WALSH ENGINEERING MODEL COAL WEL
2/18/97 LA PLATA 33 # 1
CASE # 3

DATE : 02/18/97
TIME : 07:30:30
DBS FILE : T31N13W
SETUP FILE : TOMDATA
SEQ NUMBER : 167

R E S E R V E S   A N D   E C O N O M I C S

EFFECTIVE DATE: 1/97

-END- MO-YR	GROSS OIL PRODUCTION MBBLS	GROSS GAS PRODUCTION MMCF	NET OIL PRODUCTION MBBLS	NET GAS PRODUCTION MMCF	NET OIL PRICE $/BBL	NET GAS PRICE $/MCF	NET OIL SALES M$	NET GAS SALES M$	TOTAL NET SALES M$
12-97	.000	16.426	.000	13.962	.000	1.290	.000	18.011	18.011
12-98	.000	38.690	.000	32.887	.000	1.308	.000	43.004	43.004
12-99	.000	54.750	.000	46.537	.000	1.347	.000	62.680	62.680
12-00	.000	73.182	.000	62.205	.000	1.387	.000	86.295	86.295
12-01	.000	104.390	.000	88.732	.000	1.429	.000	126.789	126.789
12-02	.000	122.640	.000	104.244	.000	1.472	.000	153.422	153.422
12-03	.000	113.193	.000	96.214	.000	1.515	.000	145.794	145.794
S TOT	.000	523.271	.000	444.781	.000	1.430	.000	635.996	635.996
AFTER	.000	480.285	.000	408.242	.000	1.700	.000	694.111	694.111
TOTAL	.000	1003.557	.000	853.023	.000	1.559	.000	1330.106	1330.106

-END- MO-YR	WINDFALL PROFIT TAX M$	NET ADVAL & PROD. TAXES M$	DIRECT OPER EXPENSE M$	INTEREST PAID M$	CAPITAL REPAYMENT M$	EQUITY INVESTMENT M$	FUTURE NET CASHFLOW M$	CUMULATIVE CASHFLOW M$	15.0% CUM DISC CF M$
12-97	.000	1.724	40.200	.000	.000	280.000	-303.913	-303.913	-302.206
12-98	.000	4.115	34.900	.000	.000	.000	3.989	-299.924	-299.018
12-99	.000	5.998	32.150	.000	.000	.000	24.532	-275.392	-282.140
12-00	.000	8.258	30.600	.000	.000	.000	47.437	-227.955	-254.049
12-01	.000	12.133	29.500	.000	.000	.000	85.155	-142.800	-210.645
12-02	.000	14.682	29.498	.000	.000	.000	109.242	-33.557	-162.718
12-03	.000	13.952	30.383	.000	.000	.000	101.459	67.902	-124.405
S TOT	.000	60.864	227.230	.000	.000	280.000	67.902	67.902	-124.405
AFTER	.000	66.425	297.954	.000	.000	.000	329.731	397.633	-43.343
TOTAL	.000	127.289	525.184	.000	.000	280.000	397.633	397.633	-43.343

	OIL	GAS
GROSS WELLS	.0	1.0
GROSS ULT., MB & MMF	.000	1003.557
GROSS CUM., MB & MMF	.000	.000
GROSS RES., MB & MMF	.000	1003.557
NET RES., MB & MMF	.000	853.023
NET REVENUE, M$	.000	1330.106
INITIAL PRICE, $	.000	1.290
INITIAL N.I., PCT.	.000	85.000

LIFE, YRS.	15.50
DISCOUNT %	15.00
UNDISCOUNTED PAYOUT, YRS.	6.33
DISCOUNTED PAYOUT, YRS.	15.50
UNDISCOUNTED NET/INVEST.	2.42
DISCOUNTED NET/INVEST.	.85
RATE-OF-RETURN, PCT.	12.52
INITIAL W.I., PCT.	100.000

P.W. %	P.W., M$
2.00	304.776
4.00	225.891
6.00	158.664
8.00	101.198
10.00	51.927
12.00	9.559
15.00	-43.343
18.00	-85.966
30.00	-190.730
75.00	-282.007

BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 11728 Exhibit No. 12

Submitted by: Thompson Engineering & Production Company

Hearing Date: March 20, 1997

WALSH ENGINEERING MODEL COAL WEL
2/18/97 LA PLATA 33 # 1
CASE # 3

DATE : 02/18/97
TIME : 07:30:30
DBS FILE : T31N13W
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SEQ NUMBER : 167

	INPUT DATA							CALCULATED DATA				
ITEM	SCHEDULING RATES			SCHEDULE UNTIL		PROCEDURE		ULTIMATE	LAST	EFF. DECL	INIT. RATE	FINAL RATE
405 START	01/97											
410 GAS	1368.80	X	M/M	01/98	AD	FLAT	.00	16.425	12/97		1369.	1369.
415 "	3224.20	X	M/M	01/99	AD	FLAT	.00	55.115	12/98		3224.	3224.
420 "	4562.50	X	M/M	01/2000	AD	FLAT	.00	109.865	12/99		4563.	4563.
425 "	6098.50	X	M/M	01/2001	AD	FLAT	.00	183.047	12/00		6099.	6099.
430 "	8699.20	X	M/M	01/2002	AD	FLAT	.00	287.437	12/01		8699.	8699.
435 "	10220.00	X	M/M	01/2003	AD	FLAT	.00	410.077	12/02		10220.	10220.
440 "	10220.00	X	M/M	732.16	IMU	EXP	15.00	1142.238	8/24	15.00	10220.	304.
505 OPC/T	40200.00	X	$/Y	1/98	AD	PC	.00		12/97		3349.987	3349.987
510 "	34900.00	X	$/Y	1/99	AD	PC	.00		12/98		2908.322	2908.322
515 "	32150.00	X	$/Y	1/2000	AD	PC	.00		12/99		2679.156	2679.156
520 "	30600.00	X	$/Y	1/2001	AD	PC	.00		12/00		2549.990	2549.990
525 "	29500.00	X	$/Y	1/2002	AD	PC	.00		12/01		2458.323	2458.323
530 "	29100.00	X	$/Y	TO	LIFE	PC	3.00		8/24		2424.990	4727.347
531 PRI/GAS	1.2900	1.2900	$/M	1/98	AD	FLAT	.00		12/96		1.290	
532 "	1.29	3.00	$/M	TO	LIFE	PC	3.00		12/98		1.290	2908.322
533 PRI/OIL	18.0000	X	$/B	TO	LIFE	PC	3.00		8/24		18.000	40.679
534 ATX	1.46	1.46	%	TO	LIFE	PC	.00		12/96		.015	.015
535 STX/OIL	8.23	8.23	%	TO	LIFE	PC	.00		12/96		.082	.082
536 STX/GAS	8.23	8.23	%	TO	LIFE	PC	.00		12/96		.082	.082
700 NET/WI	100.0000	D	%	TO	LIFE	FLAT	.00		8/24		1.000	1.000
720 NET/NIC	85.0000	D	%	TO	LIFE	FLAT	.00		8/24		.850	.850
740 NET/NIG	85.0000	D	%	TO	LIFE	FLAT	.00		8/24		.850	.850

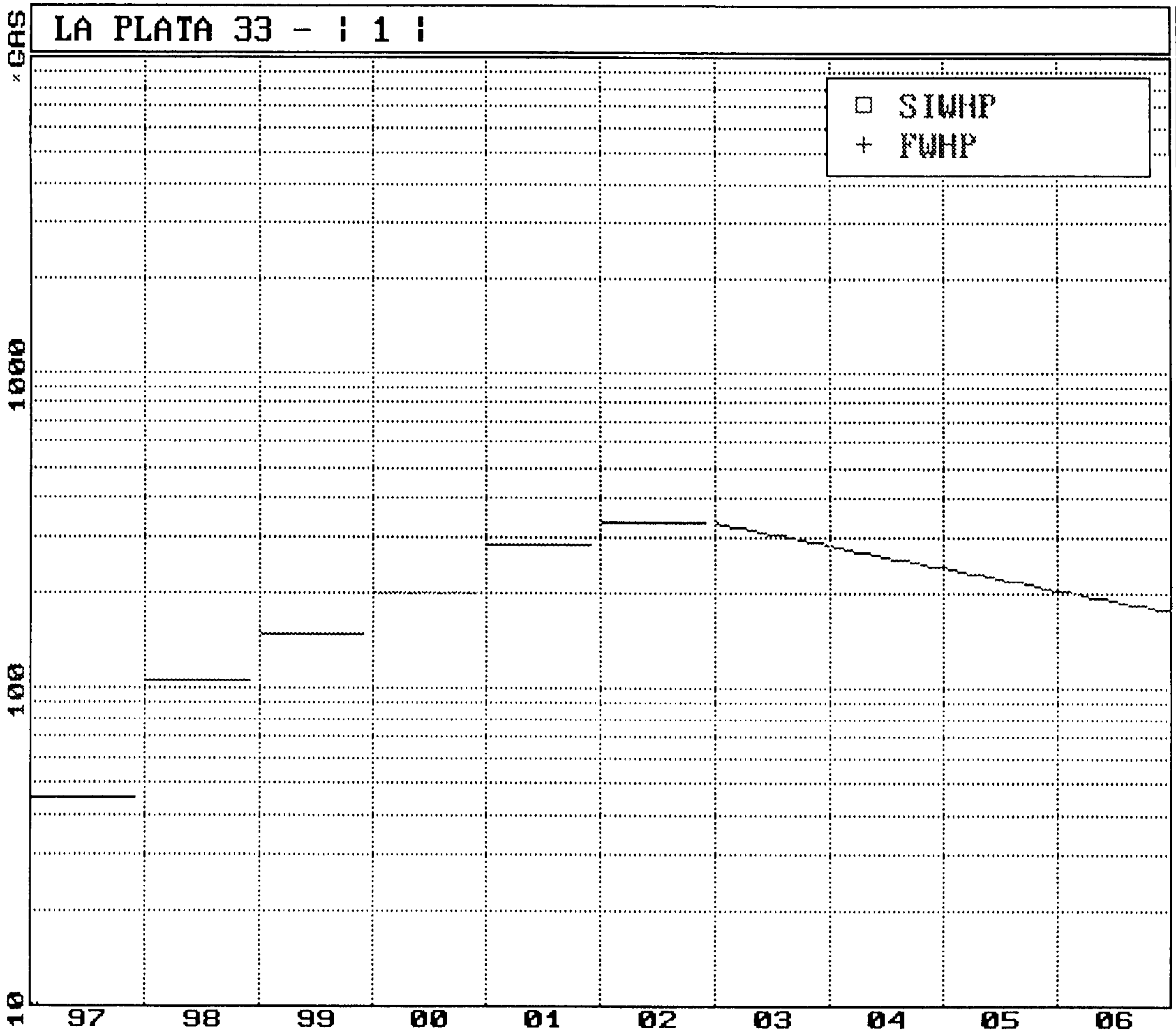
INVESTMENT	TANGIBLES & INTANGIBLES		TIME		PROCEDURE		TOTAL T&I	MONTH	RISK INV.	TOT. T&I&R	ESC. T&I&R
800 CAPITAL	84.26	165.74 M$G	1/97	AD	PC	10.00	250.000	1/97	.	250.0	250.0
801 INVEST	.00	30.00 M$G	1/97	AD	PC	10.00	30.000	1/97	.	30.0	30.0

RESERVE PARAMETERS		ITEM		ITEM
201 LOSS	NO			
205 BTU	1000.00			
210 CUMO, MB	.00	CUMG, MMF	.00	CUML, MB

PROJECT ASSUMPTIONS

BASE DATE : 1/91 TIME FRAMES : 1*36 38*12 720
P.W. DATE : 1/97 PW %-AGE : 15.0 DISC. FREQUENCY : 365.
REPORT DATE : 1/97 PROD QUAL : WALSH OWNER QUAL : TOT OTHER QUAL : WALSH

LA PLATA 33 - ¦ 1 ¦



Prop 167

×GAS Mcf/d

RateTime
Semi Log

EUR	1,142,239
Cum	0
Rem	1,142,239
Rem%	100.0%
Yrs	27.67
Date	1/1/1997
Act	0
Qmo	1,395
Q	45
n	0
De	0
Qab	10
GetQual	WALSH

Major =

Hallwood Energy Companies

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

January 9, 1997 **CERTIFIED MAIL NO. P 324 481 644**

Mr. William J. LeMay - Director
State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87504-2088

RE: Non-Standard Spacing Unit
Steward Com #1
SE SE Section 28-T32N-R13W
(790' FSL x 790' FEL)
San Juan County, New Mexico

Dear Mr. LeMay:

Hallwood Petroleum Inc. is in receipt of notification of the proposed non-standard spacing unit well in the Basin Fruitland Coal Gas Field. Hallwood Petroleum Inc. is an offset operator with twenty two (22) Basin Fruitland Coal wells within four (4) miles of the proposed well. We are not opposing the non-standard location for this well, as Hallwood has also benefitted from two similar non-standard wells.

Hallwood is concerned about an issue directly related to this well and other potential new wells to be drilled in the vicinity of our developed acreage and wanted to address that with the Oil Conservation Division. The issue is - shallow Fruitland Coal Gas well development and gas seeps. As you or members of your staff are aware, the issue of shallow gas seeps adjacent to or in close proximity to coal gas well development is very controversial directly North in LaPlata County, Colorado.

As previously mentioned, Hallwood Petroleum Inc. currently operates 22 Fruitland Coal Gas wells in the immediate vicinity of the proposed Steward Com #1 well. All of Hallwood's wells are between a subsea depth of +4000 to +3700 and a measured depth of 1850' to 2070'(perforations). Hallwood's cumulative gas production since 1990 is 21 BCF and 1.10 MMBW. To our knowledge and to date, there have been no occurrences of any gas seeps in the immediate area of our wells. Hallwood would like this information to be entered in the record because we are concerned that shallower Fruitland Coal wells, coupled with large hydraulic fracturing or a wellbore that intersects extensive natural fracturing, could increase the potential for a gas seep. Additionally, as an offset operator we are concerned about new well development in close proximity to the Fruitland Coal outcrop. Hallwood's closest well to the outcrop is approximately 1.25 mile away, while the Steward Com #1 location and other operator's producing wells are 0.75 mile (or less).

The information supplied by Walsh Engineering (Exhibit #1) suggests the Steward Com #1 will penetrate the coal at +3900', or a measured depth of approximately 2083'. Based on Hallwood's data for the area we believe the Basal Fruitland Coal will be penetrated at +4950' subsea, and thus a measured depth of approximately 1033'. We have also been approached by another company about a similar "non-standard" well location under consideration in the SE SE of section 22-T32N-R13W. At this location we project the Basal Fruitland coal would be encountered at +5125', or only an estimated 775' measured depth.

To summarize Hallwood's position and purpose of this letter, we are not objecting to the Steward Com #1 well location, as each mineral owner is entitled to developing their own lease within the established rules of the State. In addition, Hallwood is not attempting to raise unnecessary concerns or fears about gas seeps in this area, but simply wishes to make note to the Oil Conservation Division that up until this point there has been no record of, or occurrence of any gas seeps in the vicinity of Hallwood operated wells in Township 31 and 32 North, Range 12 West of San Juan County, New Mexico

Thank you for your interest and attention to this matter. Please contact me at (303) 850-7373 should you have any additional questions.

Sincerely,

HALLWOOD PETROLEUM, INC.

Kevin E. O'Connell

Kevin E. O'Connell
Drilling and Production Manager

KEO

Attachment

cc: John Genziano
Betty Dieter
Bruce Bowman

New Mexico-OCD
1000 Rio Brazos Road
Aztec, New Mexico 87410
ATTN:Ernie Busch

Walsh Engineering & Production Corp.
7415 East Main
Farmington, New Mexico 87402

KEO97.001