

Submit to Appropriate
District Office
State Lease - 6 copies
Fee Lease - 5 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-101
Revised 1-1-89

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

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

API NO. (assigned by OCD on New Wells)
30-045-23197
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work: DRILL <input type="checkbox"/> RE-ENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input checked="" type="checkbox"/>	7. Lease Name or Unit Agreement Name Montoya 27
b. Type of Well: OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>	8. Well No.
2. Name of Operator Hallwood Petroleum, Inc.	9. Pool name or Wildcat Basin Fruitland Coal
3. Address of Operator P. O. Box 378111, Denver, Colorado 80237	

4. Well Location Unit Letter <u>P</u> : <u>790</u> Feet From The <u>South</u> Line and <u>790</u> Feet From The <u>East</u> Line Section <u>27</u> Township <u>32N</u> Range <u>13W</u> NMPM San Juan County
--

10. Proposed Depth	11. Formation	12. Rotary or C.T.
13. Elevations (Show whether DF, RT, GR, etc.) 5850' KB 5838' GL	14. Kind & Status Plug. Bond	15. Drilling Contractor
16. Approx. Date Work will start		

17. PROPOSED CASING AND CEMENT PROGRAM					
SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP

Hallwood Petroleum, Inc. proposes to plug and abandon the Dakota and Mesaverde zones in the subject well and recomplete to the Fruitland Coal formation (Basin Fruitland Coal Field) per the attached procedure. This is an unorthodox coal gas well location. However, a location exception order has been granted and is attached - Case No. 10728, Order No. R-9905.

RECEIVED
JUL 2 1993
OIL CON. DIV.
DIST. 2

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTION ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

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

SIGNATURE Kevin O'Connell TITLE Drig. & Prod. Supervisor DATE 6/24/93
TYPE OR PRINT NAME Kevin O'Connell (303) TELEPHONE NO. 850-6393

(This space for State Use)

APPROVED BY Eric B... TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 2 DATE JUL 19 1993

CONDITIONS OF APPROVAL, IF ANY:

R-9905
Seize 150% of cost, cement under packer in 4 1/2" line to
cover the Greenhorn Formation C-104 For Plot

Montoya #27-1 (FC)
SE SE Section 27-T32N-R13W
790' FSL X 790' FSL
San Juan County, New Mexico

WELL DATA:

ELEVATIONS: 5,850' KB
5,838' GL
12' KB-GL Difference

SPUD DATE: 11/24/78

TD: 6,953'

PBTD: 6,868'

CASING:

Surface: 9-5/8" 36# at 243' KB. Cement to surface with 275 sacks.

Intermediate: 7" 20# K-55 at 4,898' KB. Cement in one-stage with 300 sacks RFC. Full returns. Top of cement at 4,000'.

Liner: 4-1/2" 11.60# X 10.50# K-55 STXC set at 4,791' to 6,942' KB cement with 225 sacks POZ and 250 sacks class "B".

PROCEDURE:

1. Set anchors and grade location.
2. MIRUSU. Kill well with 8.4 ppg, 40 Vis plug mud, ND tree and NU BOP's.
3. RU to pull 2-1/16" 3.25# IJ (short string) tubing for Mesaverde side landed at 4,692'.
4. RU Wireline and RIH down Dakota 2-3/8" X 2-1/16" tubing to 1.143" seating nipple at 6,764.9'.
5. Set a blanking plug in the seating nipple, or set a tubing plug in the tubing at 5,975' (just above Baker Model F packer).
6. Blow down tubing, PU out of hanger slightly and cut tubing 30' (±) above packer.
7. Pull up to insure tubing is free, circulate hole with 8.4 ppg 40 Vis plug mud.

8. Spot a 100' (25 sacks) cement plug on top of the packer and cut.
9. TOH with tubing.
10. RIH with Wireline and set a 7" 20# CIBP at 4,470' (35' above top Mesaverde perf at 4,505'): Cap this plug with 35 feet of cement.
11. RIH and perforate about 8 holes at 2,300'.
12. TIH with 7" cement retainer on tubing and set at 2,270'.
13. Unsting from retainer, test casing and plug to 1000 psi, then sting in to retainer and test backside to 1000 psi.
14. Attempt to pump in or break circulation with water, open bradenhead.
15. RU Western Company and try pumping some nitrogen to unload or lighten the mud column, then break hole over to water prior to cementing.
16. Pump about 20 barrels of mud flush followed by cement. Details of the cement procedure are still being worked out and will be sent later. However, we are going to try and cement about 1000' minimum if the hole will circulate. Assuming an 11" enlarged hole, 1000 feet of 11" X 7" annulus is 393 cubic feet.
17. Pump cement, pull out of retainer, TOH and WOC.
18. Depending on how cement job actually went we may want to run a bond log or temperature survey.
19. RU Wireline and prepare to perforate. Consider running a gauge ring or junk basket to check PBTD and insure that retainer check valve held OK. Then correlate to Schlumberger Log dated 12/3/78, Compensated Neutron/Formation Density Log. Perforate 2,005-2,038' with 8SPF (2-4 SPF runs) at 90° phasing.
20. Breakdown perfs with water and prep to frac.
21. Frac well per forthcoming procedure but the preliminary estimate is about 90,000 gallons of 30# fluid, 18,000# of 40/70 sand and 250,000# of 12/20 Brady sand at 45 BPM down casing.
22. Flowback and swab well, then put on pump.

Well History Record

PROPOSED
WELLBORE STATUS
Recompleted to
FRUITLAND COAL

WELL: MONTUOA #27-1

LOCATION: SE SE Section 27-T32N-R13W
(790' FSL x 790' FEL)

SPUD DATE: 11/24/78

COMPL. DATE:

T.D.: 6953' PBTD: 6868'

FIELD: BASIN DAKOTA / BLANCO MESAVENDE

OLD ZONES: DAKOTA & Mesaverde

PERFS: DAKOTA 6706-6840' gross

Mesa Verde 4505 - 4754' gross

NEW ZONE: BASIN FRUITLAND CORP

Perfs: 2005' - 2038'

① 100' (25sx) cement plug on
PACKER AT 5980'

② 7" CIBP AND 35' OF CEMENT
AT 4470' ABOVE MV PERFS

③ - 8 squeeze pens @ 2300'
- 7" cement return @ 2270

- ATTEMPT TO CEMENT OUTSIDE OF 7" CSB. WITH 1000' OF CEMENT (1300-2300')

④ PERFORATE FRUITLAND COAL
@ 2005 - 2038', FRACTURE
STIMULATE AND PUMP
TEST.

K40 6/23/93

Well History Record

CURRENT
WELLBORE
STATUS

6/23/93

WELL: MONTUVA #27-1

LOCATION: SE SE Section 27-T32N-R13W
(790' FSL X 790' FEL)

SPUD DATE: 11/24/78

COMPL. DATE:

T.D.: 6953' PBTD: 6868'

FIELD: BASIN DAKOTA / BLANCO MESA Verde

ZONES: DAKOTA & Mesaverde

PERFS: DAKOTA 6706-6840' gross

Mesavende 4505 - 4754' gross

TOTAL HOURS:

STIMULATION:

NOTE: WELL HAS BEEN SHUT-IN
SINCE MARCH, 1992.
UNECONOMIC & DEPLETED.

Surface

95/8 " 36 #

9515 Gr K-55 @ 243'

Cmt.w/ 275 Sxs.

TOC @ SURFACE

Hole Size 12 1/4"

Max Mud Wt. 8.6

4692' OF 2 1/16" IJ

4505' MV. PERFS Intermediate

4754' 7 " 20 #

Gr K-55 @ 4898'

Cmt.w/ 300 Sxs.

TOC @ 400'

Hole Size 8.75"

Max Mud Wt. 9.0 #

4 1/2" BAKER Model "F" #5980'

Production *LINER*

6706' Production LINER
 ↑ 10.50x
 DAKOTA PERFS 4 1/2" 11.60"

Gr K-55 @ 4791-6442'

Cmt.w/ 225 Sxs.

TOC @ LINE TOP

Hole Size 6 1/4"

Max Mud Wt. 9.0

2 3/8" AND 2 1/16" TUBING TO 6798'

**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. 10728
ORDER NO. R-9905**

**APPLICATION OF HALLWOOD PETROLEUM INC.
FOR AN UNORTHODOX COAL GAS WELL
LOCATION, SAN JUAN COUNTY, NEW
MEXICO.**

RECEIVED JUN 18 1993

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 6 and 20, 1993 at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 4th day of June, 1993, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Hallwood Petroleum Inc., seeks authority to recomplete its F Montoya "27" Well No. 1 from the Basin-Dakota and Blanco-Mesaverde Gas Pools to the Basin-Fruitland Coal Gas Pool at an unorthodox coal gas well location 790 feet from the South and East lines (Unit P) of Section 27, Township 32 North, Range 13 West, NMPM, San Juan County, New Mexico. The S/2 of Section 27 is to be dedicated to the subject well forming a standard 320-acre gas spacing and proration unit for said pool.

(3) The subject well is located within the Basin-Fruitland Coal Gas Pool and is therefore subject to the Special Rules and Regulations for said pool as promulgated by Division Order No. R-8768, as amended, which require standard 320-acre gas spacing and proration units and which further require that wells be located in either the NE/4 or SW/4 of a single governmental section no closer than 790 feet from any outer boundary of the proration unit nor closer than 130 feet from any quarter section line nor closer than 10 feet from any quarter-quarter section line or subdivision inner boundary.

(4) The location of the F Montoya "27" Well No. 1 is standard in the Basin-Fruitland Coal Gas Pool with respect to the setback requirements but is unorthodox with respect to the quarter section location.

(5) The applicant's geologic evidence indicates that the F Montoya "27" Well No. 1 is located less than two miles from the outcrop of the monocline containing the Fruitland Coal bed. The evidence further indicates that the SE/4 of Section 27 is the only quarter section which contains substantial acreage believed to be below the point of flexure of that monocline and therefore potentially productive of gas from the Basin-Fruitland Coal Gas Pool.

(6) Applicant's evidence and testimony indicate that its gas reserves underlying the S/2 of Section 27 are best tested for production with a well at the current location.

(7) Due to the geologic nature of the Fruitland Coal bed, it is unlikely that any other well will be drilled to test the Basin-Fruitland Coal Gas Pool within Section 27.

(8) Applicant's evidence and testimony indicate that current producing rates from the Dakota and Mesaverde within the subject well are such that they are uneconomic to produce.

(9) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(10) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Hallwood Petroleum Inc., is hereby authorized to recomplete its F Montoya "27" Well No. 1 from the Basin-Dakota and Blanco-Mesaverde Gas Pools to the Basin-Fruitland Coal Gas Pool at an unorthodox coal gas well location 790 feet from the South and East lines (Unit P) of Section 27, Township 32 North, Range 13 West, NMPM, San Juan County, New Mexico.

(2) The S/2 of Section 27 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

CASE NO. 10728

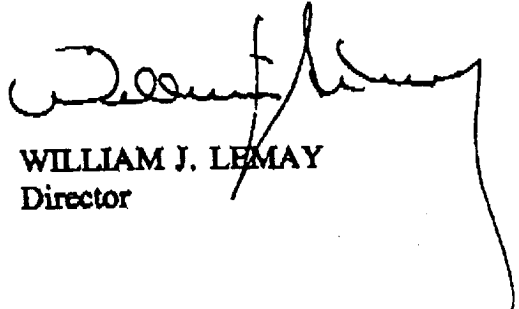
Order No. R-9905

Page 2

(3) 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



WILLIAM J. LEMAY
Director

S E A L