

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
- [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

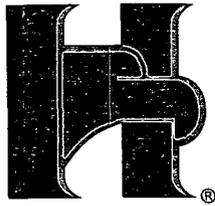
[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

 Print or Type Name Signature Title Date

 e-mail Address



HALLADOR PETROLEUM, LLP

HALLADOR PETROLEUM COMPANY

HALLADOR PRODUCTION COMPANY

October 13, 2004

RECEIVED

Mr. Mark E. Fesmire, P.E.
State of New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

OCT 18 2004

OIL CONSERVATION
DIVISION

Re: Application for Administrative Approval for Downhole Commingling
Basin Dakota and Blanco Mesaverde Pools
Horton #1A
Unit G Section 7 T31N R11W
San Juan County, New Mexico

Dear Mr. Fesmire:

Hallador Petroleum, LLP requests administrative approval for downhole commingling of the Basin Dakota and the Blanco Mesaverde Pools in the subject well bore. The following information is provided in support of this application.

The Horton #1A was drilled and completed in 1976. The Dakota was perforated from 7396' to 7436' and stimulated. The Dakota's initial potential was 887 mcfpd. A bridge plug was set above the Dakota and the Mesaverde was perforated from 4394' to 5408' and stimulated. The initial potential of the Mesaverde was 1150 mcfpd. The Mesaverde was produced until October 2002. During November 2002, the bridge plug was drilled out and the Dakota was isolated by means of a retrievable packer. Since November 2002, this well has produced from the Dakota.

The attached C-102 plat shows the east half of section 7, T31N R11W as the 320 acre spacing unit for the Dakota and the Mesaverde.

The attached table (form C-107A) shows the proposed allocation percentages for each pool. The proposed allocation is based on the last full monthly volume and stabilized rate for the Mesaverde (September 2002) and the Dakota (August 2004). A decline curve is attached showing monthly production from January 2001 to August 2004.

Dakota and Mesaverde fluids have been generally determined to be compatible across the basin based on previously approved applications. In the event commingle causing some minor reactions, chemical treatments have proved to be successful in mitigating scaling/precipitate problems.

The current casing pressure is 285 psi which is a measurement of the long term shut-in reservoir pressure of the Mesaverde. The estimated current reservoir pressure of the

Dakota is about 290 psi based on a recent shut-in test. Because the Dakota and Mesaverde formation pressures are about equal, we do not expect cross-flow to be a problem.

All working, royalty and overriding royalty interest owners have been notified by certified mail.

Commingling of the Basin Dakota and the Blanco Mesaverde pools will minimize operation costs and add reserves by extending the life of the well. In addition, correlative rights will be protected. We therefore respectfully request your approval of this application.

If you have any questions or need additional information, please call me at (303) 839-5504 ext. 317.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy Lovseth". The signature is fluid and cursive, with a prominent initial "T" and a long, sweeping underline.

Timothy Lovseth
Exploration Manager

Attachments:

- Form C-107A
- Form C-102
- Decline curve
- Notification list of interest owners
- Form 3160-5

District I
1625 N. French Drive, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

District II
1301 W. Grand Avenue, Artesia, NM 88210

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE
x Single Well
___ Establish Pre-Approved Pools
EXISTING WELLBORE
x Yes ___ No

District III
1000 Rio Bruzos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

APPLICATION FOR DOWNHOLE COMMINGLING

Hallador Petroleum, LLP 1660 Lincoln Street, Suite 2700, Denver CO 80264

Operator Address
Horton 1A G Section 7 T31N R11W San Juan

Lease Well No. Unit Letter-Section-Township-Range County
012672 005619 30-045-21955
OGRID No. Property Code API No. Lease Type: x Federal ___ State ___ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Blanco-Mesaverde <i>Pro Gas</i>		Basin-Dakota <i>Pro Gas</i>
Pool Code	72319		71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	4394' to 5408'		7396' to 7436'
Method of Production (Flowing or Artificial Lift)	Artificial Lift		Artificial Lift
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	Not Required		Not Required
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1.242 BTU		1.152 BTU
Producing, Shut-In or New Zone	Shut-In		Producing
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: September 2002 Rates: 3798 mcf 0 bo 240 bw	Date: Rates:	Date: August 2004 Rates: 4618 mcf 12 bo 60 bw
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil 0 % Gas 45 %	Oil % Gas %	Oil 100 % Gas 55 %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ___ No x
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes x No ___

Are all produced fluids from all commingled zones compatible with each other? Yes x No ___

Will commingling decrease the value of production? Yes ___ No x

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes x No ___

NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Timothy Lovseth TITLE Exploration Manager DATE 10-12-04
TYPE OR PRINT NAME Timothy Lovseth TELEPHONE NO. (303) 839-5504 ext 317
E-MAIL ADDRESS timlovseth@qwest.net

N MEXICO OIL CONSERVATION COMMISS.
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-138
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

OKL

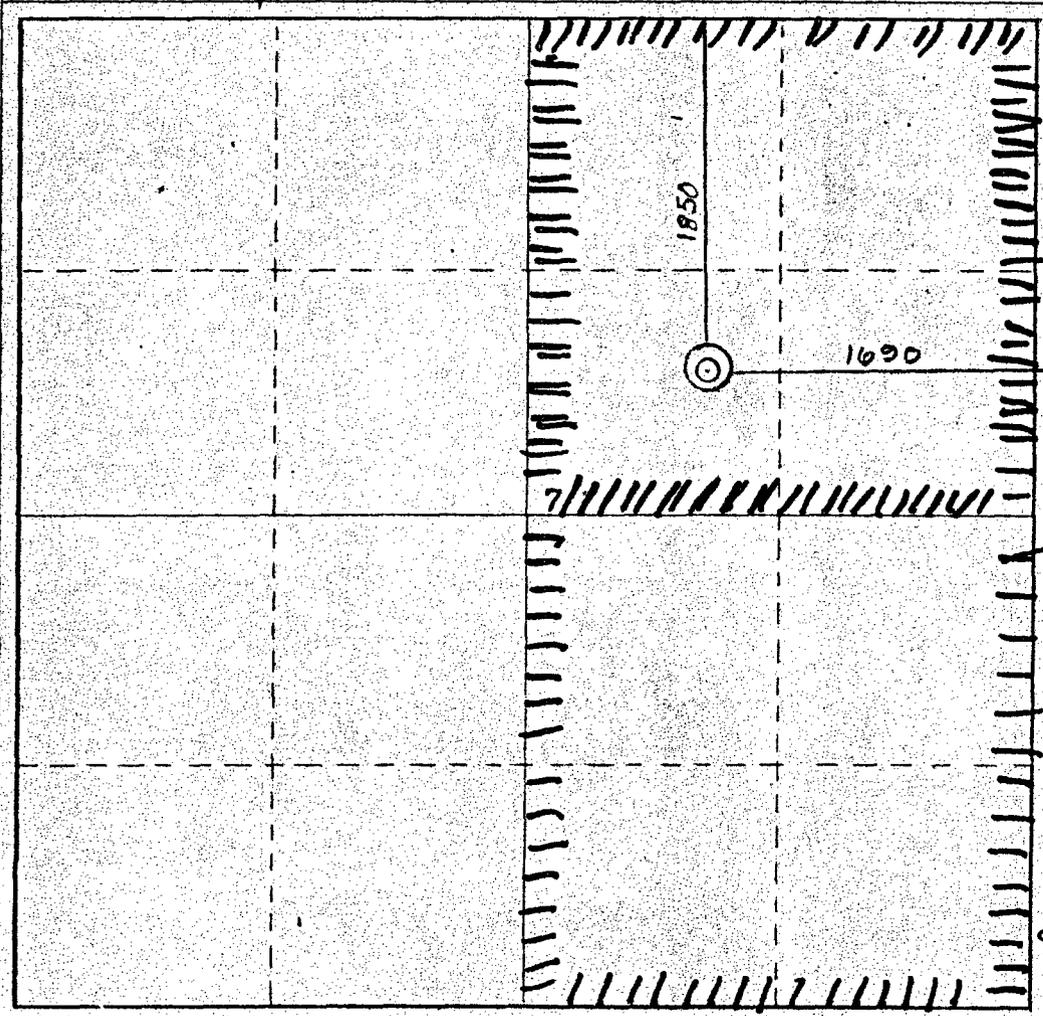
Operator KIMBARK OPERATING COMPANY		Lease HORTON			Well No. 51A
Unit Letter G	Section 7	Township 31 NORTH	Range 11 WEST	County SAN JUAN	
Actual Footage Location of Well: 1850 feet from the NORTH line and 1690 feet from the EAST line					
Ground Level Elev. 6256	Producing Formation MESA VERDE-DAKOTA DUAL			Pool	Dedicated Acreage Acres

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Walter K. Arbuckle

Name
Walter K. Arbuckle

Position
President

Company
Kimbark Operating Co.

Date
12/19/75

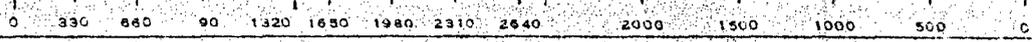
Dakota

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

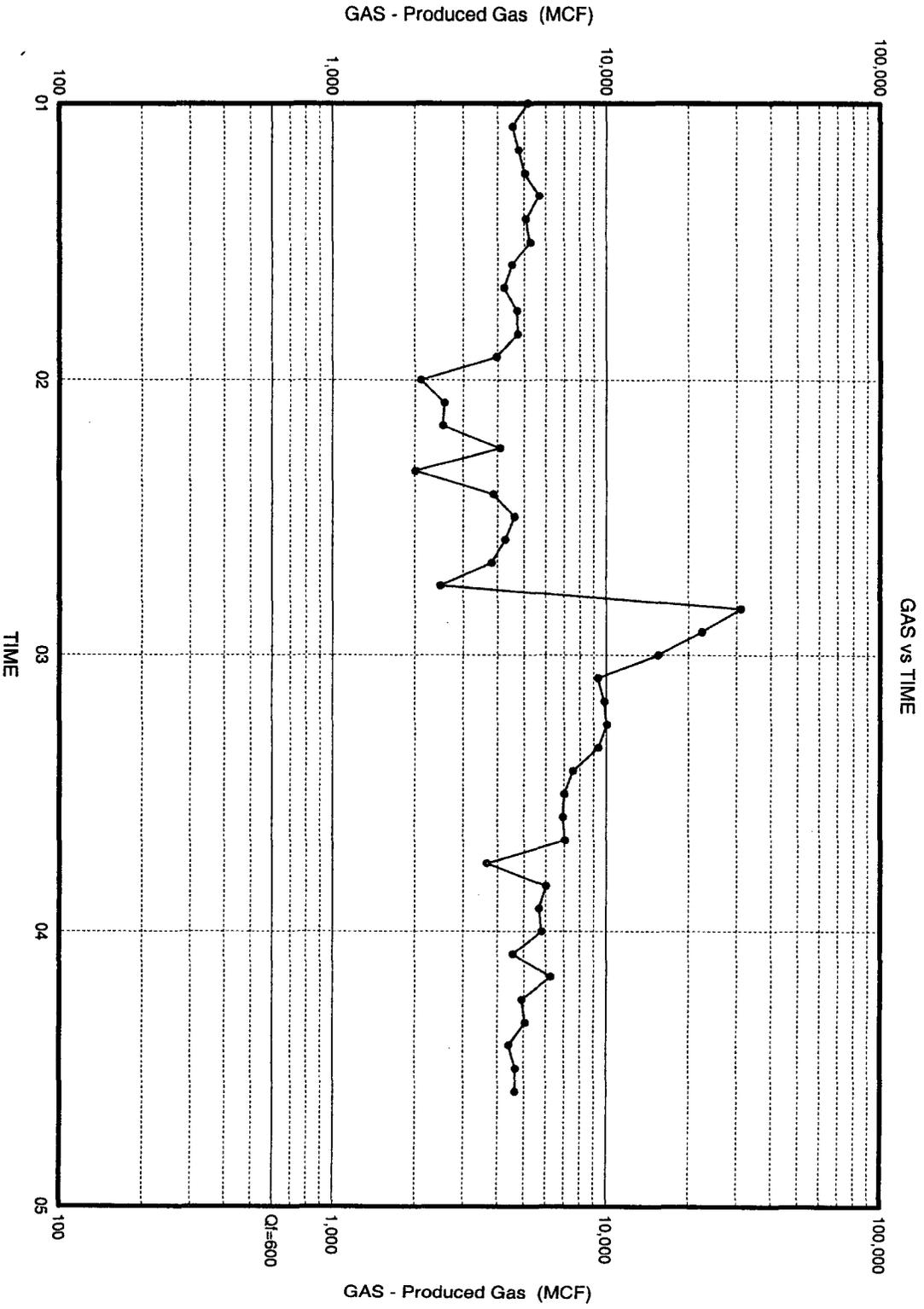
Date Surveyed
10 December 1975

Registered Professional Engineer and/or Land Surveyor
James P. Leese
James P. Leese

Certificate No.
1463



UWI: 3004521955 Name: HORTON Num: 1-A Label: 1-A



NOTIFICATION LIST
Interest Owners

Mr. Dennis Beccue
Questar Exploration & Production Company
1050 Seventeenth Street, Suite 500
Denver, CO 80265

Ms. Patricia Laudermilk
404 East Monroe
Sterling, KS 67579

Dr. Cynthia Calvin
747 Newport Street
Denver, CO 80220

Mr. Thomas J. Scarbrough
Conoco Phillips, Inc.
P. O. Box 2197
Houston, TX 77252-2197

Mr. W. Clifton Arbuckle
Lamotte Oil Company
Suite 1180, 410 Seventeenth Street
Denver, CO 80202

Mr. C. Crady Davis
Crady Davis Corporation
1900 East Girard Place
Apartment 907
Englewood, CO 80110

Mr. William R. Thurston, Tr.
P. O. Box 2080
Durango, CO 81302

Ms. Anna M. Venen
4751 East Costilla Avenue, Apt. 118
Centennial, CO 80122

Mr. and Mrs. Wm. Allbright
WBA Colorado Company
DMA Company
9 Ambleside Drive
Belleair, FL 34616

The Salvation Army
c/o Mr. Gary Jerman
Suite 326, 1645 Court Place
Denver, CO 80202

Ms. Jaxcene L. Heinze
Suite 1180, 410 Seventeenth Street
Denver, CO 80202

Mr. Edward M. Calvin
2380 Forest Street
Denver, CO 80207-3261

Mr. Holmes P. McLish
McLish Resources, L.P., L.L.P.
Suite 1650, 633 Seventeenth Street
Denver, CO 80202

Mr. Elliott Riggs
Mesa Verde Gas and Oil Company
P. O. Box 711
Farmington, NM 87499-0711

Ms. Katharine Boyd Dernocoeur
Mr. Thomas K. Boyd
Laurel Hill Trust
1200 Fero Road
Lowell, MI 49331

Mr. Raymond G. Stone
67 West Bonanza Place
Parachute, CO 81635

Mr. Walter K. Arbuckle, Trustee
Suite 1180, 410 Seventeenth Street
Denver, CO 80202

Mr. John Calvin
733 Chaves Road NW
Albuquerque, NM 87107

Ms. Susan D. Horton
5039 Seneca Drive
Dallas, TX 75209

Ms. Sarah S. Mims Revocable Trust
P.O. Box 111846
Carrollton, TX 75011-1846

Ms. Harriet M. Buchenau
Living Trust
P.O. Box 867585
Plano, TX 75086-7585

Mr. Paul B. Horton
5039 Seneca Drive
Dallas, TX 75209

Ms. Betsy Bryant
2201 Brookhollow
Abilene, TX 79605

Ms. Susan H. Ritter
4700 Via Media
Austin, TX 78746

Mr. Robert Beamon
Suite 1050
2603 Augusta
Houston, TX 77057

Ms. Anne V. Pogson, Trustee
Gladys Watford Trust
12112 Talmay Drive
Dallas, TX 75230

Ms. Henrietta Schultz Individually and
Exec. U/W/O Frank Schultz & Trustee
Of Schultz Revocable Trust
500 N Akard, Suite 2940
Dallas, TX 75201-3360

Griffith & Stone Royalty
114 Pamellia Drive
Bellaire, TX 77401

Ms. Claudia Lundell Gilmer
101 Oak Meadow Drive
Georgetown, TX 78628

Mr. Robert Walter Lundell
Suite 304
2450 Fondren
Houston, TX 77063

Ms. Linda Lundell Lindsey
P.O. Box 631565
Nacogdoches, TX 75963

Pure Resources LP.
P.O. Box 910552
Dallas, TX 75391-0552

Ms. Mitzi Easley
1203 Arronimink Circle
Austin, TX 78746

XTO Energy Inc.
Dept. 4849
135 S. LaSalle Street
Chicago, IL 60674-4849

Warren American Oil Company
P.O. Box 470372
Tulsa, OK 74147-0372

Bureau of Land Management
1235 La Plata Hwy, Suite A
Farmington, NM 87401-1808

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

5. Lease Serial No.
SF-078095A

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.
Horton #1A

9. API Well No.
30-045-2195500SI

10. Field and Pool, or Exploratory Area
Blanco-Mesaverde, Basin-Dakota

11. County or Parish, State
San Juan, New Mexico

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
Hallador Petroleum, LLP

3a. Address
1660 Lincoln St., Suite 2700, Denver CO 80264

3b. Phone No. (include area code)
303 839-5504 ext. 317

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
1850' fnl, 1690' fel Sec 7 T31N R11W

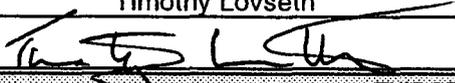
12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other _____
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Hallador Petroleum, LLP proposes to downhole commingle the Basin Dakota and the Blanco Mesaverde pools per the attached documents

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed) Timothy Lovseth	Title Exploration Manager
Signature 	Date October 12, 2004

THIS SPACE FOR FEDERAL OR STATE USE

Approved by	Title	Date
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office	

Title 18 U.S.C. Section 1001, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)