



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
DISTRICT II ARTESIA
811 S. FIRST ST. ARTESIA, NM 88210
(505) 748-1283
FAX (505) 748-8720

Jennifer A. Salisbury
CABINET SECRETARY

April 24, 2000

CERTIFIED MAIL RETURN RECEIPT # 7099 3220 0005 0938 9237

Hallwood Petroleum, Inc.
P.O. Box 378111
Denver, CO. 80237
Attn: Kevin E. O'Connell, Drilling and Production Manager

Re: SHUT-IN NOTICE

Dear Mr. O'Connell,

The gas wells noted on the attached page are to be shut-in on May 1st, 2000 due to Hallwood Petroleum, Inc.'s non-compliance to Rule 303.B. On April 12th, 2000, I contacted you informing that you needed to apply for an administrative application to Santa Fe to surface commingle the referenced wells. To this date we have not received any indication that you are pursuing my request.

If you have recently sent to Santa Fe a surface commingling application or show to me that you are actually in the process of preparing one, I may reconsider withdrawing the shut-in order.

Respectfully yours,

Bryan G. Arrant
District II Geologist-Artesia

cc: Lori Wrotenbery-Division Director
Tim Gum-District Supervisor
Mark Ashley-Hearing Examiner
BLM-Roswell
Scurlock Permian, LLC
GPM Gas Corporation
Well File

Encl.

Form 3160-5
(June 1993)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. Division
811 S. 1st Street
Artesia, NM 88210-2834

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT - " for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well
Oil Well Gas Well Other

2. Name of Operator
Hallwood Petroleum, Inc.

3. Address and Telephone No.
P. O. Box 378111, Denver, CO 80237

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
SW NW Sec, 19-T21S-R26E
Sections 13, 14, 23, 24, 25, 26, 35 & 36 of T21S-R26E

5. Lease Designation and Serial No.
multiple leases

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation
8910115880
SW 704, SW 703 & SW 650

8. Well Name and No.
various

9. API Well No.
various

10. Field and Pool, or Exploratory Area
Catclaw Draw (Morrow)

11. County or Parish, State
Eddy County, NM

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

TYPE OF SUBMISSION

TYPE OF ACTION

- Notice of Intent
- Subsequent Report
- Final Abandonment Notice

- Abandonment
- Recompletion
- Plugging Back
- Casing Repair
- Altering Casing
- Other Surface commingling & off-lease measurement

- Change of Plans
- New Construction
- Non-Routine Fracturing
- Water Shut-Off
- Conversion to Injection
- Dispose Water
(Note: Report results of multiple completion or Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Attached for your review and approval is Hallwood's request for approval of the Catclaw Draw Gas Gathering System in Eddy County, New Mexico



RECEIVED
2000 APR - 31 P 2:20
BUREAU OF LAND MGMT.
LAND RESOURCE AREA

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

Signed Kevin E. O'Connell

Kevin E. O'Connell
Drilling & Production Manager

Date 3/31/00

(This space for Federal or State office use)

Approved by (ORIG. SGD.) GARY GOURLEY

PETROLEUM ENGINEER

Date APR 07 2000

Conditions of approval, if any:

Hallwood Petroleum, Inc.

4610 S. Ulster Street - Suite 200 - P.O. Box 378111
 Denver, Colorado 80237 - (303) 850-7373

CRA BLM FORMAT

This Format Should Be Attached To A Sundry Notice

To: Bureau of Land Management
 Attn: Mr. Jim Amos
 P. O. Box 1778
 Carlsbad, New Mexico 88221-1778

RE: APPLICATION FOR SURFACE COMMINGLING
OFF LEASE MEASUREMENT APPROVAL

Hallwood Petroleum, Inc. is requesting approval for surface commingling and off-lease measurement of natural gas hydrocarbon production from the following formation(s) and well(s) on Federal Units associated with the Catclaw Draw Federal Unit (see Attachment No.1).

<u>Well No.</u> (see Attachment No. 1)	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>	<u>Formation</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

With hydrocarbon production from the following formation(s) and well(s) on Federal Agreement No. SW 650; Lease Name: Nan Bet Com #1.

<u>Well No.</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>	<u>Formation</u>
Nan Bet Com #1	SWNW	19	21S	26E	Morrow
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Production from the wells involved is shown in Attachment No. 1

Continued . . .

Continued:

The proposed operation is described in detail on the attached diagrams, maps and exhibit.

A map (sheet 1 of 3) is enclosed showing the unit agreement numbers and location of all wells that will contribute production to the proposed commingling/common storage facility. A list of the Federal leases is included in the attached copy of Hallwood's 2000 Plan of Development Operations. All unitized/communitized areas, producing zones/pools are also clearly illustrated.

A schematic diagram is also attached which clearly identifies all equipment that will be utilized (see Sheet 3 of 3).

The measuring facility is located at NW of SE ¼, Sec. 14, T21S, R25E, adjacent to the Catclaw Draw Unit No. 7 well in Eddy County New Mexico. BLM will be notified if there is any future change in the facility location.

Details of the proposed method of allocating production to contributing sources is as follows:

Hallwood's Catclaw Draw Gas Gathering System is now a 10- well gathering system with a central L-36 Waukasha (500 HP) and Ariel 4-throw, 2-stage compressor. The 10 individual wells are metered at each well location via Hallwood meters. These charts are mailed to Charts, Ltd. in Midland, Texas on a regular basis and integrated gas volumes are determined by Charts, Ltd.

The individual meter volumes (integrated) are totaled, then an allocation factor is determined from each well's volume divided by the total wellhead volume. This allocation factor is applied to the amount sales volume gas from GPM's central delivery point to determine the individual well sales volume. The difference between GPM's total central delivery point volume of gas and the total wellhead volume of gas is fuel gas used in the process of operating separators, the compressor and dehydrator. The previously mentioned allocation factor is also used to allocate fuel gas proportionately to each well.

The working interest owners will be notified of the proposal by copy of this letter.

The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production.

The proposed commingling is necessary for continued operation of the above referenced Federal leases. With the exception of the Nan-Bet Com #1 commingling and off-lease gas measurement has been occurring in this unit since 1989.

We understand that the requested approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument. And, we will submit within 30 days an application for fight-of-way approval to the BLM's Realty Section in your office if we have not already done so.

Additional wells require additional commingling approvals. Please contact Kevin E. O'Connell at 303-850-6403 in Hallwood's Denver, Colorado office should you have any additional questions.

Signature: Kevin E. O'Connell

Name: Kevin E. O'Connell

Title: Drilling & Production Manager

Date: March 31, 2000

Enclosures

- cc: Lois Hall
- Nonya Durham
- Sonia Prien
- Unit File
- Working Interest Owners

KEO.00.011

ATTACHMENT #1

Well Status List

Well	Status	Unit Well	Pool	Agreement No.	Qtr	Sec.	Twp.	Rng.	MCED	BOPD	OIL GRAVITY
Catclaw Draw Unit # 1Y	Prod.	Yes	Catclaw Draw (Morrow)	8910115880	SE NW	26	21S	25E	890	0	49.8
Catclaw Draw Unit # 4	Prod.	Yes	Catclaw Draw (Morrow)	8910115880	SW NE	24	21S	25E	71	0	49.8
Catclaw Draw Unit # 6	Prod.	Yes	Catclaw Draw (Morrow)	8910115880	NW SE	13	21S	25E	306	1.5	49.5
Catclaw Draw Unit # 7	Prod.	Yes	Catclaw Draw (Morrow)	8910115880	NW SE	14	21S	25E	213	0	49.8
Catclaw Draw Unit # 13	Prod.	Yes	Catclaw Draw (Morrow)	8910115880	SW SE	26	21S	25E	189	1	49.8
Catclaw Draw Unit # 14	Prod.	Yes	Catclaw Draw (Morrow)	8910115880	SW SE	23	21S	25E	1212	3	49.8
Catclaw Draw Unit # 15	Prod.	Yes	Catclaw Draw (Morrow)	8910115880	NW SW	25	21S	25E	265	0	49.8
Catclaw Draw # 16 *	Prod.	No	Catclaw Draw (Morrow)	SW 703	SW NW	13	21S	25E	393	0	49.5
Catclaw Draw Unit #17 *	Prod.	No	Catclaw Draw (Morrow)	SW 704	NW NE	14	21S	25E	290	0	49.8
Nan Bet Corn #4 *	Prod.	No	Catclaw Draw (Morrow)	SW 650	SW NW	19	21S	26E	170	0	49.8

* NOTE: Non-unit wells, but communitized wells.

P:\KED\Catclaw>Status2000.xls

OIL CONSERVATION DIVISION
ARTESIA, NEW MEX. 88210

TO: Mark Ashley
FROM: Bryan Adams
DATE: 4-13-00

NUMBER OF SHEETS (INCLUDING TRANSMITTAL SHEET) 7

IF YOU HAVE ANY PROBLEMS WITH THIS TRANSMISSION, PLEASE CALL 505-748-1283.
FAX NUMBER (505) 748-9720

Ashley, Mark

From: Arrant, Bryan
Sent: Thursday, April 13, 2000 3:35 PM
To: Ashley, Mark
Cc: Catanach, David
Subject: Work

Mark and David,

The faxed material I have sent is information that Hallwood has back approved from the BLM. When I called Kevin O'Connell asking for an administrative order, he did not understand what I was referring to. Please give me a call if you do not receive an application from them in a timely manner. Kevin seemed kind of taken back of having to do what I asked of him.

I refereed him to the rules and regs and asked that he submit his application as soon as possible (yesterday).

From talking to Carmen, Gary Williams is doing better. He is responding to people that come to visit him. He has been off the respirator now and then. His skull fracture is in the process of healing. He has been able to move his legs and arms.

CTB 6/7/00

Hallwood Petroleum, Inc.

4610 S. Ulster Street Suite 200 P.O. Box 378111
Denver, Colorado 80237 (303) 850-7373

May 15, 2000

**CERTIFIED MAIL NO. P 212 222 698
Return Receipt**

Mr. David R. Catanach
State of New Mexico
Oil Conservation Division
2040 S. Pacheco Street
Santa Fe, New Mexico 87505

RE: Request for Administrative Approval, Rule 303.B
Application for Surface Commingling,
Off-Lease Measurement Approval
Eddy County, New Mexico

Dear Mr. Catanach:

Hallwood Petroleum, Inc. respectively requests administrative approval for surface commingling and off-lease measurement of natural gas hydrocarbon production under the provisions of Rule 303.B. This request is for Hallwood Petroleum, Inc.'s Catclaw Draw Unit in the Catclaw Draw (Morrow) Field in Eddy County, New Mexico. The Catclaw Draw Unit is a Federal unit communitized for production from the Morrow formation and includes State, Federal and Fee mineral interest owners.

Hallwood also plans to surface commingle and off-lease measure hydrocarbon production (natural gas) from the following formation and well on Federal Agreement No. SW 650; Lease Name: Nan Bet Com #1, which is located immediately East and adjacent to the Catclaw Draw Unit:

<u>Well</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>	<u>Formation</u>
Nan Bet Com #1	SWNW	19	21S	26E	Morrow

Production from the ten wells involved is shown in Attachment No. 1

The proposed operation is described in detail on the attached maps and exhibit.

A map (sheet 1 of 3) is enclosed showing the unit agreement numbers and location of all wells that will contribute production to the proposed commingling/common storage facility. A list of the Federal leases is included in the attached copy of Hallwood's 2000 Plan of Development Operations. All unitized/communitized areas, producing zones/pools are also illustrated.

Mr. David R. Catanach
State of New Mexico
May 15, 2000
Page 2

A schematic diagram is also attached which identifies all equipment that will be utilized (see Sheet 3 of 3).

The measuring facility is located at NW of SE $\frac{1}{4}$, Sec. 14, T21S, R25E, adjacent to the Catclaw Draw Unit No. 7 well in Eddy County New Mexico. The Artesia – OCD office will be notified if there is any future change in the facility location.

Details of the proposed method of allocating production to contributing sources is as follows:

Hallwood's Catclaw Draw Gas Gathering System is now a 10- well gathering system with a central L-36 Waukasha (800 HP) and Ariel 4-throw, 2-stage compressor. The 10 individual wells are metered at each well location via Hallwood meters. These charts are mailed to Charts, Ltd. in Midland, Texas on a regular (monthly) basis and integrated gas volumes are determined by Charts, Ltd.

The individual meter volumes (integrated) are totaled, then an allocation factor is determined from each well's volume divided by the total wellhead volume. This allocation factor is applied to the amount sales volume gas from GPM's central delivery point to determine the individual well sales volume. The difference between GPM's total central delivery point volume of gas and the total wellhead volume of gas is fuel gas used in the process of operating separators, the compressor and dehydrator. The previously mentioned allocation factor is also used to allocate fuel gas proportionately to each well. Attachment #2 is a copy of Hallwood's allocation spread sheet for these wells for the month of March 2000.

The working interest owners have been notified of this proposal by letter. Federal (BLM) approval of this system was granted on April 7, 2000 (See attachment #3).

The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production.

The proposed commingling is necessary for continued efficient operation of the above referenced Federal leases. Approval of this request will result in increased commercial value to all owners (working and mineral) in these wells due to the centralized compressors and delivery point, lower wellhead pressures, increased production and reduced operating costs instead of having a rental compressor installed at each of the ten (10) wells.

Mr. David R. Catanach
State of New Mexico
May 15, 2000
Page 3

Additional wells require additional commingling approvals. Please contact Kevin E. O'Connell at 303-850-6403 in Hallwood's Denver, Colorado office should you have any additional questions.

Sincerely,

HALLWOOD PETROLEUM, INC.



Kevin E. O'Connell
Drilling & Production Manager

KEO:jey

Enclosures

cc: Lois Hall
Sonia Prien
Unit File

State of New Mexico
Commissioner of Public Lands
310 Old Santa Fe Trail
P. O. Box 1148
Santa Fe, NM 87504-1148

KEO.00.019

HALLWOOD PETROLEUM, INC.
 Catclaw Draw Gathering System
 Eddy County, New Mexico

Attachment #1

Well Status List

<u>Well</u>	<u>Status</u>	<u>Unit Well</u>	<u>Pool</u>	<u>Agreement No.</u>	<u>Qtr.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>
Catclaw Draw Unit # 1	Prod.	Yes	Catclaw Draw (Morrow)	8910115880	SE NW	26	21S	25E
Catclaw Draw Unit # 4	Prod.	Yes	Catclaw Draw (Morrow)	8910115880	SW NE	24	21S	25E
Catclaw Draw Unit # 6	Prod.	Yes	Catclaw Draw (Morrow)	8910115880	NW SE	13	21S	25E
Catclaw Draw Unit # 7	Prod.	Yes	Catclaw Draw (Morrow)	8910115880	NW SE	14	21S	25E
Catclaw Draw Unit # 13	Prod.	Yes	Catclaw Draw (Morrow)	8910115880	SW SE	26	21S	25E
Catclaw Draw Unit # 14	Prod.	Yes	Catclaw Draw (Morrow)	8910115880	SW SE	23	21S	25E
Catclaw Draw Unit # 15	Prod.	Yes	Catclaw Draw (Morrow)	8910115880	NW SW	25	21S	25E
Catclaw Draw # 16 *	Prod.	No	Catclaw Draw (Morrow)	SW 703	SW NW	13	21S	25E
Catclaw Draw Unit #17 *	Prod.	No	Catclaw Draw (Morrow)	SW 704	NW NE	14	21S	25E
Nan Bet Com #1 *	Prod.	No	Catclaw Draw (Morrow)	SW 650	SW NW	19	21S	26E

* NOTE: Non-unit wells, but communitized wells.

OPERATOR'S COPY

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT - " for such proposals

5. Lease Designation and Serial No.

multiple leases

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE

**OFFICE CASE REC.
NO. for Unit**

7. ~~Unit~~ Agreement Designation

8910115880 = **NM 70799**
SW 704, SW 703 & SW 650

1. Type of Well

Oil Well Gas Well Other

2. Name of Operator

Hallwood Petroleum, Inc.

**OPERATORS FOR SUNDRIES
SUBMIT 1 ORIGINAL AND 5
COPIES**

8. Well Name and No.

various

3. Address and Telephone No.

P. O. Box 378111, Denver, CO 80237

9. API Well No.

various

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

SW NW Sec, 19-T21S-R26E
Sections 13, 14, 23, 24, 25, 26, 35 & 36 of T21S-R25E

10. Field and Pool, or Exploratory Area

Catclaw Draw (Morrow)

11. County or Parish, State

Eddy County, NM

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

TYPE OF SUBMISSION

TYPE OF ACTION

- Notice of Intent
- Subsequent Report
- Final Abandonment Notice

- Abandonment
- Recompletion
- Plugging Back
- Casing Repair
- Altering Casing
- Other Surface commingling & off-lease measurement

- Change of Plans
 - New Construction
 - Non-Routine Fracturing
 - Water Shut-Off
 - Conversion to Injection
 - Dispose Water
- (Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.) *

Attached for your review and approval is Hallwood's request for approval of the Catclaw Draw Gas Gathering System in Eddy County, New Mexico

RECEIVED
APR 10 2000
DELEG & PROD.

RECEIVED
2000 APR -31 P 2:20
BUREAU OF LAND MGMT.
CARLSBAD RESOURCE AREA

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

Signed

Kevin E. O'Connell

Kevin E. O'Connell
Drilling & Production Manager

Title

Date 3/31/00

(This space for Federal or State office use)

Approved by

[Signature]

Title

DE

Date

4-7-00

Conditions of approval, if any:

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

ADMINISTRATION

Phone (505) 827-5700

Fax (505) 827-5853

GENERAL COUNSEL

Phone (505) 827-5713

Fax (505) 827-4262

PUBLIC AFFAIRS

Phone (505) 827-1245

Fax (505) 827-5766



**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

C7B-499
COMMERCIAL RESOURCES
Phone (505) 827-5724
Fax (505) 827-6157

MINERAL RESOURCES
Phone (505) 827-5744
Fax (505) 827-4739

ROYALTY MANAGEMENT
Phone (505) 827-5772
Fax (505) 827-4739

SURFACE RESOURCES
Phone (505) 827-5793
Fax (505) 827-5711

June 16, 2000

Hallwood Petroleum, Inc.
P.O. Box 378111
Denver, Colorado 80237

Attn: Mr. Kevin E. O'Connell

Re: Application for Surface Commingling
Catclaw Draw Unit Well No. 1Y
Unit Letter E, Section 26-21S-25E
Catclaw Draw Unit Well No. 4
Unit Letter G, Section 24-21S-25E
Catclaw Draw Unit Well No. 6
Unit Letter J, Section 13-21S-25E
Catclaw Draw Unit Well No. 7
Unit Letter J, Section 14-21S-25E
Catclaw Draw Unit Well No. 13
Unit Letter O, Section 26-21S-25E
Catclaw Draw Unit Well No. 14
Unit Letter O, Section 23-21S-25E
Catclaw Draw Unit Well No. 15
Unit Letter I, Section 25-21S-25E
Catclaw Draw Unit Well No. 16
Unit Letter E, Section 13-21S-25E
Catclaw Draw Unit Well No. 17
Unit Letter B, Section 14-21S-25E
Nan Bet Com Well No. 1
Unit Letter E, Section 19-21S-26E
Catclaw Draw-Morrow Pool
Eddy County, New Mexico

Dear Mr. O'Connell:

We have received your letter of May 15, 2000 wherein you requested our approval for off-lease storage and surface commingling of the production from the Nan Bet Com Well No. 1 at the compressor station in the NW/4SE/4 of Section 14-21S-25E.

We understand that production shall be allocated to each lease by separately metering the production from each lease prior to commingling.

Hallwood Petroleum, Inc.

June 16, 2000

Page 2

Since it appears that there will be no loss of revenue to the State of New Mexico's beneficiaries as a result of your proposed operation, your request is hereby approved. Our approval is given with the understanding that the Commissioner of Public Lands reserves the right to amend or withdraw his approval, should this operation prove to be unprofitable to the state at any time in the future. Also, our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

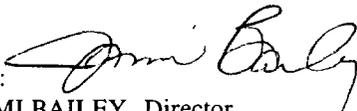
Please submit your \$30.00 filing fee.

Also please submit a copy of the New Mexico Oil Conservation Division's order as well as the Bureau of Land Management's approval.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL , M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm

Enclosure

xc: Reader File

OCD-Mr. David Catanach, Mr. Ben Stone

BLM