



STATE OF NEW MEXICO  
**ENERGY AND MINERALS DEPARTMENT**  
OIL CONSERVATION DIVISION

TONEY ANAYA  
GOVERNOR

September 10, 1986

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-5800

CERTIFIED - RETURN  
RECEIPT REQUESTED



Mr. Steve Pfaff  
Hudson/Llano Inc.  
P. O. Box 1320  
Hobbs, New Mexico 88240

Re: Overproduction Santa Fe Energy - Walker #1,  
Eddy County

Dear Mr. Pfaff:

Thank you for your letter dated September 3.

We have been in contact with Santa Fe Energy about the subject well in regard to a request for hardship classification. The fact that the well is 14 months overproduced makes it rather difficult for us to grant such request because of the serious correlative rights implications with offsetting wells.

Your letter strongly implies that you do not intend to comply with the gas allowables established by this division or with the rules requiring wells six times overproduced to be shut in. If this is the case, you should be aware of the following provisions of New Mexico Statutes Annotated:

70-2-16E "...natural gas produced in excess of the allowable shall be referred to as 'illegal gas'."

70-2-28 "...the division (NMOCD)...may obtain... an injunction restraining any person from moving... illegal gas...or funds derived from sale thereof..."

70-2-31A "Any person who knowingly and willfully violates any provision of the Oil and Gas Act (70-2-1 to 36) or any provision of any rule or order issued pursuant to that act shall be subject to a civil penalty of not more than \$1,000 for each violation. For purposes of this