



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE
AZTEC NM 87410
(505) 334-6178 FAX: (505) 334-6170
<http://nemrdd.state.nm.us/ocd/District/NM3adistrict.htm>

GARY E. JOHNSON
GOVERNOR

Jennifer A. Salisbury
CABINET SECRETARY

November 6, 1997

Kevin E O'Connell
Drilling and Production Manager
Hallwood Petroleum Inc
PO Box 378111
Denver CO 80237

Re: B Montoya 25 #1, H-25-32N-13W, API 30-045-23196

Dear Mr. O'Connell:

Your application to directionally drill the proposed referenced well at a surface location of 1850' FNL, 790' FEL and a projected bottom hole location of 1830' FNL, 1440' FEL is hereby approved, providing the actual bottom hole location terminates within the producing interval standard setback window.

If you have any questions please contact me.

Sincerely

Ernie Busch
District Geologist/Deputy O&G Inspector

EB/sh

Xc: Bureau of Land Management-Duane Spencer
NMOCD-Santa Fe

HALLWOOD 1-D
Hallwood Petroleum, Inc.

4582 South Ulster Street Parkway • Stanford Place III • Suite 1700 • Post Office Box 378111
Denver, Colorado 80237 • (303) 850-7373

CERTIFIED MAIL NO. P 212 222 133

November 3, 1997

State of New Mexico
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

Attention: William J. LeMay
Division Director

RE: Request for Rule 111-D Approval
Directional Well – B. Montoya #25-1
San Juan County, New Mexico

REC-111-D
NOV - 5 1997
OIL CON. DIV.
DIST. 3

Dear Sir:

In accordance with the provisions of the State of New Mexico, Oil Conservation Division, Rule III-Deviation Tests/Deviated Wells and Directional Wells, Hallwood Petroleum, Inc. wishes to obtain approval to drill (actually, re-drill) a directional, intentionally deviated, well.

The subject well is an existing Basin Fruitland Coal Field well named the B. Montoya #25-1 located in the NE/4 (Unit H) of Section 25-T32N-R13W. This well was originally recompleted from the deeper Mesa Verde/Dakota zones uphole to the Basal Fruitland Coal interval and has produced since February 1991.

Gas production in mid-1994 was at 1200 MCFD (flowing) for the B. Montoya #25-1 well but has fallen off at an unusually steep rate which is abnormal for "typical" coal wells. The well is currently shut-in after an unsuccessful re-frac attempt.

Because of this significant drop in gas production and resulting loss of reserves, we are proposing to plug the well back, pull the 7" casing and sidetrack the well to a "new coal face". We also have some concerns about the secondary squeeze job on the Fruitland Coal recompletion and believe that the only way to correct the wellbore is to sidetrack and re-drill the well.

Pertaining to Rule 111-Section 2 (D), Hallwood submits the following information:

- a) The information above pertaining to the B. Montoya #25-1 is Hallwood's statement addressing the reason for directionally drilling this well. The well is currently uneconomic and shut-in. Unless favorable production levels can be restored, the existing B. Montoya #25-1 well (vertical well) will have to be plugged and abandoned.

State of New Mexico
Oil Conservation Division
November 3, 1997
Page 2

- b) Exhibit No. 1 is a plat showing the required information.
- c) Exhibit Nos. 2 and 2A are vertical plan views of the proposed sidetrack for the subject well.
- d) Exhibit Nos. 3 and 3A are horizontal plan views for the subject well.
- e) Exhibit No. 4 is a type log section showing the Basal Fruitland Coal interval in the two (2) Hallwood-operated wells in Section 25-T32N-R13W.
- f) Exhibit No. 5 is a statement of notification of offset partners.

We have also enclosed a Sundry Notice Form (C-103) stating our intent of this directional project and the procedure.

Please do not hesitate to contact me at (303) 850-6303 should you require additional information.

Sincerely,

HALLWOOD PETROLEUM, INC.



Kevin E. O'Connell
Drilling and Production Manager

KEO/jeY

Enclosures

cc: Oil Conservation Division
District III Office
1000 Rio Brazos Road
Aztec, NM 87410
Attn: Mr. F. T. Chavez

Jim Bonaventura – Durango
Nonya Durham
Well File

OIL CONSERVATION DIVISION

DISTRICT I

P. O. Box 1980, Hobbs, NM 88240

DISTRICT II

811 S. First St., Artesia, NM 88210-2834

DISTRICT III

1000 Rio Brazos Rd, Aztec, NM 87410

2040 S. Pacheco
Santa Fe, New Mexico 87505

WELL API NO.
30-045-23196

5. Indicate Type of Lease
STATE ☐ FEE ☒

6. State Oil & Gas Lease No.
1344

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:
OIL WELL ☐ GAS WELL ☒ OTHER ☐

2. Name of Operator
Hallwood Petroleum, Inc.

3. Address of Operator
P. O. Box 378111, Denver, CO 80237

7. Lease Name or Unit Agreement Name
B. Montoya 25

8. Well No. 1

9. Pool name or Wildcat
Basin Fruitland Coal

4. Well Location
Unit Letter H : 1850 Feet From The North Line and 790 Feet From The East Line
Section 25 Township 32N Range 13W NMPM San Juan County

10. Elevation (Show whether DF, RKB, RI, GR, etc.)
5866' GL 5878' KB

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
 TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
 PULL OR ALTER CASING ☐
 OTHER: Plugback & sidetrack to new BHL_____ X

SUBSEQUENT REPORT OF:

REMEDIAL WORK	<input type="checkbox"/>	ALTERING CASING	<input type="checkbox"/>
COMMENCE DRILLING OPNS.	<input type="checkbox"/>	PLUG AND ABANDONMENT	<input type="checkbox"/>
CASING TEST AND CEMENT JOB	<input type="checkbox"/>		<input type="checkbox"/>
OTHER:			<input type="checkbox"/>

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

The subject well is currently an uneconomical & shut-in Basin Fruitland Coal well completed with perforations at 2106-2136'. Hallwood plans to plug the well back and sidetrack (re-drill) to a new bottomhole location. Hallwood plans to do this by December 1997 or January 1998.

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

SIGNATURE Karen E. Minnell TITLE Drlg & Prod Manager DATE 11/3/97

TYPE OR PRINT NAME Kevin E. O'Connell TELEPHONE NO. 303-850-6303

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

OIL CONSERVATION DIVISION

 P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator Quinoco Petroleum, Inc.			Lease B. Montoya 25		Well No. 1
Unit Letter H	Section 25	Township 32N	Range 13W	County San Juan	
Actual Footage Location of Well: 1850 feet from the North line and 790 feet from the East line					
Ground level Elev. 5866	Producing Formation Fruitland Coal		Pool Fruitland Coal	Dedicated Acreage: 320 Acres	

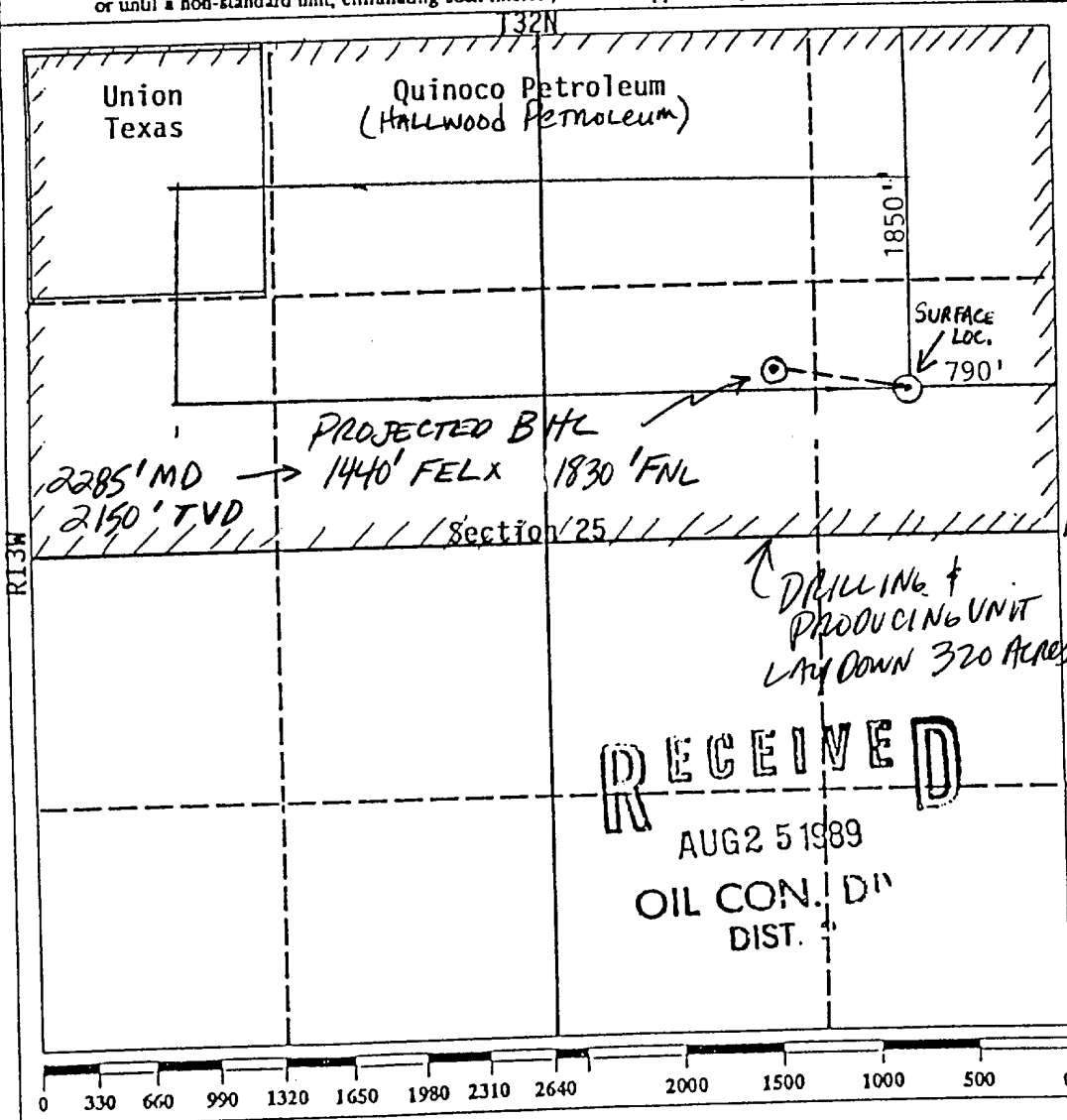
1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.

2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

 3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.? ☒ Yes ☐ No If answer is "yes" type of consolidation **Communitized**

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 interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

 Signature
Ronald W Finch
 Printed Name
Ronald W. Finch
 Position
Drlg & Prod Manager
 Company
Quinoco Petroleum, Inc.
 Date
August 22, 1989

SURVEYOR CERTIFICATION

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

Date Surveyed

 Signature & Seal of
 Professional Surveyor

Certificate No.

MONTOYA #25-1

Procedure

1. Prior to start of work, move pumping unit to the edge of location.
2. MIRU pulling unit to prep well for sidetracking.
3. TOH with tubing/packer.
4. PU a 7" cement retainer and RIH on tubing to 2050' (56' above top perf). Set retainer and prep to cement squeeze.
5. Squeeze Fruitland perms with 150 sacks of cement, pull out of retainer and leave some cement on top of retainer.
6. TOH with tubing.
7. RU to freepoint, cut and pull 7" casing, CBL log shows it to be free at 850'.
8. Cut as deep as possible, pull and lay down 7" casing.
9. TIH with tubing, tag casing stub and spot a 200' open hole cement plug.
10. TOH, WOC and RD pulling unit.
11. MIRU large service unit with pump, tanks and power swivel or drilling rig.
12. TIH with milltooth bit (7 7/8") and collars and DP. Circulate and wash down, displacing hole with drilling mud.
13. Tag cement plug and dress off to kick off from.
14. TOH and PU Baker Hughes motor and bent sub.
15. TIH, orient in a 271.76° direction and start motor drilling off plug and old hole.
16. Build angle to approximately 24° and hold this angle to total depth of approximately 2285' MD.
17. Circulate hole good with mud and TOH.
18. Run open hole "coal" log.
19. Run ~~pre-perf~~ casing, ~~BCP~~ and (5 1/2" casing) and cement to surface. *1/6/90 10/30/97*
20. Complete well per forthcoming procedure.

PRODUCTION CODE	
FR	- FRUITLAND
PC	- PICTURED CLIFFS
CH	- CLIFF HOUSE
G	- GREENHORN
MV	- MESA VERDE
GR	- GRAMEROS
DK	- DAKOTA

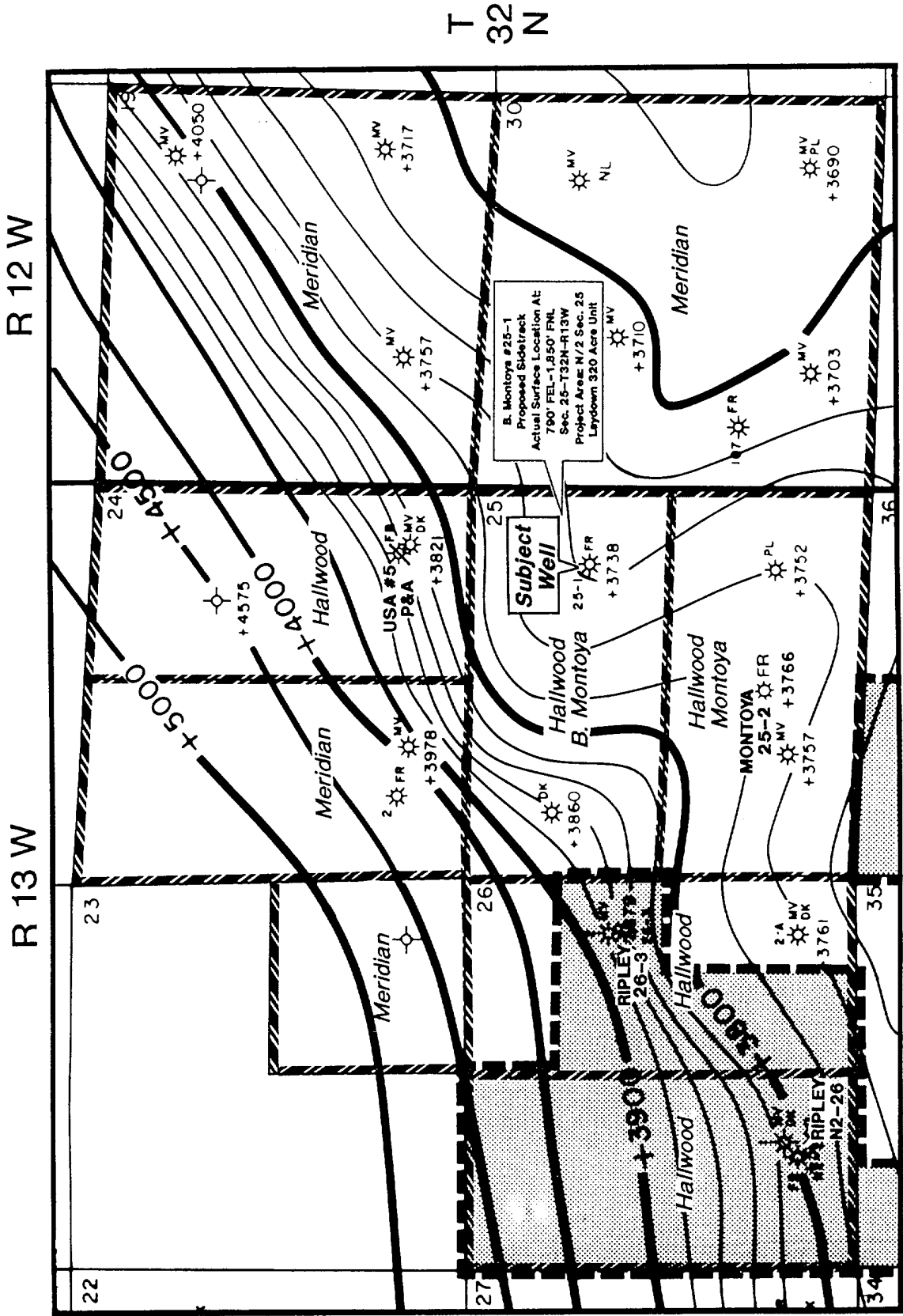
Scale: 1"=2,000'

Hallwood Petroleum, Inc.

La Plata Area
STRUCTURE TOP PC
(Base Coal)

San Juan Co., New Mexico

C.I.: 20'



Wellbore Sketch

EXHIBIT NO. 2

CASING

9 5/8" 36# SET AT 262'

Cement Plug dressed to 400' MD

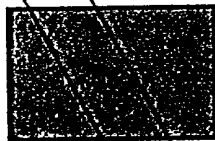
5°/100 ft. BUR
KOP ft. 400 TVD 400 MD Inc 1
EOB
879 MD '865 TVD,
24 °inclination
280° AZ (North 80° WEST)

7 7/8 " hole

EAST ←

→ WEST

Top of Target 650 ft VS @ 2106 TVD 2236



} FRUITLAND COAL

TD reentry 669 ft VS @ 2150 TVD 2285 MD

EXHIBIT NO. 2A

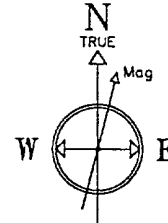
HALLWOOD PETROLEUM, INC.

Structure : SEC.25-T32N-R13W

Well : B. MONTOYA 25-1

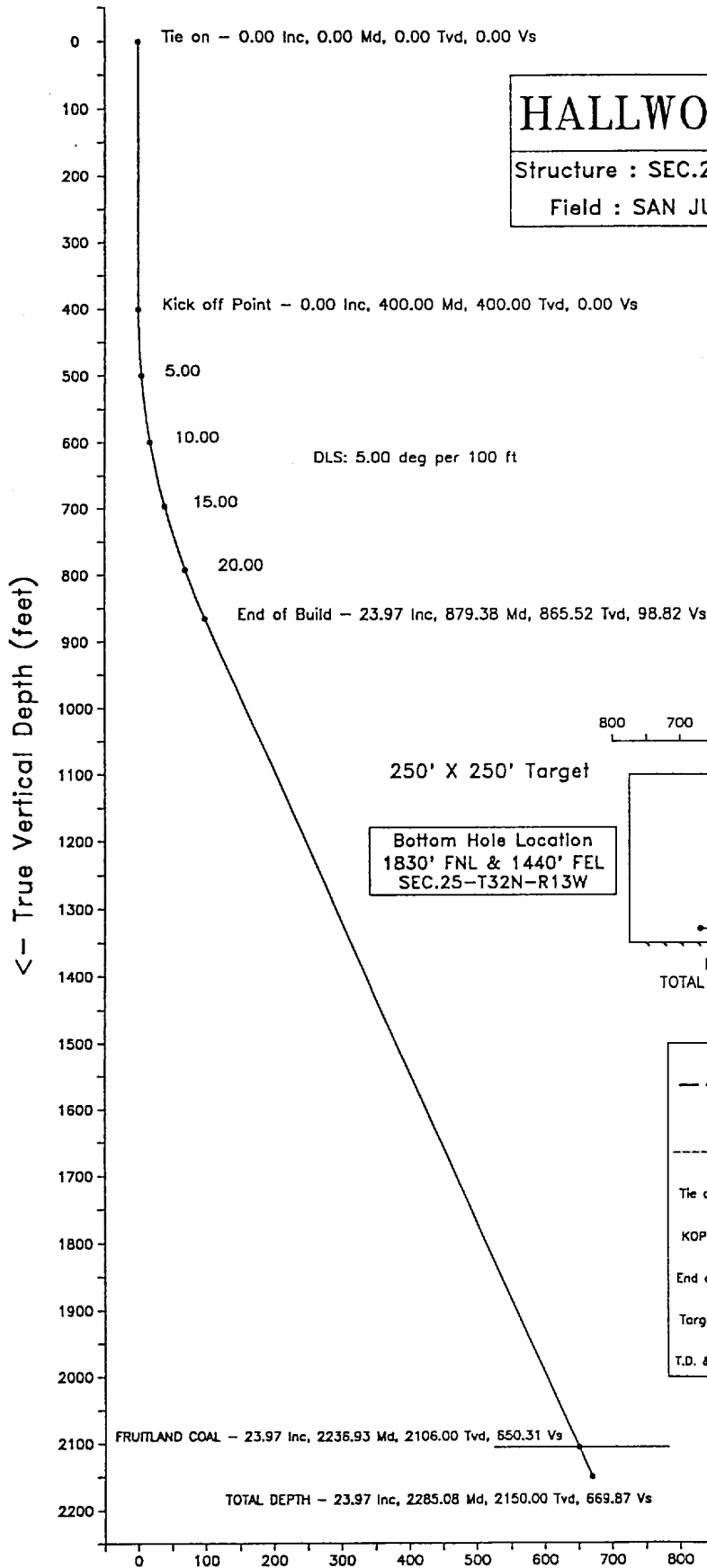
Field : SAN JUAN COUNTY

Location : NEW MEXICO



11-Apr-97

Magnetic North is 11.73 degrees East of TRUE North
To correct azimuth from Magnetic to TRUE add 11.73 deg



250' X 250' Target

Bottom Hole Location
1830' FNL & 1440' FEL
SEC.25-T32N-R13W

Surface Location
1850' FNL & 790' FEL
SEC.25-T32N-R13W

Surface 0.00 N, 0.00 E

FRUITLAND COAL - 2106.00 Tvd, 20.00 N, 650.00 W
TOTAL DEPTH - 2150.00 Tvd, 20.60 N, 669.55 W

WELL PROFILE DATA

Point	MD	Inc	Dir	TVD	North	East	V. Sect	Deg/100
Tie on	0.00	0.00	271.76	0.00	0.00	0.00	0.00	0.00
KOP	400.00	0.00	271.76	400.00	0.00	0.00	0.00	0.00
End of Build	879.38	23.97	271.76	865.52	3.04	-98.77	98.82	5.00
Target	2236.93	23.97	271.76	2106.00	20.00	-650.00	650.31	0.00
T.D. & End of Hole	2285.08	23.97	271.76	2150.00	20.60	-669.55	669.87	0.00

FRUITLAND COAL - 23.97 Inc, 2236.93 Md, 2106.00 Tvd, 650.31 Vs

TOTAL DEPTH - 23.97 Inc, 2285.08 Md, 2150.00 Tvd, 669.87 Vs

Vertical Section (feet) ->

Azimuth 271.76 with reference 0.00 N, 0.00 E from SLOT #1

-- Baker Hughes INTEQ --
DRAWN BY: WALLY HOLBROOK
DATE: APR. 11.1997
TVD REFERENCED RKB
DENVER, COLORADO
PHONE: (303) 534-3223

HALLWOOD PETROLEUM, INC.

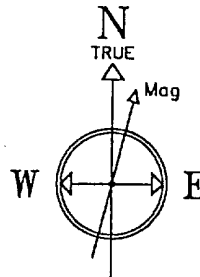
Structure : SEC.25-T32N-R13W

Well : B. MONTOKA 25-1

Field : SAN JUAN COUNTY

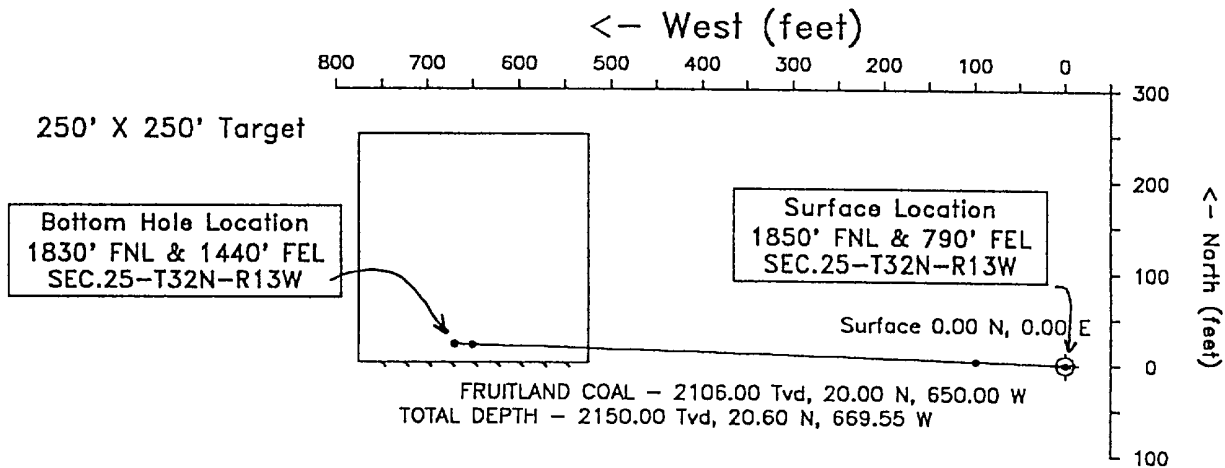
Location : NEW MEXICO

EXHIBIT NO. 3



11-Apr-97

Magnetic North is 11.73 degrees East of TRUE North
To correct azimuth from Magnetic to TRUE add 11.73 deg



WELL PROFILE DATA

Point	MD	Inc	Dir	TVD	North	East	V. Sect	Deg/100
Tie on	0.00	0.00	271.76	0.00	0.00	0.00	0.00	0.00
KOP	400.00	0.00	271.76	400.00	0.00	0.00	0.00	0.00
End of Build	879.38	23.97	271.76	865.52	3.04	-98.77	98.82	5.00
Target	2236.93	23.97	271.76	2106.00	20.00	-650.00	650.31	0.00
T.D. & End of Hold	2285.08	23.97	271.76	2150.00	20.60	-669.55	669.87	0.00

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

EXHIBIT NO. 3A

Hobbs, NM 88240

Artesia, NM 88210

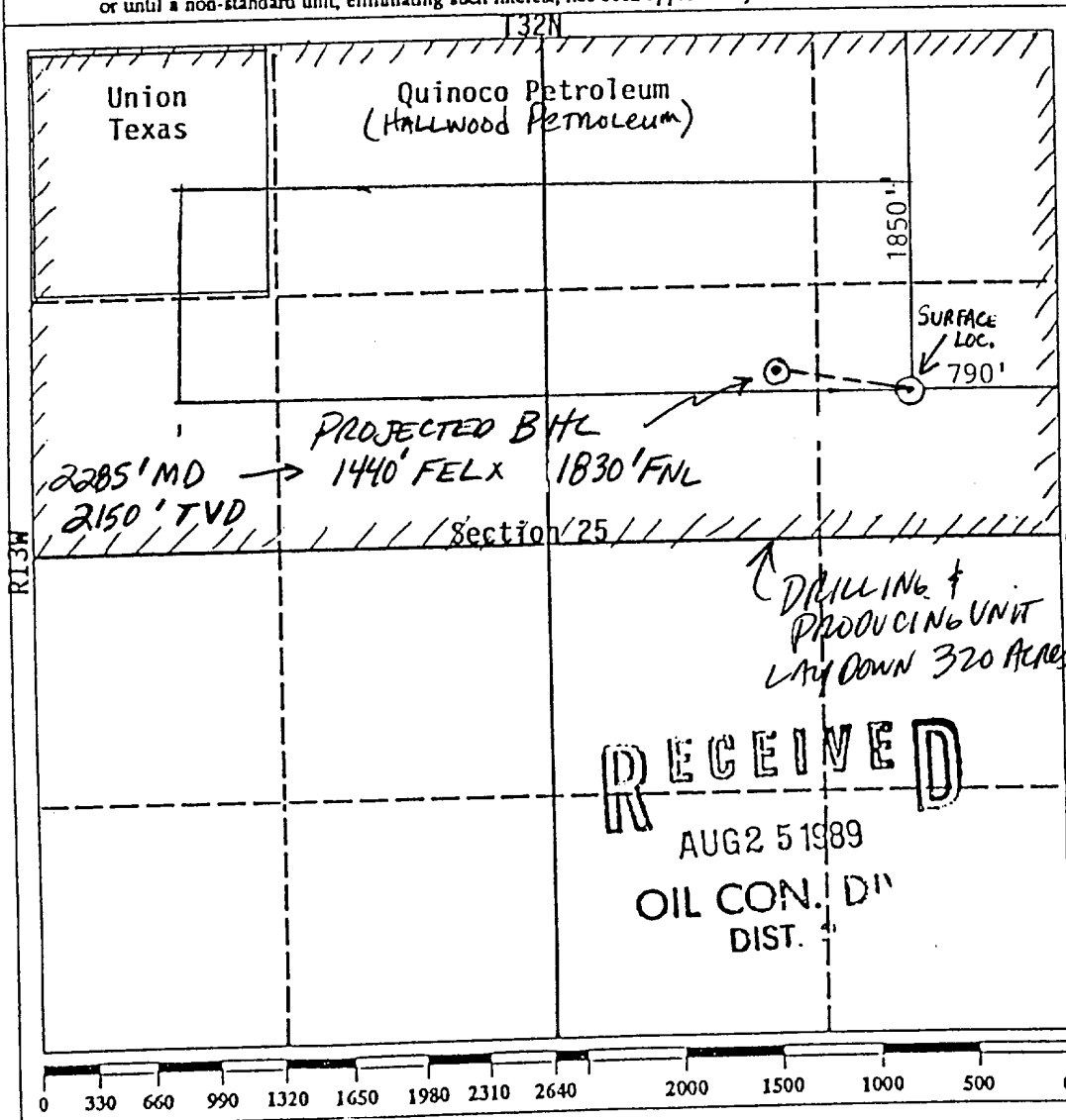
Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

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

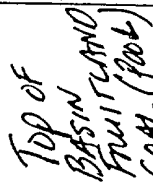
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature Ronald W Finch
Printed Name Ronald W. Finch
Position Drig & Prod Manager
Company Quinoco Petroleum, Inc.
Date August 22, 1989

SURVEYOR CERTIFICATION

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

Date Surveyed _____
Signature & Seal of Professional Surveyor _____
Certificate No. _____



Top of
Cott. 2092'
1 (+350')

BASE OF
BASIN
FRONTLAND
COAL
(POOR)

WILL TO BE SIDETRACKED

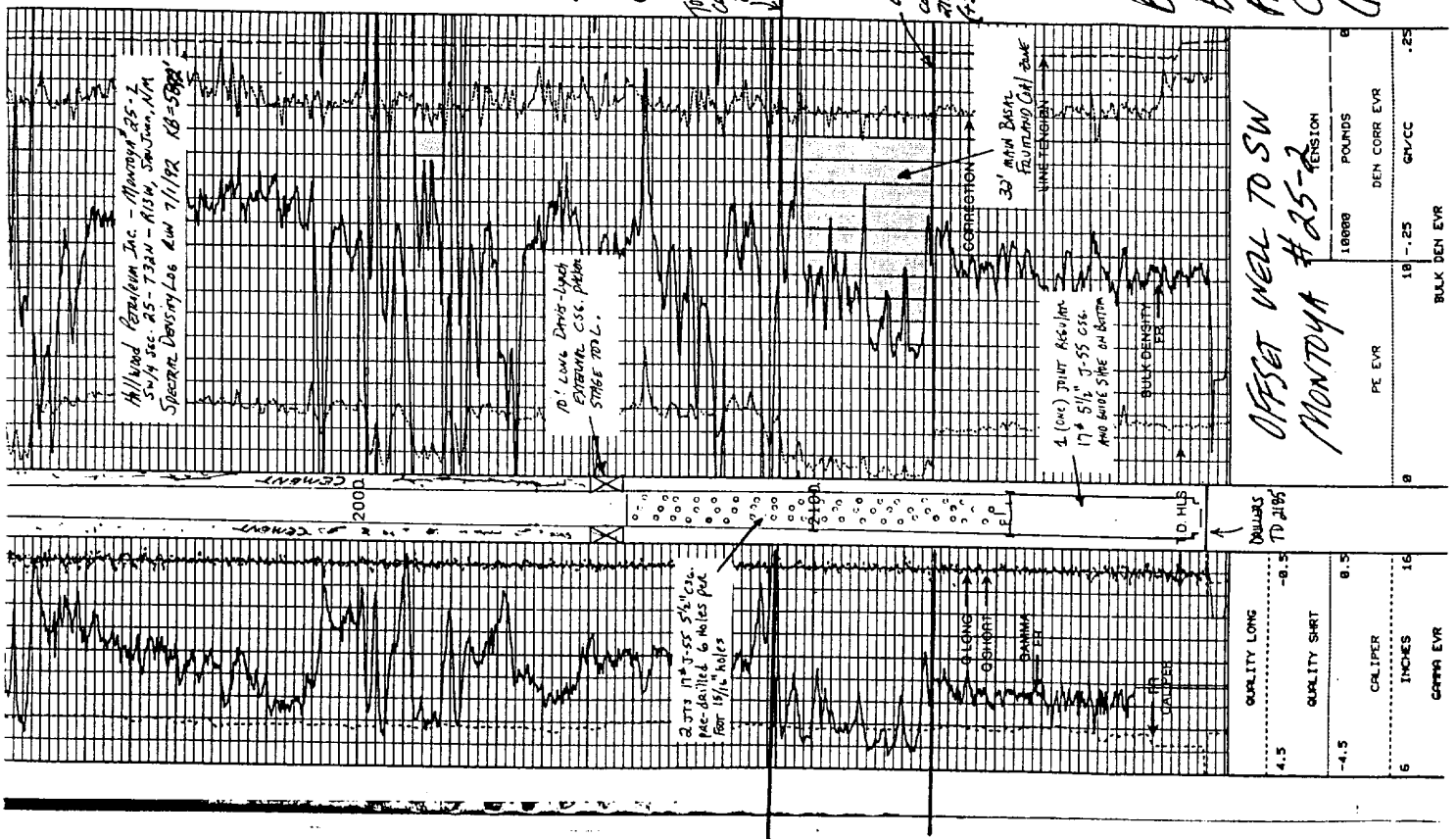


EXHIBIT NO. 5

Verification and Affidavit

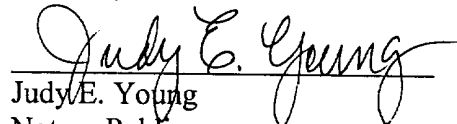
STATE OF COLORADO)
) SS
COUNTY OF DENVER)

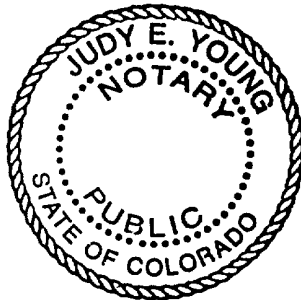
Kevin E. O'Connell, of lawful age, being first duly sworn on his oath, deposes and says:

That he is employed in an engineering capacity by Hallwood Petroleum, Inc. in its Denver office; that he has responsibilities for New Mexico permitting matters; that Hallwood's Application for approval to directionally re-drill the B. Montoya #25-1 well to a new legal bottomhole location in Unit G, with a surface location in Unit H-Section 25-T32N-R13W, San Juan County, New Mexico, has been prepared under his direction and supervision; that the matters and things therein set forth are true and correct to the best of his knowledge and belief; that a copy thereof was sent by certified mail from Applicant's Denver, Colorado office on November 3, 1997 to Meridian Oil, Inc., P. O. Box 4289, Farmington, NM 87499, the only affected offset operator, pursuant to Rule 111; and that to the best of his knowledge and belief this party is the only owner/operator to whom notice of such Application is required to be given in accordance with the provisions of the Rules and Regulations of the Oil and Gas Conservation Commission of the State of New Mexico.


Kevin E. O'Connell

Subscribed and sworn to before me this 3rd day of November, 1997.


Judy E. Young
Notary Public



My Commission Expires
April 19, 2001