



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

February 7, 2000

Reliance Operating Company
Ms. Carol Robbins
Post Office Box 10946
Midland, Texas 79702

**Re: Federal "D" Well No. 3
E/2 Section 31, T9S, R36E
Lea County, New Mexico**

Dear Ms. Robbins:

Enclosed please find a copy of the June 7, 1999 Administrative Order NSL-3838-A Issued by the New Mexico Oil Conservation Division (Division). The order recites that "...the E/2 of Section 31 is to be dedicated to the well in order to form a standard 320-stand-up gas spacing and proration unit." The Division has been receiving correspondence from William C. Bahlburg stating that Reliance Operating Company has failed to consolidate the interests of the NE/4 of the E/2. By letter dated January 10, 2000, Mr. Bahlburg provided geologic maps and interpretations he claims to be sufficient to cause the Bureau of Land Management to communitize the two federal leases in the E/2.

Mr. Bahlburg has asked the Division to cancel the allowable for the Federal "D" Well No. 3 until such time that the operator properly consolidates all the interests in the proration unit.

The Division will set a show cause hearing on this matter in Santa Fe, New Mexico to consider why the allowable should not be canceled for failure to comply with Administrative Order NSL-3838-A unless the interests in this proration unit are consolidated.

Best regards,

Lyn Hebert
Legal Counsel

cc: Chris Williams, OCD - Hobbs
Armando Lopez, BLM
William C. Bahlburg