



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

February 7, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Nearburg Producing Company
3300 North "A" Street
Building 2 - Suite 120
Midland, Texas 79705

Attention: Clyde Findlay

Re: *Administrative application for hardship gas well classification pursuant to Division Rules 408, 409, 410, and 412 for the Shelby Federal Well No. 3 (API No. 30-015-25949), located 1900 feet from the South line and 2150 feet from the West line (Unit K) of Section 12, Township 22 South, Range 24 East, McKittrick Hills-Upper Pennsylvanian Gas Pool.*

Dear Mr. Findlay:

Your application for administrative review dated January 5, 2001 is hereby denied. It seemed that the main reason cited for your request was the "excessive" and "substantial" cost to restore production. Economic hardship was never a factor of consideration when the hardship rules were established (see the record in Division Case No. 8077, which resulted in the issuance of Division Order No. R-7453, attached, dated March 2, 1984). The secondary reason concerning the loss of the well due to log off lacked supporting technical data (see Exhibit "B" of Division Order No. R-7453, also attached).

Further, your request for a minimum flow rate of 2,600 mcf/day appears to be excessive. The Division's records indicate that the average flow rate over the year period stated (Dec. 1999 - Nov. 2000) was 2,348 mcf/day. December 1999 was the month with the highest production rate at 2,525 and in October 2000 the rate dropped to 1,884 mcf/day, with no apparent adverse affects to the well. You referenced a Conoco, Inc. well in the general area that received a hardship classification in 1987 but failed to mention that its minimum approved flow rate was set at 350 mcf/day by Division Order No. R-8412, issued in Case No. 9081 and dated March 30, 1987.

In anticipation of Nearburg Producing Company's objection to this administrative denial, I have prepared an advertisement and caused this application to be set for the next available hearing scheduled for March 8, 2001.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: **New Mexico Oil Conservation Division - Artesia**
David R. Catanach, NMOCD - Santa Fe