

**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. 12056
Order No. R-11093**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 5, 1998, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 19th day of November, 1998, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) Cases No. 12055 and 12056 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, Hallwood Petroleum Inc. (Hallwood), seeks an order allowing it to drill its proposed Bass Well No. 5 at a standard oil well location 660 feet from the South line and 2080 feet from the West line (Unit N) of Section 30, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico, to test the Hat Mesa-Delaware Pool. The SE/4 SW/4 of Section 30 is to be dedicated to the well forming a standard 40-acre oil spacing and proration unit for this pool.

(4) According to evidence presented by the applicant, the proposed Bass Well No. 5 is located within the Potash Area, and more specifically within Mississippi Potash, Inc.'s LMR (Life of Mine Reserve).

(5) Pursuant to the requirements of Division Order No. R-111-P, Hallwood has notified Mississippi Potash Inc. of its intent to drill the Bass Well No. 5.

(6) By letter dated July 13, 1998, Mississippi Potash, Inc., informed the Division's Hobbs District Office that it objected to the drilling of Hallwood's Bass Well No. 5.

(7) On August 13, 1998, the Division's Hobbs District Office returned Hallwood's Form C-101, Application to Drill, unapproved for the Bass Well No. 5.

(8) An application for hearing in this matter was filed by Hallwood on September 9, 1998.

(9) Prior to the hearing, the Division received communication from Hallwood's and Mississippi Potash, Inc.'s legal counsel stating that Mississippi Potash, Inc. was dropping its objection to the drilling of the Bass Well No. 5.

(10) Hallwood appeared at the hearing on November 5, 1998, and presented evidence in support of its drilling application.

(11) Mississippi Potash, Inc., did not appear at the November 5, 1998 hearing.

(12) Approval of this application will allow the applicant to develop the oil and gas reserves underlying the SE/4 SW/4 of Section 30.

(13) The supervisor of the Division's Hobbs District Office should be authorized to approve Hallwood's Form C-101, Application to Drill, for the Bass Well No. 5.

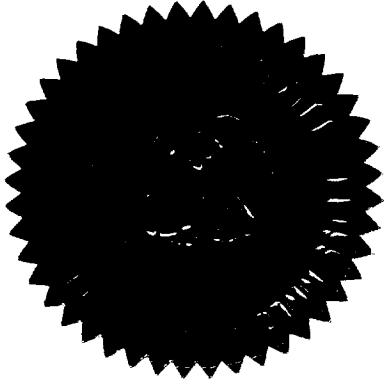
IT IS THEREFORE ORDERED THAT:

(1) The supervisor of the Division's Hobbs District Office is hereby authorized to approve Hallwood Petroleum, Inc.'s Form C-101, Application to Drill, for its proposed Bass Well No. 5 to be located at a standard oil well location 660 feet from the South line and 2080 feet from the West line (Unit N) of Section 30, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico, to test the Hat Mesa-Delaware Pool. The SE/4 SW/4 of Section 30 shall be dedicated to the well forming a standard 40-acre oil spacing and proration unit for this pool.

(2) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



S E A L

Lori Wrotenbery
LORI WROTENBERY
Director