

Hallwood Energy Companies

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

ATTACHMENT NO. 1

August 11, 1994

State of New Mexico
Oil Conservation Division
Hobbs District Office
P.O. Box 1980
Hobbs, New Mexico 88241-1980
Attn: Jerry Sexton

RE: Bass #3-J
Sec. 30-T20S-R33E
Lea County, New Mexico

Gentlemen:

This letter is in response to your attached July 15, 1994 letter and returned C-101 for the Bass #3 well. We have included the three main areas requiring additional information:

- 1) Corrected C-101 to show 1,200' of 13-3/8" casing (surface) instead of 350'.
- 2) Attached is a plat showing the potash leases in the 9 Section area around the proposed Bass #3.
- 3) Copies of waiver letters sent to potash leasee and proof of delivery.

As you can see from the attached letter from IMC Fertilizer, Inc. we have received a protest response from them even though they have no leases directly affected by this well location in the 1 mile radius area. We have received no written reply from New Mexico Potash, only verbal (telephone) discussions that they will not approve a waiver.

Hallwood is very interested in drilling this well. We already have two wells in Section 30 and believe additional drilling potential exists. Those wells are the Bass Federal Com #1, a Morrow gas well in the SE of NW, and the Bass Federal Com #2 in the SE of SE. The Bass Federal Com #2 well was recently successfully recomplected to the Delaware zones. According to conversations I had last year with Mr. Paul Kautz, the SE quarter of Section 30 would be spaced and included in the Hat Mesa Delaware Field.

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State of New Mexico
Oil Conservation Division
Hobbs District Office
Mr. Jerry Sexton
Page 2

Hallwood wishes to drill a well in the N/2 of the SE/4 to develop our mineral lease and protect correlative rights. It is apparent from our records on the Bass Federal Com #2 that the Potash companies have done nothing in the last 20 years to develop their leases in Section 30. Waivers were eventually signed for that well (Bass Federal Com #2) and there was a hearing in 1974 - Case 5193. Testimony was presented that Potash companies "could be mining the ore under Section 30 within 20 years", thus by 1984. However nothing has transpired.

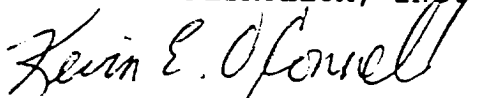
Hallwood believes that we can develop our oil leases in Section 30 safely, under the casing provision of R-111-P, and most likely have our wells drilled, produced, depleted, and plugged and abandoned, well before any potash mining ever starts in Section 30.

We would appreciate your assistance in securing possible waiver letters and/or the necessary permit to drill the Bass Federal #3 well.

Please contact me at (303)850-6303 or 1-800-382-4833 Ext. 303 with any questions you may have, or should you require additional information.

Sincerely,

HALLWOOD PETROLEUM, INC.



Kevin E. O'Connell
Drilling & Production Manager
Rocky Mountain & Mid-Continent

Attachments

cc: Betty Dieter
Chris Woods
Well File



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

BRUCE KING
GOVERNOR

POST OFFICE BOX 1980
HOBBS, NEW MEXICO 88241-1980
(505) 393-6161

July 14, 1994

Hallwood Petroleum Inc.
ATT: Kevin E O'Connell
P O Box 378111
Denver Co 80237

RE: Bass #3-J, Sec.30, T-20S, R-33E
Lea County, NM

Gentlemen:

We have received your Application to Drill (form C-101) the Bass #3-J, Sec. 30. T-20S. R-33E. The location of this well is in the Potash Area which requires a special casing program stated by order R-111-P. Enclosed is a copy of the order R-111-P.

We need more information according to the order R-111-P as follows:

- 1.) Corrections to your casing program
- 2.) Plat of the area showing the potash lessees for the area where the well is located as well as a 1-mile radius referred to.
- 3.) A copy of the certified delivery notice received from each potash lessees. You must send copy of the delivery notice to us since 20-day waiting period starts from delivery date.

If you have any questions on this matter, please call the District I Hobbs office (505) 393-6161.

Yours very truly,

OIL CONSERVATION DIVISION

Jerry Sexton
District I, Supervisor

JS:dp
file





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

ATTACHMENT NO. 2

BRUCE KING
GOVERNOR

POST OFFICE BOX 1980
HOBBS, NEW MEXICO 88241-1980
(505) 393-6161

October 11, 1994

Hallwood Energy Co.
ATT: Kevin E O'Connell
P O Box 378111
Denver, CO 80237

RE: Potash Area
Bass #3-J
Sec. 30, T-20S, R-33E

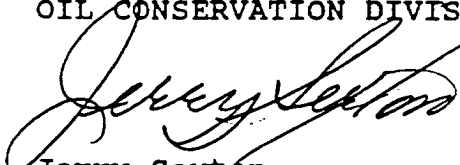
Gentlemen:

Your (C-101) application to drill the Bass #3-J, Sec.30, T-20S, R-33E has been denied at this time, because this well is located in an Life-of-Mine Reserves (LMR). Any application to drill in the LMR area, including buffer zones, may be approved only by mutual agreement of lessor and lessees of both potash and oil & gas interests. A copy of this agreement needs to be included in your application.

Without their consensus, your next choose is to go to Santa Fe for hearing asking for exception to drill within the LMR or buffer zone.

Yours very truly,

OIL CONSERVATION DIVISION


Jerry Sexton
District I, Supervisor

JS: dp
cc: file

Received 10/14/94
KEO

cc: well file
CHRIS WOODS
BETTY DIETER





RECEIVED
JUL 11 1997
LAND

July 8, 1997

ATTACHMENT NO. 3

Hallwood Petroleum, Inc.
P.O. Box 378111
Denver, CO 80237

Attention: Ms. Robin Benko, CPL

Re: Proposed Bass #3 Well
Section 30, T20S-R33E
Lea County, New Mexico

Dear Robin:

In accordance with the State of New Mexico, Energy, Minerals and Natural Resources Department Oil Conservation Commission Order R-111-P, Article III-1-2, Mississippi Potash, Inc. offers no objection to the proposed Bass #3 Well.

Sincerely,

A handwritten signature in cursive script that reads "Jill Farnsworth".

Jill Farnsworth
Chief Mine Engineer