



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

August 2, 1995

RECEIVED
AUG - 9 1995
OIL CON. DIV.
DIST. 3

KM Production Company
P. O. Box 2406
Farmington, New Mexico 87499-2406
Attn: Kevin H. McCord

RE: M & G Drilling Company
Schlosser Well No. 26
NE/4 NE/4 (Unit A) Section 27, Township 28 North, Range 11 West, NMPM,
San Juan County, New Mexico

Dear Mr. McCord:

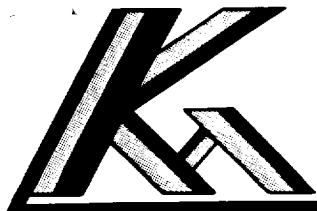
A copy of your letter dated July 26, 1995 is on file here at the Division as being received on July 31, 1995. I am returning your original letter with "OCD receipt date" stamped for your records.

Sincerely,

Michael E. Stogner
Chief Hearing Examiner/Engineer

MES/kv

cc: Oil Conservation Division - Aztec
William J. LeMay, Director, OCD - Santa Fe



OIL CONSERVATION DIVISION
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KM PRODUCTION COMPANY
P. O. Box 2406
Farmington, NM 87499-2406
(505) 325-6900

July 26, 1995

William LeMay, Director
New Mexico Oil Conservation Division
2040 S. Pacheco
PO Box 2088
Santa Fe, NM 87505

Re: Well Workover Project
M&G Drilling Company
Schlosser #26
NENE Sec 27, T28N R11W
San Juan County, New Mexico

Dear Mr. LeMay:

KM Production Company acts as an agent for M&G Drilling Company. This letter serves to notify you that M&G Drilling Company intends to commence a well workover project on their Schlosser #26 well in order to qualify for the applicable tax credits available pursuant to the criteria set forth in the Natural Gas and Crude Oil Production Incentive Act, as dictated by its rules and regulations which have yet to be adopted.

M&G understands that because their project commences after the effective date of the Act (June 16, 1995) they initially qualify for the available tax credits but will not actually begin to receive any tax credits until their project is approved by the OCD. However, they are commencing with the project in accordance with the provisions set forth in the Act and they fully expect to receive the available tax credits both prospectively and retroactively from the date the rules and regulations are adopted by the OCD. When these rules are adopted, M&G will submit a formal application for this project to the OCD.

Thank you for your attention in this matter.

Very truly yours,

Kevin H. McCord
Petroleum Engineer