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August 11, 1995

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
Department of Energy, Minerals
and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RECEIVED

AUG 11 1995

Oil Conservation Division

Re: Proposed Rules Implementing House Bill 65: The New Mexico "Natural Gas and Crude Oil Production Incentive Act."

Dear Mr. LeMay:

Pursuant to your directive of May 11, 1995 the Production Restoration and Workover Incentive Committee has prepared the enclosed proposed Rules and Procedures implementing House Bill 65.

As you will note, separate rules and forms have been prepared for Well Workover Projects and for Production Restoration Projects. The enclosed forms are designed to serve both as the operator's application and the Division's Project Approval and, in the case of Well Workover Projects, the Division's verification of estimated well pre-workover production rates.

Enclosed for your files are copies of the minutes of our June 27th and July 19, 1995 meetings. No minutes were prepared for our August 1st meeting since we devoted the entire meeting to a line by line review of the earlier drafts of these proposed rules and forms.

It is the Committee's request that these proposed rules and forms be mailed out to the Industry with the next Oil Conservation Division docket and that Industry comments be submitted in writing to the Division on or before September 15. We have tentatively

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Page 2

scheduled a Committee meeting on Friday, September 22, 1995 to review these comments and prepare for the September 28, 1995 Oil Conservation Commission hearing on these proposals. We believe the receipt of written comments and an additional Committee meeting to review them will help us avoid any surprises at the Commission hearing that could impair our ability to complete our work by September 28, 1995.

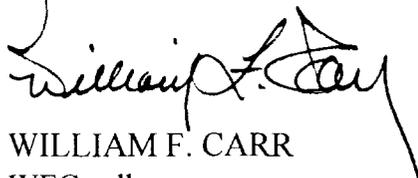
On August 8th, at a meeting at the New Mexico Oil and Gas Association offices, Darwin Van De Graaff, Deborah Seligman and I met with Jim O'Neill and other representatives of the Taxation and Revenue Department. They have agreed to provide their comments on these proposed rules and forms, if any, on or before September 15th so that their reaction to the rules may also be considered at our meeting on the 22nd.

Each member of the Committee has actively participated in our work and the enclosed rules are the results of the efforts of all members. Michael Stogner's assistance was particularly important in our efforts to prepare rules that could be easily administered by the Division. It is our hope that we have achieved this objective while fully meeting the intent of the Legislature in enacting House Bill 65.

Rand Carroll has agreed to represent the Committee in presenting our recommendations to the Commission on September 28th.

If you have questions concerning the enclosed, please advise.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc: Rand Carroll, Esq. (w/enclosures)
Carol Leach, Esq.
Committee Members