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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. 10557
ORDER NO. R-9749

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

P-2432-1
USA #5

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OIL CON. DIV.
DIST. 3

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 17 and October 15, 1992 at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 30th day of October, 1992, 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 drill its proposed USA Well No. 5 at an unorthodox coal gas well location 947 feet from the South line and 800 feet from the East line (Unit P) of Section 24, Township 32 North, Range 13 West, NMPM, Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico. The E/2 of Section 24 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 proposed USA Well No. 5 is standard 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 proposed location is within two miles of the outcrop of the monocline containing the Fruitland Coal bed and is the only prospective quarter section within Section 24 believed to be below the point of flexure of that monocline and therefore potentially productive of gas from the Fruitland Coal bed.

(6) Applicant's evidence and testimony indicates that its gas reserves underlying the E/2 of Section 24 are best tested for production with a well at the proposed location.

(7) It is likely that the subject well will be the only well drilled in Section 24 to test and produce Basin-Fruitland Coal gas reserves.

(8) All offset operators have been properly notified and, according to testimony, have waived objection to the granting of this application.

(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:

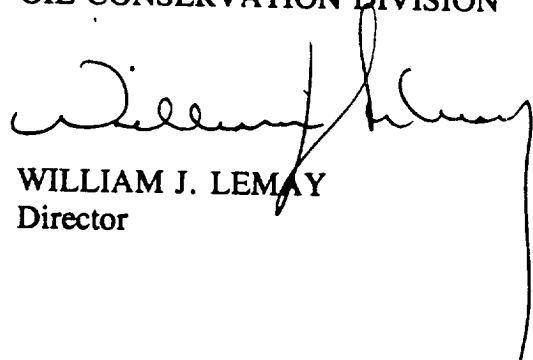
(1) The applicant, Hallwood Petroleum Inc., is hereby authorized to drill its USA Well No. 5 at an unorthodox coal gas well location 947 feet from the South line and 800 feet from the East line (Unit P) of Section 24, Township 32 North, Range 13 West, NMPM, Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

(2) The E/2 of Section 24 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

(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

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