

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

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

CASE NO. 10557

APPLICATION OF HALLWOOD PETROLEUM,
INC. FOR AN UNORTHODOX WELL
LOCATION, SAN JUAN COUNTY, NEW
MEXICO

CERTIFICATE OF MAILING
FOR FIRST AMENDED APPLICATION

AND

COMPLIANCE WITH ORDER R-8054

W. THOMAS KELLAHIN, attorney in fact and authorized representative of HALLWOOD PETROLEUM, INC., states that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on SEPTEMBER 11, 1992, I caused to be mailed by certified mail return-receipt requested notice of this hearing and a copy of the first amended application for the above referenced case along with the cover letter, at least twenty days prior to the hearing set for OCTOBER 15, 1992 to the parties shown in the application as evidenced by the attached copies of return receipt cards, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.


W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me this 14TH day of
OCTOBER, 1992.


Notary Public

My Commission Expires:

10/7/95

JAY C. LAUBSCHER

SENDER: • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b. • Print your name and address on the reverse of this form so that we can return this card to you. • Attach this form to the front of the mailpiece, or on the back if space does not permit. • Write "Return Receipt Requested" on the mailpiece below the article number. • The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Kent Beers Southland Royalty Co. P.O. Box 4289 Farmington, NM 87499		4a. Article Number P 676 666 438	
		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
		7. Date of Delivery 9-15-92	
5. Signature (Addressee)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Agent)			
PS Form 3811, November 1990 *U.S. GPO: 1991-287-066 DOMESTIC RETURN RECEIPT WTK/Hallwood USA #5 1st Amend			

SENDER: • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b. • Print your name and address on the reverse of this form so that we can return this card to you. • Attach this form to the front of the mailpiece, or on the back if space does not permit. • Write "Return Receipt Requested" on the mailpiece below the article number. • The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Meridian Oil Inc. P.O. Box 4289 Farmington, NM 87499		4a. Article Number P 676 666 440	
		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
		7. Date of Delivery 9-15-92	
5. Signature (Addressee)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Agent)			
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3. Article Addressed to: Robert Click Suite 230 - Pecan Creek 8340 Meadow Road Dallas, TX 75231		4a. Article Number P 676 666 439	
		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
		7. Date of Delivery 9-14	
5. Signature (Addressee)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Agent)			
PS Form 3811, November 1990 *U.S. GPO: 1991-287-066 DOMESTIC RETURN RECEIPT			

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

October 21, 1992

David Catanach
Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail
Room 219
Santa Fe, New Mexico 87501

HAND DELIVERED

RE: Application of Hallwood Petroleum,
Inc. for an unorthodox Coal Gas
Well Location, San Juan County,
New Mexico/NMOCD Case No. 10557

Dear Mr. Catanach:

On behalf of Hallwood Petroleum, Inc. please find enclosed our Proposed Order of the Division for the above-referenced case. We have also enclosed a floppy disk with this order on it for your use.

If you have questions or require anything else with regard to this matter, please call.

Very truly yours,



W. Thomas Kellahin

WTK/jcl

Enclosures

xc: Kathleen Volk
Hallwood Petroleum, Inc.

lrr1021.629

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

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

CASE NO. 10557
ORDER NO. R- _____

APPLICATION OF HALLWOOD PETROLEUM INC.
FOR AN UNORTHODOX COAL GAS WELL
LOCATION, SAN JUAN COUNTY, NEW
MEXICO.

PROPOSED
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 17, 1992, and on October 15, 1992 at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this _____ day of October, 1992, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Hallwood Petroleum Inc., originally sought approval to drill its proposed USA #5 Well at an unorthodox coal gas well location 818 feet from the South line and 1099 feet from the East line (Unit P) of Section 24, Township 32 North, Range 13 West, NMPM, Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico. The E/2 of Section 24 is to be dedicated to the subject well forming a standard 320-acre gas spacing and proration unit for said pool.

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Order No. R- _____

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(3) Thereafter the applicant properly amended its location to provide that the subject well to drilled 947 feet FSL and 800 feet FEL (Unit P) of Section 24.

(4) The subject well is located within the Basin-Fruitland Coal Gas Pool and is therefore subject to the Special Rules and Regulations for said pool as promulgated by Division Order No. R-8768, as amended, which require that wells be located in either the NE/4 or SW/4 of a single governmental section no closer than 790 feet from any outer boundary of the proration unit nor closer than 130 feet from any quarter section line nor closer than 10 feet from any quarter-quarter section line or subdivision inner boundary.

(5) The location of the proposed USA #5 Well, as amended, is standard with respect to the setback requirements but is unorthodox with respect to the quarter section location.

(6) The applicant's proposed location is within two miles of the outcrop of the monocline containing the Fruitland Coal bed and is the only prospective quarter section within Section 24 believed to be below the point of flexure of that monocline and therefore potentially productive of gas from the Fruitland Coal bed.

(7) The applicant proposes to orient the spacing unit so that it is consistent with the orientation used for the Basin Dakota Pool 320-acre spacing and proration unit.

(8) Applicant's evidence and testimony indicates that its gas reserves underlying the E/2 of Section 24 are best tested for production with a well located as proposed by the applicant.

(9) The evidence in this case demonstrates that the applicant cannot recover its just and equitable share of the gas reserves underlying the E/2 of Section 24 unless an exception to Rule 4 of the subject pool rules is granted.

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(10) All offset operators have been properly notified and waived objection to the granting of this application.

(11) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(12) In order to allow the applicant the opportunity to produce its just and equitable share of the gas reserves in the Basin-Fruitland Coal Gas pool underlying the E/2 of Section 24, thereby protecting its correlative rights, the application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Hallwood Petroleum Inc., is hereby authorized to drill its USA #5 Well at an unorthodox coal gas well location 947 feet from the South line and 800 feet from the East line (Unit P) of Section 24, Township 32 North, Range 13 West, NMPM, Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

(2) The E/2 of Section 24 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

(3) Jurisdiction 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.

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Order No. R- _____
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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

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