



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

September 15, 1999

Nearburg Producing Company
3300 North "A" Street, Bldg. 2, Suite 120
Midland, Texas 79705

Attention: Duke Roush

RE: C-142 Application for New Well Status
Hagaman "34" Well No. 1, API No. 30-015-30660

Dear Mr. Roush:

Division Rule 34, New Well Tax Incentive, states:

34.A. Applicability

These rules apply to any new natural gas or oil well for which drilling commenced after January 1, 1999 and before July 1, 2000.

34.B. Definitions

"New well" means a crude oil or natural gas producing well for which drilling commenced after January 1, 1999 and before July 1, 2000, or a horizontal crude oil or natural gas well that was recompleted from a vertical well by drilling operations that commenced after January 1, 1999 and before July 1, 2000, that has been approved and certified as such by the Division.

34.C. Procedure

- (1) The Division's general rules of procedure shall apply unless altered or amended by these rules.
- (2) The operator must apply for and be granted Division approval of the "new well". A new well shall qualify if the Division certifies that:
 - (a) the operator applying for the tax credit commenced drilling the new well after January 1, 1999 and before July 1, 2000;
 - (b) the new well was completed as a producer; and

- (c) the application is for one of the first six hundred new wells commenced after January 1, 1999 and before July 1, 2000.
- (3) An application must be filed with the Division: (a) within sixty (60) days of completion of the well as a producer, or (b) by Oct 1, 1999 for a well commenced after January 1, 1999 and before July 1, 1999.
- (4) All applications shall be filed in triplicate with the Division's Santa Fe office on Form C-142 and shall contain:
 - (a) operator's name and address;
 - (b) description of the well:
 - (i) name and footage location;
 - (ii) date and time spudded; and
 - (iii) completion date and production test results;
 - (c) copies of Division Form C-103 or Federal Form 3160-5 showing spud date and time and Form C-105 or Federal Form 3160-4 showing the well was completed as a producer;
 - (d) a list of all working interest owners in the well along with their percentage interests; and
 - (e) a statement under oath by the operator or its authorized representative having knowledge of the facts contained in the application that the application is complete and correct.

34.D. Certification, Notification and Hearing

- (1) Upon approval of the application, the Division shall certify that approval by sending a copy of the approved application to the operator and the Secretary of Taxation and Revenue.
- (2) The Division shall consider applications without a hearing. The Division may request additional information from an operator to support the application. If the Division denies an application, the Division upon the applicant's request shall set the application for hearing. Any application not acted upon by the Division within thirty (30) days from the date it is filed is deemed denied.

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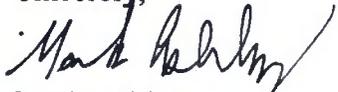
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- (3) The operator shall notify all working interest owners of the approval and certification of the well as a new well.

Pursuant to Division Rule 34.C.(2)(b), plugged and abandoned wells do not qualify as new wells, therefore your application is hereby denied.

If you have any questions, please contact me at (505) 827-8183.

Sincerely,



Mark Ashley

Petroleum Engineering Specialist