

**BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION**

OIL CONSERVATION DIV.  
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APPLICATION OF HALLWOOD PETROLEUM, INC.  
FOR ORDER ALLOWING DRILLING IN POTASH  
AREA, LEA COUNTY, NEW MEXICO.

No. 1259

**APPLICATION**

Hallwood Petroleum, Inc. ("Hallwood") hereby applies for an order allowing drilling in the Potash Area, Lea County, New Mexico, and in support thereof, states:

1. Hallwood seeks approval to drill within the "Designated Potash area" pursuant to all applicable rules and procedures governing said area, as promulgated by Division Order R-111-P. The proposed well, the "Bass # 5" well, is 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, drilled to the Delaware formation at an approximate depth of 8300 feet, Lea County, New Mexico. The SE/4 SW/4 of said Section 30 is to be dedicated to said well to form a standard 40-acre oil spacing and proration unit for the Hat Mesa Delaware Pool.

2. In July of 1998 Hallwood filed with the Hobbs District Office of the New Mexico Oil Conservation Division Form C-101, *Application for Permit to Drill* ("APD") for the above-described well. In compliance with said Order R-111-P, Hallwood also notified each potash operator holding potash leases within one mile of the proposed well. By letter dated July 13, 1998, Mississippi Potash, Inc. objected to the drilling of the subject well.

3. Hallwood seeks to exercise its rights under a fee mineral lease. The subject lands are not leased for potash.

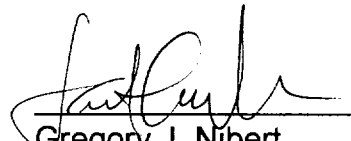
4. Hallwood has also filed herewith a companion case involving an APD on the same lease in the SW/4 of Section 30. Hallwood requests that both APDs be approved but that Hallwood be allowed to designate which location will be drilled first. Hallwood requests that the time limit for exercising Hallwood's rights under the second APD not begin to run until 60 days following completion of the first well.

WHEREFORE, Hallwood requests that this application be set for hearing before the Division on October 8, 1998, and that after hearing the Division enter its order approving the APD.

Dated: September 9, 1998

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD  
& HENSLEY, L.L.P.



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