

dugan production corp.

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OIL CONSERVATION
DIVISION
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Via Mail & Fax No. 505-827-8177

September 13, 1995

Case 11273

Mr. Bill LeMay
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

**Re: Proposed Rules & Procedures Implementing the
Natural Gas & Crude Oil Production Incentive Act**

Dear Mr. LeMay:

We are writing to provide comments regarding the captioned proposed rules and procedures and ask that you make our comments a part of the record in the commission hearing scheduled for September 28, 1995 in this matter. We do not plan to present testimony at the hearing. In view of the fairly short comment period, and to insure our timely response, we are sending our comments by fax and mail.

Production Restoration Projects (PRP) - Rules & Procedures

1. Section B. - The position of the date 6-16-95 needs to be clarified. Section B. addresses operations "after" 6-16-95 and Section D.2 addresses operations commenced "prior to" 6-16-95. If work is initiated on 6-16-95, is it qualifying?
2. Section C.5. - Either person should be defined or this definition should be modified as follows: "Operator" means the person or company responsible...
3. Section C.6. - It would be more meaningful if the actual tax rates and term of applicability were set out in this document. As written, the NMSA 1978 must be reviewed to know what the tax incentive and term is.
4. Section C.7. - It is not clear as to what the phrase "but not limited to" in the second sentence means. If this means that projects other than the returning of oil, gas and injection wells to production could be considered, we suggest "...means returning to producing status any well including, but not limited to, oil, natural gas and previously productive injection wells which had..."

5. Section D.2. - Same comments as for Section B (Comment No. 1).
6. Section D.5.B.4 - It is indicated that only the source of information should be identified. If it is intended that copies of these documents be provided or summarized, this should be specified.
7. Section D.5.B.6 - We would prefer to change the words to "a signed and sworn statement by the operator..." and delete the phrase "under oath".
8. Section D.5.B.6.a. - The words "to the best of applicant's knowledge" should be added to this section.
9. Section E.1.a. - Same comments as for Section B (Comment No. 1).
10. Section E.1. - To the last paragraph, it would be more meaningful if it was expanded to make clear that the exemption is for oil and gas production and will apply for a 10 year term.
11. Section E.3. - We do not like the provision that applications not acted upon within 30 days will be deemed to have been denied. The NMOCD should issue a formal denial if that is their intention, but to have this occur automatically as a result of non-activity leaves a lot of room for potential problems.
12. Production Restoration Project Form C- . Section VII - Same comments as for Section D.5.B.6 (Comment No. 7).
13. Production Restoration Project Form C- . Section VII.3. The phrase "To the best of my knowledge," should be added to precede this statement.

Well Workover Projects (WWP) - Rules & Procedures

14. Section B. - Same comment as for Section B for PRP (Comment No. 1).
15. Section C.5. - Same comment as for Section C.5 for PRP (Comment No. 2).
16. Section C.9. - Same comment as for Section C.6 for PRP (Comment No. 3).
17. Section D.2. - Same comment as for Section B for PRP (Comment No. 1.).
18. Section D.5. - It is not clear what is intended by requiring the operator to retain data used to make the production

projection during the period of applicability of the tax incentive. This data should be included in the application (Section D.6.B.5.). If the NMOCD intends for other data to be retained, this should be clarified.

19. Section D.6.B.8. - Same comment as for Section D.6 for PRP (Comment No. 7).
20. Section D.6.B.8.b. - The phrase "to the best of applicant's knowledge" should be added.
21. Section E.1.a. - The date of 6-16-95 should be added as in Section E.1.a of the PRP.
22. Section E.1. - To the last paragraph, it would be more meaningful if it included that the incentive tax rate applies to oil and gas and until production ceases or returns to the trend established prior to the workover.
23. Section E.3. - Same comment as for Section E.3. for PRP (Comment No. 11).
24. Well Workover Project Form C-_____. Section V. - A cosmetic change is needed for the words "Twelve (12)" and "well performance".
25. Well Workover Project Form C-_____. Section VII. - The words upon oath should be removed, or it should be made clear as to who will administer the oath.

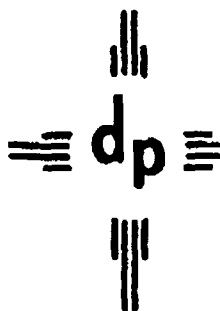
Please accept these comments as constructive, and if you need additional information or clarification, please let me know.

Sincerely,

John D. Roe

John D. Roe
Manager of Engineering

JDR/cg



dugan production corp.

708 E. MURRAY DR. • P. O. BOX 420 • FARMINGTON, N.M. 87499-0420 • PHONE: (505) 325-1821

• FAX: (505) 327-4613

FAX TRANSMITTAL

DATE: 9-15-95 TIME: _____TO: Mr Bill LemayCOMPANY: Nmoca

DEPARTMENT: _____

FAX NO. 505-827-8177 TELEPHONE NO. _____

You should receive 4 pages including this cover sheet. If you did not receive all pages or are unable to read any pages, please contact:

FROM: John Roe TELEPHONE NO. (505) 325 - 1821

Dear Mr Lemay,

Attached is our comments regarding the proposed rules & procedures implementing the Gas & oil production Incentive Act.

I'm fixing to meet you 9-15-95 due date. I will mail original so you will have a good copy.

Give me a call if you've got questions.

John Be



dugan production corp.



Via Mail & Fax No. 505-827-8177

September 13, 1995

Case 11273

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New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

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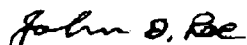
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Sincerely,



John D. Roe
Manager of Engineering

JDR/cg

MCELVAIN OIL & GAS PROPERTIES, INC.

409 ST. MICHAELS DRIVE

P.O. BOX 2148

SANTA FE, NEW MEXICO 87504-2148

L.O. VAN RYAN

VICE PRESIDENT, EXPLORATION & PRODUCTION

TELEPHONE 505/982-1935 EXT. 121

FAX 505/984-3027

April 26, 1995

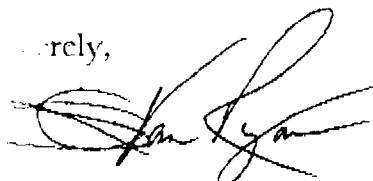
Mr. William J. LeMay, Director
Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505

Dear Mr. LeMay:

I am interested in serving on the severance tax exemption working committee that is being established. I believe my experience will make a positive contribution to the process of proposing rules and procedures for the Division to use in certifying wells that qualify for the tax exemption based on workovers and production restoration.

Thank you for your consideration.

Sincerely,



L.O. Van Ryan

Vice President, Exploration & Production

Post-it® Fax Note 7671		Date 4/26	# pages 1
To Bill LeMay	From L.O. Van Ryan		
Co. Dept. OGD	Co. McElvain Oil & Gas		
Phone #	Phone 982-1935 x 121		
Fax # 822-8177	Fax #		