Alan Emmendorfer

Hallwood Energy Companies

4582 South Ulster Street Parkway • Stanford Place III • Suite 1700 • Post Office Box 378111
Denver, Colorado 80237 • (303) 850-7373

January 9, 1997

CERTIFIED MAIL NO. P 324 481 644

Mr. William J. LeMay - Director
State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87504-2088

RE: Non-Standard Spacing Unit
Steward Com #1
SE SE Section 28-T32N-R13W
(790' FSL x 790' FEL)
San Juan County, New Mexico

Dear Mr. LeMay:

Hallwood Petroleum Inc. is in receipt of notification of the proposed non-standard spacing unit well in the Basin Fruitland Coal Gas Field. Hallwood Petroleum Inc. is an offset operator with twenty two (22) Basin Fruitland Coal wells within four (4) miles of the proposed well. We are not opposing the non-standard location for this well, as Hallwood has also benefitted from two similar non-standard wells.

Hallwood is concerned about an issue directly related to this well and other potential new wells to be drilled in the vicinity of our developed acreage and wanted to address that with the Oil Conservation Division. The issue is - shallow Fruitland Coal Gas well development and gas seeps. As you or members of your staff are aware, the issue of shallow gas seeps adjacent to or in close proximity to coal gas well development is very controversial directly North in LaPlata County, Colorado.

As previously mentioned, Hallwood Petroleum Inc. currently operates 22 Fruitland Coal Gas wells in the immediate vicinity of the proposed Steward Com #1 well. All of Hallwood's wells are between a subsea depth of +4000 to +3700 and a measured depth of 1850' to 2070' (perforations). Hallwood's cumulative gas production since 1990 is 21 BCF and 1.10 MMBW. To our knowledge and to date, there have been no occurrences of any gas seeps in the immediate area of our wells. Hallwood would like this information to be entered in the record because we are concerned that shallower Fruitland Coal wells, coupled with large hydraulic fracturing or a wellbore that intersects extensive natural fracturing, could increase the potential for a gas seep. Additionally, as an offset operator we are concerned about new well development in close proximity to the Fruitland Coal

Mr. William J. LeMay - Director
State of New Mexico
Oil Conservation Division
January 9, 1997
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outcrop. Hallwood's closest well to the outcrop is approximately 1.25 mile away, while the Steward Com #1 location and other operator's producing wells are 0.75 mile (or less).

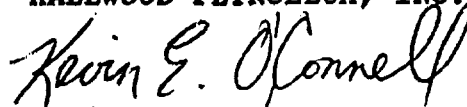
The information supplied by Walsh Engineering (Exhibit #1) suggests the Steward Com #1 will penetrate the coal at +3900', or a measured depth of approximately 2083'. Based on Hallwood's data for the area we believe the Basal Fruitland Coal will be penetrated at +4950' subsea, and thus a measured depth of approximately 1033'. We have also been approached by another company about a similar "non-standard" well location under consideration in the SE SE of section 22-T32N-R13W. At this location we project the Basal Fruitland coal would be encountered at +5125', or only an estimated 775' measured depth.

To summarize Hallwood's position and purpose of this letter, we are not objecting to the Steward Com #1 well location, as each mineral owner is entitled to developing their own lease within the established rules of the State. In addition, Hallwood is not attempting to raise unnecessary concerns or fears about gas seeps in this area, but simply wishes to make note to the Oil Conservation Division that up until this point there has been no record of, or occurrence of any gas seeps in the vicinity of Hallwood operated wells in Township 31 and 32 North, Range 12 West of San Juan County, New Mexico

Thank you for your interest and attention to this matter. Please contact me at (303) 850-7373 should you have any additional questions.

Sincerely,

HALLWOOD PETROLEUM, INC.



Kevin E. O'Connell
Drilling and Production Manager

KEO

Attachment

Mr. William J. LeMay - Director
State of New Mexico
Oil Conservation Division
January 9, 1997
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cc: John Genziano
Betty Dieter
Bruce Bowman

New Mexico-OCD
1000 Rio Brazos Road
Aztec, New Mexico 87410
ATTN:Ernie Busch

Walsh Engineering & Production Corp.
7415 East Main
Farmington, New Mexico 87402

KE097.001