



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

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

May 11, 1995

Mr. Frank Gray  
Texaco Exploration & Production  
500 North Lorraine  
Midland, Texas 79701

Dear ~~Mr. Gray:~~ *Frank*

Thank you for agreeing to serve on the "***Production Restoration and Workover Incentive Committee***" which has been charged with producing a draft of proposed rules and regulations to implement House Bill 65. The schedule is to produce draft regulations by August 15th which will then be sent to industry and presented at the September 28, 1995 Commission Hearing. I have enclosed a list of Committee Members, their addresses and telephone numbers as well as a copy of House Bill 65 and information sent to me by Commissioner Bob Anthony of the Oklahoma Corporation Commission which addresses this same issue. Please feel free to use any or all of this information in your deliberations. As you know the legislature in enacting this legislation, did not appropriate any money for implementation. At the last Commission Hearing I indicated that no one would lose tax credit because of our lack of staffing to implement this bill, so in your deliberations please recognize the limitations that exist in the area of OCD and TRD staff resources. We have a pretty ambitious time schedule which can be extended in the event that your committee needs additional time to reach agreement on critical issues. I would anticipate the critical points in this draft would include:

1. What projects would qualify for the workover tax credit?
2. How many months of primary production are necessary to establish an acceptable decline curve which can then be used as a base line for calculating any incremental oil production?

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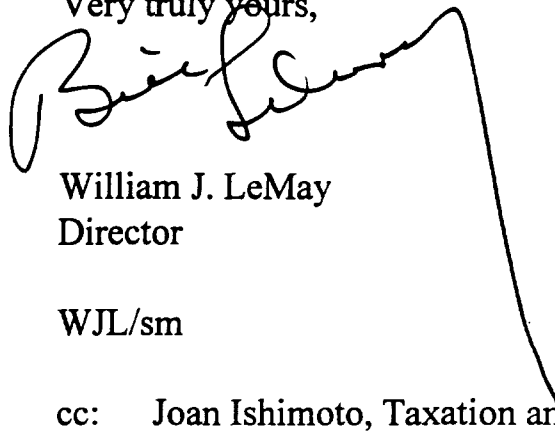
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3. What would be a fair and workable way to establish production decline on gas wells which have erratic production history because of shut-in times and variations in line pressure?
4. What procedures can be implemented to ensure that the application for tax credit contains all pertinent information for OCD approval.

I am sure there will be other issues that will require study and discussion. Bill Carr, Chairman of this committee will be contacting you concerning the date, time and place for your first meeting.

Thank you for agreeing to help the industry and state by serving on this committee and let me know if I or any of my staff can be of any service to you.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Bill LeMay', with a long, sweeping underline that extends down towards the 'cc:' line.

William J. LeMay  
Director

WJL/sm

cc: Joan Ishimoto, Taxation and Revenue Department