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W. THOMAS KELLAHIN\*

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RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

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JASON KELLAHIN (RETIRED 1991)

September 21, 1992

Mr. William J. LeMay  
Oil Conservation Division  
310 Old Santa Fe Trail, Room 219  
Post Office Box 2088  
Santa Fe, New Mexico 87501

**HAND DELIVERED**

**RECEIVED**

Re: Application of Hallwood Petroleum,  
Inc. for Compulsory Pooling,  
San Juan County, New Mexico

SEP 21 1992

OIL CONSERVATION DIV.  
SANTA FE

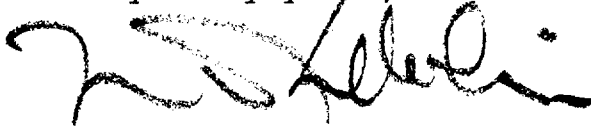
Dear Mr. LeMay:

10569

On behalf of Hallwood Petroleum, Inc., please find enclosed our application for compulsory pooling which we request be set for hearing on the next available Examiner's docket now scheduled for October 15, 1992.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail, return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Very truly yours,



W. Thomas Kellahin

WTK/jcl

Enclosure

cc: Kathleen Volk - Hallwood Petroleum, Inc.

**BY CERTIFIED MAIL- RETURN RECEIPT REQUESTED**

All Parties Listed in Paragraph 2 of Application

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

RECEIVED

SEP 21 1992

OIL CONSERVATION DIV.  
SANTA FE

IN THE MATTER OF THE APPLICATION OF  
HALLWOOD PETROLEUM INC. FOR COMPULSORY  
POOLING, SAN JUAN COUNTY, NEW MEXICO

CASE NO: 10569

A P P L I C A T I O N

Comes now HALLWOOD PETROLEUM, INC. (Hallwood), by its attorneys, KELLAHIN & KELLAHIN, and in accordance with Section 70-2-17(c) NMSA (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Basin Fruitland/Pictured Cliffs formation underlying the E/2 of Section 35, T32S, R13<sup>W</sup>~~E~~, NMPM, San Juan County, New Mexico forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacings within said vertical extent, which presently includes but is not necessarily limited to the Basin Fruitland/Pictured Cliffs Pool. Said unit to be dedicated to Hallwood's Montoya B #2-35 well to be drilled and completed at a standard location within the E/2 (Unit B) of said Section 35, and in support states:

(1) Applicant, Hallwood has a working interest ownership in the oil and gas minerals in the E/2 of Section 35.

(2) The only uncommitted working interest owner in the E/2 of Section 35 is as follows:

Union Oil Company of California  
aka UNOCAL  
1004 N. Big Spring Street  
Suite 300  
Midland, Texas 79702

(3) On August 4 and August 28, 1992, Hallwood Petroleum Inc. proposed to UNOCAL, Inc. the drilling of said well to be dedicated to a 320-acre spacing unit consisting of the E/2 of Section 35.

(4) Hallwood has received no response from UNOCAL to its offers to voluntarily pool interests for this well. All reasonable efforts by Hallwood to form a voluntary agreement with UNOCAL for this well have failed and Hallwood has been unable to obtain a voluntary agreement.

(5) Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of the potential production underlying the above tract, Hallwood needs an order pooling the mineral interest involved in

order to protect correlative rights and prevent waste.

(6) Pursuant to the Division notice requirements, Hallwood has notified those parties identified in paragraph (2) above of this application for compulsory pooling and the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for October 15, 1992.

WHEREFORE, Applicant prays that this application be set for hearing on October 15, 1992 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interests described herein. Applicant further prays:

(1) that it be named operator of the well;

(2) that the order make provisions for applicant and all working interest owners to participate in the costs of drilling, completing and equipping the well;

(3) that in the event a working interest owner fails to elect to participate, then provision be made to recover, out of production, the costs of the drilling, completing and equipping of the well including a risk factor penalty to be determined by the Division; and

Application of Hallwood Petroleum, Inc.  
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(4) for such other and further relief as may be proper.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

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Santa Fe, New Mexico 87504-2265  
(505) 982-4285  
ATTORNEYS FOR HALLWOOD  
PETROLEUM, INC.