



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

July 2, 1996

Hallwood Petroleum, Inc.
P. O. Box 378111
Denver, Colorado 80237
Attention: Kevin E. O'Connell

Administrative Order NSP-1762(L)

Dear Mr. O'Connell:

Reference is made to your application dated June 13, 1996 for a non-standard 320-acre gas spacing and proration unit consisting of the following acreage in the Basin-Fruitland Coal (Gas) Pool:

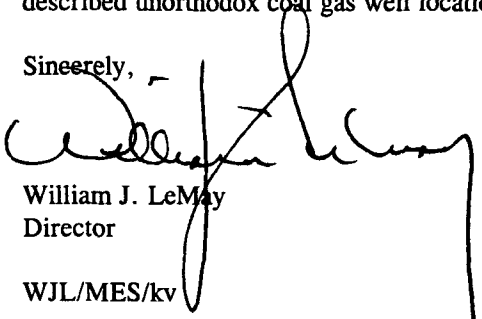
SAN JUAN COUNTY, NEW MEXICO
TOWNSHIP 31 NORTH, RANGE 13 WEST, NMPM
Section 9: SE/4
Section 10: SW/4

It is our understanding that this unit is to be dedicated to the proposed Wright "10" Well No. 1 (API No. 30-045-29387), to be drilled at an unorthodox coal gas well location 2300 feet from the South line and 1550 feet from the West line (Unit K) of said Section 10.

The above-described acreage offsets a similar 320-acre non-standard gas spacing and proration unit in the Basin-Fruitland Coal (Gas) Pool, approved by Division Administrative Order NSP-1686, dated March 3, 1994, that comprises the NE/4 of said Section 9 and the NW/4 of said Section 10. The formation of the requested 320-acre non-standard unit combined with the existing unit will serve to restore continuity and uniform spacing of future coal gas wells in the immediate area. Further, the above-described acreage for the proposed Wright "10" Well No. 1 was previously dedicated in to both the Blanco-Mesaverde and Basin-Dakota Pools to the former Consolidated Oil and Gas Inc. Segal "10" Well No. 1 (API No. 30-045-10901), located 1844 feet from the South line and 1850 feet from the West line (Unit K) of said Section 10 under the authority of Division Administrative Order NWU-446, dated January 3, 1962.

By the authority granted me under the provisions of Rules 6 and 8 of the "*Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool*", as promulgated by Division Order No. R-8768, as amended, the above-described unorthodox coal gas well location and non-standard gas spacing and proration unit are hereby approved.

Sincerely,


William J. LeMay
Director

WJL/MES/kv

cc: Oil Conservation Division - Aztec