

STATE OF NEW MEXICO
ENERGY, MINERAL AND NATURAL RESOURCES DEPARTMENT
THE NEW MEXICO OIL CONSERVATION DIVISION

RECEIVED

1998

Oil Conservation Division

**IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION FOR THE
PURPOSE OF CONSIDERING:**

Case No. 12,056

APPLICATION OF HALLWOOD PETROLEUM, INC.
FOR ORDER ALLOWING DRILLING IN POTASH
AREA, LEA COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Hallwood Petroleum, Inc. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES:

Applicant:
Hallwood Petroleum, Inc.
4582 South Ulster Street Parkway
Stanford Place III, Suite 1700
Post Office Box 378111
Denver, Colorado 80237

Other Party:
Mississippi Potash, Inc.
P.O. Box 101
1996 Potash Mines Road
Carlsbad, New Mexico 88220
(505) 887-5591

Attorney:
James A. Gillespie
HINKLE, COX, EATON, COFFIELD
& HENSLEY, LLP
Post Office Box 10
Roswell, NM 88201
(505) 622-6510

Attorney:
Charles C. High, Jr.
KEMP, SMITH, DUNCAN
& HAMMOND, P.C.
1900 Norwest Plaza
P.O. Box 2800
El Paso, TX 79901
(915) 546-5201

STATEMENT OF CASE:

Applicant: Hallwood seeks permission to drill the Bass #5 well in the SW¼ of Section 30, Township 20 South, Range 33 East, N.M.P.M. The mineral interests underlying the lands in

question are owned in fee. The lands are leased for oil and gas and are not leased for potash. The mineral interest owners support Hallwood's proposed development of the acreage for oil and gas.

As decided by the Division in *Noranda Minerals, Inc.*, Case No. 10,490, subpart G(e)(3) of Order R-111-P allows wells to be drilled in LMRs with the consent of the lessors and lessees of both oil & gas and potash. In this instance, the lessors and lessees of the minerals agree that Hallwood should be allowed to proceed with their proposed well.

Other Party: Mississippi Potash, Inc. ("MPI") submitted objections to the proposed well necessitating the scheduled hearing. As of this date, MPI has informed Hallwood that they have withdrawn their objections to the proposed well.

PROPOSED EVIDENCE

Applicant:

WITNESS

| | ESTIMATED TIME | EXHIBITS |
|------------------------------|---|---|
| Lois Dodds, CPL (Landman) | 10 minutes (total time for cases 12,055 & 12,056) | 1. Land Status Plat 2. APDs 3. Notice Letters to MPI 4. Objection Letters from MPI 5. District OCD Letter to Hallwood 6. Letters of Support and Consents from Petco Limited, Elliott Hall Company, Bass Enterprises Production Co., Ingrid D. Powell, Ingrid Powell, Henry L. Montieth, Cecil Bond Kyte, Vera Allen Briggs, and Devon Energy Corporation and Affidavit of Stephen L. Elliott. 7. Withdrawal of Objections by MPI |

Chuck Dommer
(Geologist)

10 minutes (total
time for cases
12,055 & 12,056)

8. Hat Mesa Field Boundary Map
9. Structure Map - Brushy Canyon M-8
10. Net Pay - Brushy Canyon M-8
11. Structure Map - Brushy Canyon L-8
12. Net Pay - Brushy Canyon L-8
13. Structure Map - Brushy Canyon L-10
14. Net Pay - Brushy Canyon L-10
15. Cross Section NW to SE
16. Cross Section NE to SW

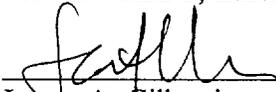
Other Party:

None known at this time.

PROCEDURAL MATTERS

No procedural issues at this time.

HINKLE, COX, EATON, COFFIELD
& HENSLEY, L.L.P.

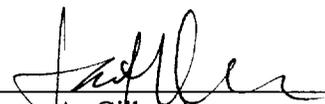


James A. Gillespie
Post Office Box 10
Roswell, NM 88201
(505) 622-6510
Attorneys for Hallwood Petroleum, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Pre-Hearing Statement was mailed via first class mail on this 30th day of October, 1998 to:

Charles C. High, Jr.
KEMP, SMITH, DUNCAN & HAMMOND, P.C.
1900 Norwest Plaza
P.O. Box 2800
El Paso, TX 79901



James A. Gillespie