

**HINKLE, COX, EATON, COFFIELD & HENSLEY,
L.L.P.**

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WILLIAM P. SLATTERY
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SARY M. LAYDON
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REBECCA A. ZUSCHLAG
ROCKY S. LAWDERMILK***

***NOT LICENSED IN NEW MEXICO**

October 29, 1998

**Charles C. High, Jr.
Kemp, Smith, Duncan & Hammond, P.C.
1900 Norwest Plaza
P.O. Box 2800
El Paso, TX 79901**

**Via Fax and First Class Mail
Fax No. (915) 546-5360**

Re: Hallwood - OCD Case Nos. 12,055 & 12,056

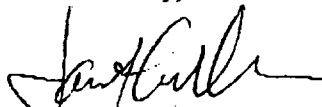
Dear Charlie:

This letter is to follow up on our telephone conversation yesterday regarding a telephonic hearing on the discovery issues pending in the above referenced matters. You told me that you were scheduled to be out of town today but that you would be available on Friday after 9:00 a.m. I relayed that information to the OCD (Mr. David Catanach, Hearing Examiner) and he has scheduled our hearing for 1:00 p.m. (MST) on Friday, October 30, 1998. Mr. Catanach's office will initiate the conference call.

By copy of this letter I will also notify Mr. Catanach that you will be available at telephone number (915) 546-5360 and that I will be available at (505) 622-6510.

If you have any questions, or if your schedule has changed, please let me know as soon as possible.

**Very truly yours,
Hinkle, Cox, Eaton, Coffield
& Hensley, L.L.P.**


James A. Gillespie

/s

**cc: Mr. David Catanach
Fax No. (505) 827-8177**

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MIDLAND, TEXAS 79702
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TOTAL P.01

**STATE OF NEW MEXICO
ENERGY, MINERAL AND NATURAL RESOURCES DEPARTMENT
THE NEW MEXICO OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION FOR THE
PURPOSE OF CONSIDERING:**

**APPLICATION OF HALLWOOD PETROLEUM, INC.
FOR ORDER ALLOWING DRILLING IN POTASH
AREA, LEA COUNTY, NEW MEXICO.**

Case No. 12,056

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Hallwood Petroleum, Inc. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES:

Applicant:

Hallwood Petroleum, Inc.
4582 South Ulster Street Parkway
Stanford Place III, Suite 1700
Post Office Box 378111
Denver, Colorado 80237

Other Party:

Mississippi Potash, Inc.
P.O. Box 101
1996 Potash Mines Road
Carlsbad, New Mexico 88220
(505) 887-5591

Attorney:

James A. Gillespie
HINKLE, COX, EATON, COFFIELD
& HENSLEY, LLP
Post Office Box 10
Roswell, NM 88201
(505) 622-6510

Attorney:

Charles C. High, Jr.
KEMP, SMITH, DUNCAN
& HAMMOND, P.C.
1900 Norwest Plaza
P.O. Box 2800
El Paso, TX 79901
(915) 546-5201

STATEMENT OF CASE:

Applicant: Hallwood seeks permission to drill the Bass #5 well in the SW¼ of Section 30, Township 20 South, Range 33 East, N.M.P.M. The mineral interests underlying the lands in

question are owned in fee. The lands are leased for oil and gas and are not leased for potash. The mineral interest owners support Hallwood's proposed development of the acreage for oil and gas.

As decided by the Division in *Noranda Minerals, Inc.*, Case No. 10,490, subpart G(e)(3) of Order R-111-P allows wells to be drilled in LMRs with the consent of the lessors and lessees of both oil & gas and potash. In this instance, the lessors and lessees of the minerals agree that Hallwood should be allowed to proceed with their proposed well.

Other Party: Mississippi Potash, Inc. ("MPI") submitted objections to the proposed well necessitating the scheduled hearing. As of this date, MPI has informed Hallwood that they have withdrawn their objections to the proposed well.

PROPOSED EVIDENCE

Applicant:
WITNESS

**ESTIMATED
TIME**

EXHIBITS

Lois Dodds, CPL
(Landman)

10 minutes (total
time for cases
12,055 & 12,056)

1. Land Status Plat
2. APDs
3. Notice Letters to MPI
4. Objection Letters from MPI
5. District OCD Letter to Hallwood
6. Letters of Support and Consents from Petco Limited, Elliott Hall Company, Bass Enterprises Production Co., Ingrid D. Powell, Ingrid Powell, Henry L. Montieth, Cecil Bond Kyte, Vera Allen Briggs, and Devon Energy Corporation and Affidavit of Stephen L. Elliott.
7. Withdrawal of Objections by MPI

Chuck Dommer
(Geologist)

10 minutes (total
time for cases
12,055 & 12,056)

8. Hat Mesa Field Boundary Map
9. Structure Map - Brushy Canyon M-8
10. Net Pay - Brushy Canyon M-8
11. Structure Map - Brushy Canyon L-8
12. Net Pay - Brushy Canyon L-8
13. Structure Map - Brushy Canyon L-10
14. Net Pay - Brushy Canyon L-10
15. Cross Section NW to SE
16. Cross Section NE to SW

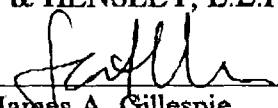
Other Party:

None known at this time.

PROCEDURAL MATTERS

No procedural issues at this time.

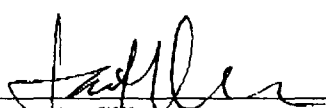
HINKLE, COX, EATON, COFFIELD
& HENSLEY, L.L.P.


James A. Gillespie
Post Office Box 10
Roswell, NM 88201
(505) 622-6510
Attorneys for Hallwood Petroleum, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Pre-Hearing Statement was mailed via first class
mail on this 30th day of October, 1998 to:

Charles C. High, Jr.
KEMP, SMITH, DUNCAN & HAMMOND, P.C.
1900 Norwest Plaza
P.O. Box 2800
El Paso, TX 79901


James A. Gillespie

Hinkle, Cox, Eaton, Coffield & Hensley, L.L.P.

P.O. Box 10
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505-622-6510
Fax: 505-623-9332

FAX COVER SHEET**FAX NUMBER TRANSMITTED TO: 505-827-8177**

To: Florene Davidson
Of: OCD
From: Jim Gillespie
Client/Matter: 9810217
Date: October 30, 1998

DOCUMENTS	NUMBER OF PAGES*
10/30/98 Letter to Florene Davidson	1
Pre-hearing Statement for Case 12,055	3
Pre-hearing Statement for Case 12,056	3

COMMENTS:

Originals will follow by mail.

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HINKLE, COX, EATON, COFFIELD & HENSLEY, L.L.P.

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JULIA JOPLIN SWALLOW
CHRISTINE M. LANDRAVOZ
REBECCA A. ZUSCHLAG
ROCKY S. LAWDERMILK*

*NOT LICENSED IN NEW MEXICO

October 30, 1998

Florene Davidson
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Pre-Hearing Statement for Applications of Hallwood Petroleum, Inc.
Case Nos. 12,055 & 12,056

Dear Florene:

Enclosed herewith are the original and one copy of Hallwood's Pre-hearing Statements in the above referenced applications. Please file the original and return a file-stamped copy of each to us in the enclosed, stamped envelope. These cases are currently set on the docket for November 5, 1998 and we would request that the two cases be consolidated for the purposes of hearing.

Please advise if anything further is needed. Thank you for your assistance.

Very truly yours,

HINKLE, COX, EATON, COFFIELD,
& HENSLEY, L.L.P.



James A. Gillespie

/s

Enclosures

cc: Lois Dodds
Charles C. High, Jr.

**STATE OF NEW MEXICO
ENERGY, MINERAL AND NATURAL RESOURCES DEPARTMENT
THE NEW MEXICO OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION FOR THE
PURPOSE OF CONSIDERING:**

**APPLICATION OF HALLWOOD PETROLEUM, INC.
FOR ORDER ALLOWING DRILLING IN POTASH
AREA, LEA COUNTY, NEW MEXICO.**

Case No. 12,055

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Hallwood Petroleum, Inc. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES:

Applicant:

Hallwood Petroleum, Inc.
4582 South Ulster Street Parkway
Stanford Place III, Suite 1700
Post Office Box 378111
Denver, Colorado 80237

Other Party:

Mississippi Potash, Inc.
P.O. Box 101
1996 Potash Mines Road
Carlsbad, New Mexico 88220
(505) 887-5591

Attorney:

James A. Gillespie
HINKLE, COX, EATON, COFFIELD
& HENSLEY, LLP
Post Office Box 10
Roswell, NM 88201
(505) 622-6510

Attorney:

Charles C. High, Jr.
KEMP, SMITH, DUNCAN
& HAMMOND, P.C.
1900 Norwest Plaza
P.O. Box 2800
El Paso, TX 79901
(915) 546-5201

STATEMENT OF CASE:

Applicant: Hallwood seeks permission to drill the Bass #6 well in the SW¼ of Section 30, Township 20 South, Range 33 East, N.M.P.M. The mineral interests underlying the lands in

question are owned in fee. The lands are leased for oil and gas and are not leased for potash. The mineral interest owners support Hallwood's proposed development of the acreage for oil and gas.

As decided by the Division in *Noranda Minerals, Inc.*, Case No. 10,490, subpart G(e)(3) of Order R-111-P allows wells to be drilled in LMRs with the consent of the lessors and lessees of both oil & gas and potash. In this instance, the lessors and lessees of the minerals agree that Hallwood should be allowed to proceed with their proposed well.

Other Party: Mississippi Potash, Inc. ("MPI") submitted objections to the proposed well necessitating the scheduled hearing. As of this date, MPI has informed Hallwood that they have withdrawn their objections to the proposed well.

PROPOSED EVIDENCE

Applicant:
WITNESS

**ESTIMATED
TIME**

EXHIBITS

Lois Dodds, CPL
(Landman)

10 minutes (total
time for cases
12,055 & 12,056)

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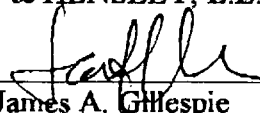
Other Party:

None known at this time.

PROCEDURAL MATTERS

A subpoena was previously issued at Hallwood's request directing that MPI produce certain documents and files. Inasmuch as MPI has agreed to withdraw their objections to the proposed wells, Hallwood requests that the subpoena be canceled. No other procedural issues are known at this time.

HINKLE, COX, EATON, COFFIELD
& HENSLEY, L.L.P.



James A. Gillespie
Post Office Box 10
Roswell, NM 88201
(505) 622-6510
Attorneys for Hallwood Petroleum, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Pre-Hearing Statement was mailed via first class mail on this 30th day of October, 1998 to:

Charles C. High, Jr.
KEMP, SMITH, DUNCAN & HAMMOND, P.C.
1900 Norwest Plaza
P.O. Box 2800
El Paso, TX 79901


James A. Gillespie

**STATE OF NEW MEXICO
ENERGY, MINERAL AND NATURAL RESOURCES DEPARTMENT
THE NEW MEXICO OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION FOR THE
PURPOSE OF CONSIDERING:**

APPLICATION OF HALLWOOD PETROLEUM, INC.
FOR ORDER ALLOWING DRILLING IN POTASH
AREA, LEA COUNTY, NEW MEXICO.

Case No. 12,055

OIL CONSERVATION DIV.
98 OCT 14 PM 4:38

RESPONSE IN OPPOSITION TO MOTION TO QUASH SUBPOENA

Hallwood Petroleum, Inc. ("Hallwood") files this Response opposing the Motion to Quash Subpoena Duces Tecum filed in this matter by Mississippi Potash, Inc. ("MPI").

Hallwood has requested hearings on two proposed wells to be located in the SW/4 of Section 30, Township 20 South, Range 33 East. These hearings are required because MPI has objected to the wells. As required by Division rules and regulations, notices of the proposed wells were sent to MPI. In response, MPI sent a letter objecting to the wells and simply stating that the sites were within MPI's LMR boundary.

The minerals involved are owned in fee. Furthermore, the lands are leased for oil and gas but not for potash. Therefore, it is Hallwood's strong belief that there exists no right to impose LMR restrictions on these lands. However, in anticipation of the required hearing, Hallwood obtained a Subpoena Duces Tecum directing MPI to provide such information as Hallwood believed would allow it to prepare its case and oppose MPI's anticipated objections. On October 2, 1998, MPI filed a Motion to Quash that Subpoena claiming that the information sought was irrelevant, overly broad, unduly burdensome and confidential.

Hallwood has a fundamental right to have meaningful access to the information necessary to prepare for and present its case and respond to MPI's objections. **See, e.g., *Miller v. County Assessor for Bernalillo County***, 88 N.M. 492, 496, 542 P.2d 1182 (Ct. App. 1975) ("In recent years, the courts have unwaveringly recognized the right to discovery possessed by citizen-participants in administrative proceedings.") Information related to potash is almost exclusively within the possession and control of MPI.

However, Hallwood is not aware of the exact nature of MPI's objections. Therefore, if the requested documents were overly broad or burdensome, as MPI claims, Hallwood merely requests that the Division require MPI to provide such information as is relevant to MPI's objections.

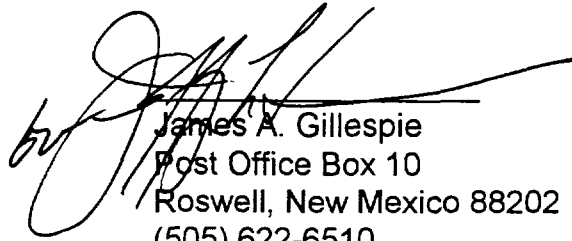
For instance, if MPI does not intend to rely upon an LMR, Hallwood does not need the requested LMR maps. If MPI does not intend to rely upon the validity of an LMR, Hallwood does not need the supporting files and data. If MPI does not intend to rely upon the existence of economically mineable potash, Hallwood does not need corehole files, cutoff grades, royalty reduction requests and similar information. Likewise, if MPI does not plan to claim an intention to mine this area, Hallwood does not need MPI's mine plan maps, etc.

For these reasons, Hallwood requests that the Division enter its order disallowing any opinion or evidence at these or any subsequent hearings on the proposed wells that is related to or founded upon information which MPI refuses to disclose to Hallwood. Furthermore, inasmuch as the hearings scheduled for November 5, 1998 have been delayed once already at MPI's request, Hallwood requests that MPI be required to divulge

the necessary information no later than ten days prior to the scheduled November 5 hearing date to as to allow the hearing to proceed as scheduled.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, L.L.P.

A handwritten signature in black ink, appearing to read 'James A. Gillespie', is written over a horizontal line.

James A. Gillespie
Post Office Box 10
Roswell, New Mexico 88202
(505) 622-6510
Attorneys for Hallwood Petroleum, Inc.

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF YATES PETROLEUM CORPORATION
FOR COMPULSORY POOLING AND AN
UNORTHODOX GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO

CASE NO. 12057

PREHEARING STATEMENT

This prehearing statement is submitted by YATES PETROLEUM CORPORATION, as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Yates Petroleum Corporation

ATTORNEY

Ernest L. Carroll
Losee, Carson, Haas & Carroll, P.A.
P. O. Box 1720
Artesia, NM 88211-1720
(505)746-3505

PARTY IN INTEREST

Texaco Exploration and Production, Inc.

J. Scott Hall
Miller, Stratvert & Torgerson, P.A.
P. O. Box 1986
Santa Fe, NM 87504-1986

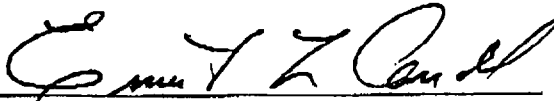
STATEMENT OF CASE

Yates Petroleum Corporation seeks compulsory pooling of certain mineral interests underlying Section 14, Township 16 South, Range 32 East, NMPM and an unorthodox well location 1980' FSL and 1310' FWL to test all formations from the surface to the base of the Morrow formation, Undesignated Anderson Ranch-Morrow Gas Pool, Lea County New Mexico.

PROPOSED EVIDENCE

WITNESSES	EST. TIME	APPROX. # EXHIBITS
Rob Bullock, Landman	15 min.	6
Eric Cummings, Geologist	15 min.	3
Dave Pearson, Reservoir Engineer	15 min.	3

LOSEE, CARSON, HAAS & CARROLL, P.A.

By: 
Ernest L. Carroll
P.O. Box 1720
Artesia, NM 88211-1720
(505)746-3505

Attorneys for Applicant

I hereby certify that I caused a true and
correct copy of the foregoing pleading to be
faxed to counsel of record this October 9, 1998.


Ernest L. Carroll