

Hallwood Petroleum, Inc.

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

December 14, 1998

OVERNIGHT MAIL

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

Attention: Chris Williams

RE: Application to Drill
Bass #5 Well
SE/4 of SW/4 Section 30-T20S-R33E
Lea County, New Mexico

Gentlemen:

Hallwood Petroleum, Inc. is applying for permission to drill the captioned oil well in the Hat Mesa (Delaware) Field. Enclosed are the original plus six (6) copies of the State of New Mexico Oil Conservation Division Forms C-101, C-102 and supplemental well information. We mailed this application to your office on July 14, 1998 and August 11, 1998 but it was returned to us on August 13, 1998 due to objection from Mississippi Potash, Inc.

On November 5, 1998 Hallwood Petroleum, Inc. had a hearing at the OCD in Santa Fe, New Mexico. There were no objections at the hearing and Hallwood prevailed; thus, we are now re-requesting the drilling permit for the Bass #5.

Please contact me at (303) 850-6303 with any questions you might have, or if you require additional information.

Sincerely,



Kevin E. O'Connell
Drilling and Production Manager

KEO/jey

State of New Mexico
December 14, 1998
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Enclosures

cc: Lois Dodds
Well File

KEO98.052

**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. 12056
Order No. R-11093**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 5, 1998, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 19th day of November, 1998, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) Cases No. 12055 and 12056 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, Hallwood Petroleum Inc. (Hallwood), seeks an order allowing it to drill its proposed Bass Well No. 5 at a standard oil well location 660 feet from the South line and 2080 feet from the West line (Unit N) of Section 30, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico, to test the Hat Mesa-Delaware Pool. The SE/4 SW/4 of Section 30 is to be dedicated to the well forming a standard 40-acre oil spacing and proration unit for this pool.

(4) According to evidence presented by the applicant, the proposed Bass Well No. 5 is located within the Potash Area, and more specifically within Mississippi Potash, Inc.'s LMR (Life of Mine Reserve).

(5) Pursuant to the requirements of Division Order No. R-111-P, Hallwood has notified Mississippi Potash Inc. of its intent to drill the Bass Well No. 5.

(6) By letter dated July 13, 1998, Mississippi Potash, Inc., informed the Division's Hobbs District Office that it objected to the drilling of Hallwood's Bass Well No. 5.

(7) On August 13, 1998, the Division's Hobbs District Office returned Hallwood's Form C-101, Application to Drill, unapproved for the Bass Well No. 5.

(8) An application for hearing in this matter was filed by Hallwood on September 9, 1998.

(9) Prior to the hearing, the Division received communication from Hallwood's and Mississippi Potash, Inc.'s legal counsel stating that Mississippi Potash, Inc. was dropping its objection to the drilling of the Bass Well No. 5.

(10) Hallwood appeared at the hearing on November 5, 1998, and presented evidence in support of its drilling application.

(11) Mississippi Potash, Inc., did not appear at the November 5, 1998 hearing.

(12) Approval of this application will allow the applicant to develop the oil and gas reserves underlying the SE/4 SW/4 of Section 30.

(13) The supervisor of the Division's Hobbs District Office should be authorized to approve Hallwood's Form C-101, Application to Drill, for the Bass Well No. 5.

IT IS THEREFORE ORDERED THAT:

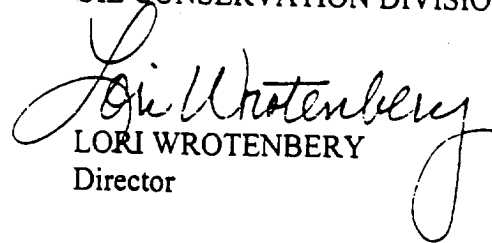
(1) The supervisor of the Division's Hobbs District Office is hereby authorized to approve Hallwood Petroleum, Inc.'s Form C-101, Application to Drill, for its proposed Bass Well No. 5 to be located at a standard oil well location 660 feet from the South line and 2080 feet from the West line (Unit N) of Section 30, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico, to test the Hat Mesa-Delaware Pool. The SE/4 SW/4 of Section 30 shall be dedicated to the well forming a standard 40-acre oil spacing and proration unit for this pool.

(2) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

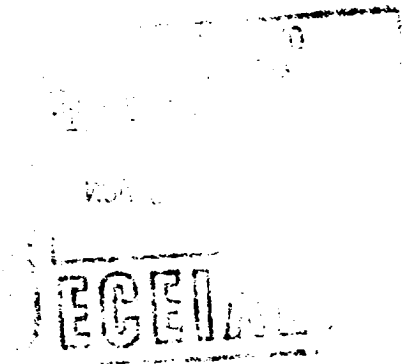
CASE NO. 12056
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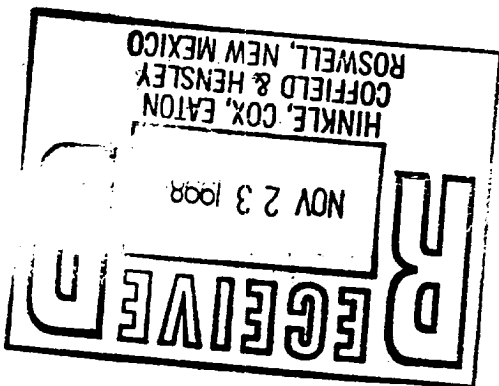
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

S E A L







STATE OF NEW MEXICO
ENERGY, MINERAL AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

POST OFFICE BOX 1880
HOBBS, NEW MEXICO 88241-1880
(505) 393-6161

August 13, 1998

Hallwood Petroleum Inc
ATT: Kevin E O'Connell
P O Box 378111
Denver, CO 80237

RECEIVED

AUG 17 1998

DRLG & PROD.

RE: Bass
#5-N, 30-20s-33e
#6-L, 30-20s-33e

Gentlemen:

The Oil Conservation Division District I has received objection to Hallwood drilling these two well from the Mississippi Potash Inc. According to the R-111-p, if the objection cannot be resolved by agreement of the parties, the matter shall be referred for hearing before the Oil Conservation Division in Santa Fe.

At this time we are returning the C-101 intent to drill with copies of the objection attached and ask the operator to notify Michael Stogner at the OCD in Santa Fe to set-up a hearing date. If you have any questions on this matter, please call Chris Williams (505) 393-6161 ext, 102 or Micheal Stogner (505) 827-8185.

Yours very truly,

OIL CONSERVATION DIVISION

A handwritten signature in cursive script that reads "Chris Williams".

Chris Williams
District I, Supervisor

CW:dp

cc: Micheal Stogner, OCD-Santa Fe
BLM, Roswell
State Land Office, Santa Fe
file, Hobbs



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July 13, 1998

Oil Conservation Division
P.O. Box 1980
Hobbs, NM 88241

Attention: Mr. Chris Williams, District Supervisor

Re: Bass #5 Well
Section 30, T-20-S, R-33-E
660' FSL x 2080' FWL
Lea County, New Mexico

Dear Mr. Williams:

In accordance with the State of New Mexico, Energy, Minerals and Natural Resources Department Oil Conservation Commission Order R-111-P, Mississippi Potash, Inc. objects to the drilling of the proposed Bass #5 Well by Hallwood Petroleum, Inc. This well is located inside the LMR of MPI.

Sincerely,

Jill Farnsworth
Chief Mine Engineer

Cc: Ms. Kathleen Garland
Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Ms. Lois A. Dodds
Landman
Hallwood Petroleum, Inc.
P.O. Box 378111
Denver, CO 80237