

# COMPLIANCE REPORT

NMOCD Case No. 15379  
Dominion Production Company  
Exhibit No. 1  
October 29, 2015

# COMPLIANCE REPORT

February 13, 2015

**DOMINION**  
Production Company, LLC.



February 13, 2015

NM Oil Conservation Division  
1220 S St Francis Drive  
Santa Fe, NM 87505

Attn: Daniel Sanchez, Keith Herrmann

NM Oil Conservation Division  
1000 Rio Brazos Road,  
Aztec, NM 87410

Attn: Charlie Perrin, Brandon Powell

Montague & Andrews  
325 Paseo de Peralto  
Santa Fe, NM 87501

Attn: J Scott Shall

**REF: NMOCD-ACO-285 - Report No 1**

Gentlemen,

Pursuant to the order signed between us dated January 20<sup>th</sup> 2015 then please find our first report as called for in Clause 7 of the order. As you are aware since the initial negotiation of this ACO that called for Dominion, as operator, to correct certain legacy issues with the Hospah Oil Field then the commodity prices have plunged some 55% which has had a significant impact on our cash flow and inclement weather in December and January have severely impacted our ability to conduct our operations in a manner that will allow us to fulfill all the obligations contained in ACO-285 within the time frames specified. We would ask for the cooperation of the OCD in that Dominion gives its commitment to the work however it will take longer than both of us would like. Please find below the current status of the work and how we see the plan evolving for 2015 that puts a realistic timeline with our predicted cash flow.

**Order**

**Clause 1**

A check made payable to the State of New Mexico was sent today for the sum of ten thousand US Dollars (\$10,000.00). This satisfies the requirements of Clause 1. - **COMPLETED**

**Clause 2**

The following wells were plugged in accordance with the order

HSU61, HSU66, SFRR23, SFRR83 - **COMPLETED**

The remaining wells are required to be plugged by March 1, 2015. Dominion is currently carrying a balance owed on the previous plugging due to impacted cash flow and projections allow us to commence

this work on April 1 and complete by May 15<sup>th</sup>, 2015 some 75 days behind schedule. The wells required to be plugged are HSU100, SFRRA87, SFRRA97, SH52, SH60

Clause 3

A well sign has been placed as required by the order on South Hospah 54 – **COMPLETED**

Clause 4

South Hospah 36 calls for a liner to be run or the well otherwise repaired by January 31, 2015. We expect to place a rig on this unit next week to identify where the hole in the casing actually is. Thereafter, we will run a wireline conveyed casing patch. We expect to complete this by March 31, 2015

Clause 5

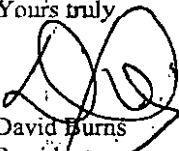
South Hospah 17 and 39 both call for liners to be run or the well otherwise repaired by January 31, 2015. We cannot run liners so we will place a rig on these wells after the SH36 to identify where the holes in the casing actually are. Assuming the wireline patch goes as planned on the SH36 then we will run wireline conveyed casing patches on these wells also. We expect to complete this by April 30, 2015

Clause 6

We will run MIT's on the SH51, HSU58 and LPD14 by March 31, 2015. The schedule calls for January 31, 2015 which due to cash flow and weather was not achievable. We will be some 60 days behind on this one.

Please note that Dominion as Operator is not suggesting that we not do the work but merely adjust the time frames to reflect the weather conditions, but more importantly the economic burden that has been placed on the industry as a result of the lower commodity prices. We are not immune to this and are taking prudent steps to shore up our near term cash position without having to let some of our employees go which would further degrade our efforts to reach compliance. I am sure as you drive by Farmington you will have seen the mounting stockpile of unutilized equipment that is increasing daily. I hope you will find the revised timeline in order and subject to prices or production falling further I believe it is achievable given our current cash models.

Yours truly



David Burns  
President.

# COMPLIANCE REPORT

February 25, 2015



February 25, 2015

NM Oil Conservation Division  
1220 S St Francis Drive  
Santa Fe, NM 87505

Attn: Daniel Sanchez, Keith Herrmann

NM Oil Conservation Division  
1000 Rio Brazos Road,  
Aztec, NM 87410

Attn: Charlie Perrin, Brandon Powell

Montague & Andrews  
325 Paseo de Peralto  
Santa Fe, NM 87501

Attn: J Scott Hall

**REF: NMOCD-ACO-285 – Report No 2**

Gentlemen,

Pursuant to the order signed between us dated January 20<sup>th</sup> 2015 then please find our second report as called for in Clause 7 of the order.

**Order**

**Clause 1**

***COMPLETED***

**Clause 2**

The following wells were plugged in accordance with the order

HSU61, HSU66, SFRR23, SFRR83 – ***COMPLETED***

The remaining wells are required to be plugged by March 1, 2015. Dominion is currently carrying a balance owed on the previous plugging due to impacted cash flow caused by poor weather at the leases and lower commodity prices. We will, subject to approval, commence this work on April 1 and we expect to complete by May 7<sup>th</sup>, 2015 some 68 days behind the original estimate. Please bear in mind that many of these wells were abandoned before Dominion became operator and we know very little about them, therefore until we actually reenter them and find out what we have then it is difficult to forecast a completion date. We will however be in a better and more predictable weather period so that will help operations. The wells required to be plugged are HSU100, SFRR87, SFRR97, SH52, and SH60

**Clause 3**

**COMPLETED**

**Clause 4**

South Hospah 36 calls for a liner to be run or the well otherwise repaired by January 31, 2015. We have placed a rig on this well as of today's date to identify if there is a hole or where the hole in the casing actually is. Thereafter we will submit a proposal to either run a wireline conveyed casing patch (Core Lab X-Span) or a 4.5" 10.6# liner cemented to surface. We had talked to the manufacturer and the installer who advise us that the X-Span product has been approved as a repair technique in injection wells in New Mexico. We have never used it to date. We expect to complete this well by March 31, 2015.

**Clause 5**

South Hospah 17 and 39 both call for liners to be run or the well otherwise repaired by January 31, 2015. We cannot run liners as they are 5.5" casing so we placed a rig on these wells to identify where the holes in the casing actually are.

**SOUTH HOSPAH 17 - COMPLETED**

**This well was tested and MIT conducted and the well has met the relevant criteria.**

**SOUTH HOSPAH 39 - RIG Tested for Holes.**

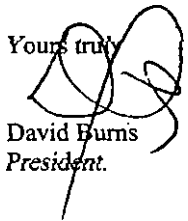
The rig was testing yesterday for potential casing leaks however the tests were inconclusive. We will need to go back to this well after the South Hospah 36 well. It looks like a very high casing leak between 60' and 180'.

**Clause 6**

We will run MIT's on the SH51, HSU58 and hopefully the LPD14 by March 31, 2015. The schedule calls for January 31, 2015 which due to poor weather and weather delays on other segments of the work was not achievable. We will be some 60 days behind on this one. Repair, if required will be determined after the MIT tests. The access to the LPD14 is a lot more difficult than others in poor weather due to the ridge that we are required to pass.

We have a poor weather forecast through March 2, 2015. Thereafter when the snow begins to melt it will also make driving conditions challenging and access difficult. Dominion Production Company, LLC will use its best endeavors to meet this schedule.

Yours truly

  
David Burns  
President.

# COMPLIANCE REPORT

February 27, 2015



## J. Scott Hall

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**From:** David Burns <burnsdavid@verizon.net>  
**Sent:** Friday, February 27, 2015 4:09 PM  
**To:** Powell, Brandon, EMNRD; Perrin, Charlie, EMNRD; keith.herrmann@state.nm.us; J. Scott Hall  
**Cc:** ricky mahan  
**Subject:** Hanson 38  
**Attachments:** Hanson 38 Form\_3160-5-1.pdf

Brandon,

Her is the subsequent report for the 5<sup>th</sup> Well that was plugged in the fall the Hanson 38. I have mailed you a copy also.

Best Regards

David Burns

Dominion Production Co. LLC.  
Hanson #38

September 26, 2014  
Page 1 of 1

340' FSL and 1655' FEL, Section 6, T-17-N, R-8-W  
McKinley County, NM  
API #30-031-20725

The well was plugged with the following cement plugs:

Plug # 1-(Cement Plug-Top of Bridge Plug @ 2340')

Bridge plug was tagged @ 2340'. Mixed and Pumped 14 Sks of Class B Cement @ 15 ppg for 100' cap.  
TOC was 2240'

Plug #2 (Lower Gallup Sand-1590'-1594')

Ran in with Blue-jet Wireline. Set 5.5" CIBP at 1570'. Pumped 50 sacks of cement on top of plug.  
Tagged cement at 1250'. Ran CBL to determine TOC. Shot 3 squeeze holes at TOC at 650'.

Plug #3 ( Surface Plug-Inside/Outside TOC'-Surface)

Set Cement Retainer at 592' spot 123 sks (145 cf) Class B cement inside casing from 650' to 180' with 7 sks below the CR, 70 sks outside and 46 sks above the CR. Tag TOC at 188'.

Plug #3a with 59 sks (69.62 cf) Class B cement inside casing from 163' to surface.

Cut off well head and installed P& A marker to BLM Specifications.

Clean up location.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

**SUNDRY NOTICES AND REPORTS ON WELLS**

*Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.*

FORM APPROVED  
OM B No 1004-0133  
Expires: January 31, 2004

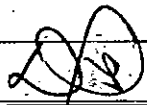
<b>SUBMIT IN TRIPLICATE: Other instructions on reverse side.</b>		5. Lease Serial No. NOG-1003-1772
1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		6. If Indian, Allottee or Tribe Name Navajo
2. Name of Operator Dominion Production Company, LLC		7. If Uplift or CA/Agreement, Name and/or No.
3a. Address 1414 W Swann Av, Suite 100, Tampa, FL 33606	3b. Phone No. (include area code) 832 545 4600	8. Well Name and No. Hanson 38
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 340' FSL & 1655' FEL Section 6 T-17-N, R-8-W		9. API Well No. 30-031-20725
		10. Field and Pool, or Exploratory Area Hospah
		11. County or Parish, State McKinley County, NM

**12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input checked="" type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

The Hanson 38 was plugged on September 26th 2014 as per the attached report.

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) David Burns		Title President
Signature 		Date 2/27/2015
<b>THIS SPACE FOR FEDERAL OR STATE OFFICE USE</b>		

Approved by Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Title	Date
	Office	

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly, and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

# COMPLIANCE REPORT

March 20, 2015



March 20, 2015

NM Oil Conservation Division  
1220 S St Francis Drive  
Santa Fe, NM 87505

Attn: Daniel Sanchez, Keith Herrmann

NM Oil Conservation Division  
1000 Rio Brazos Road,  
Aztec, NM 87410

Attn: Charlie Perrin, Brandon Powell

Montague & Andrews  
325 Paseo de Peralto  
Santa Fe, NM 87501

Attn: J Scott Hall

**REF: NMOCD-ACO-285 – Report No 3**

Gentlemen,

Pursuant to the order signed between us dated January 20<sup>th</sup> 2015 then please find our third report as called for in Clause 7 of the order.

**Order**

**Clause 1**

***COMPLETED***

**Clause 2**

The following wells were plugged in accordance with the order

HSU61, HSU66, SFRR23, SFRR83 - ***COMPLETED***

As per report 2



Clause 3

**COMPLETED**

Clause 4

BLM approval for the liner was received via mail on the 16<sup>th</sup> March, 2015 (Copy Attached). The rig to run the liner is still on perforating work at the SH10 Well. We await the final 290' of perforations to be completed on Wednesday the 25<sup>th</sup> March. Thereafter the rig will move to SH36 and, subject to OCD approval, will run the 4.5" liner and cement to surface as per the procedure attached.

Clause 5

As per report 2

**SOUTH HOSPAH 17 – COMPLETED**

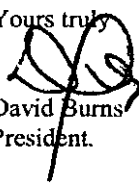
Well is back online

Clause 6

As per report 2

Weather conditions have improved at Hospah apart from 6 days where heavy rain hampered movements. SH10 lateral is taking longer to perforate due to the volume of guns required and the SP spacing necessary.

Yours truly

  
David Burns  
President.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

MAR 02 2015

FORM APPROVED  
OMB No. 1004-0135  
Expires January 31, 2004

**SUNDRY NOTICES AND REPORTS ON WELLS**

*Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.*

<b>SUBMIT IN TRIPLICATE- Other instructions on reverse side.</b>		5. Lease Serial No. 12335
1. Type of Well <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		6. Indian, Allottee or Tribe Name N/A
2. Name of Operator Dominion Production Company, LLC		7. If Unit or CA/Agreement, Name and/or No. SHU
3a. Address 1414 W. Swann Av, Suite 100, Tampa, FL 33606		8. Well Name and No. South Hospah 36
3b. Phone No. (include area code) 832 545 4600		9. API Well No. 30-031-20118
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 900 FNL & 2630 FEL Section-12- Township 17N- Range 09W		10. Field and Pool, or Exploratory Area South Hospah
		11. County or Parish, State McKinley County, NM

**12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input checked="" type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Dominion Production Company intends to run a 4.5" Liner 10.5#, from 1610' to surface and cement to surface with 250 sks of Premium Lite Cement. Cement Bond Log will be run to verify top of cement. New 2 7/8 tubing 6.50# tubing will be run on Baker AD-1 Packer. Thereafter we will MIT casing and re establish as an injection well.

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS

14. I hereby certify that the foregoing is true and correct  
Name (Printed/Typed)

David Burns

Title President

Signature

Date

2/27/2015

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by Troy Solvers

Title PE

Date 3/10/2015

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office FFO

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

**OPERATOR**

## GENERAL INSTRUCTIONS

This form is designed for submitting proposals to perform certain well operations, and reports of such operations when completed, as indicated on Federal and Indian lands pursuant to applicable Federal law and regulations. Any necessary special instructions concerning the use of this

form and the number of copies to be submitted, particularly with regard to local area, or regional procedures and practices, either are shown below or will be issued by, or may be obtained from the local Federal office.

## SPECIFIC INSTRUCTIONS

*Item 4* - Locations on Federal or Indian land should be described in accordance with Federal requirements. Consult the local Federal office for specific instructions.

*Item 13* - Proposals to abandon a well and subsequent reports of abandonment should include such special information as is required by the local Federal office. In addition, such proposals and reports should include reasons for the abandonment; data on any former or

present productive zones, or other zones with present significant fluid contents not sealed off by cement or otherwise; depths (top and bottom) and method of placement of cement plugs; mud or other material placed below, between and above plugs; amount, size, method of parting of any casing, liner or tubing pulled and the depth to top of any left in the hole; method of closing top of well and date well site conditioned for final inspection looking to approval of the abandonment.

## NOTICE

The Privacy Act of 1974 and the regulation in 43 CFR 2.48(d) provide that you be furnished the following information in connection with information required by this application.

**AUTHORITY:** 30 U.S.C. 181 et seq., 351 et seq., 25 U.S.C. 396; 43 CFR 3160.

**PRINCIPAL PURPOSE:** The information is used to: (1) Evaluate, when appropriate, approve applications, and report completion of subsequent well operations, on a Federal or Indian lease; and (2) document for administrative use, information for the management, disposal and use of National Resource lands and resources, such as: (a) evaluating the equipment and procedures to be used during a proposed subsequent well operation and reviewing the completed well operations for compliance with the approved plan; (b) requesting and granting approval to perform those actions covered by 43 CFR 3162.3-2, 3162.3-3, and 3162.3-4; (c) reporting the beginning or resumption of production, as required by 43 CFR 3162.4-1(c); and (d) analyzing future applications to drill or modify operations in light of data obtained and methods used.

**ROUTINE USES:** Information from the record and/or the record will be transferred to appropriate Federal, State, local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecutions in connection with congressional inquiries or to consumer reporting agencies to facilitate collection of debts owed the Government.

**EFFECT OF NOT PROVIDING THE INFORMATION:** Filing of this notice and report and disclosure of the information is mandatory for those subsequent well operations specified in 43 CFR 3162.3-2, 3162.3-3, 3162.3-4.

The Paperwork Reduction Act of 1995 requires us to inform you that:

This information is being collected to evaluate proposed and/or completed subsequent well operations on Federal or Indian oil and gas leases.

Response to this request is mandatory.

BLM would like you to know that you do not have to respond to this or any other Federal agency-sponsored information collection unless it displays a currently valid OMB control number.

## BURDEN HOURS STATEMENT

Public reporting burden for this form is estimated to average 25 minutes per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to U.S. Department of the Interior, Bureau of Land Management (1004-0135), Bureau Information Collection Clearance Officer, (WO-630), Mail Stop 401 LS, 1849 C St., N.W., Washington D.C. 20240



# COMPLIANCE REPORT

May 20, 2015



May 20, 2015

NM Oil Conservation Division  
1220 S St Francis Drive  
Santa Fe, NM 87505

Attn: Daniel Sanchez, Keith Herrmann

NM Oil Conservation Division  
1000 Rio Brazos Road,  
Aztec, NM 87410

Attn: Charlie Perrin, Brandon Powell

Montague & Andrews  
325 Paseo de Peralto  
Santa Fe, NM 87501

Attn: J Scott Hall

**REF: NMOCD-ACO-285 – Report No 4**

Gentlemen,

Pursuant to the order signed between us dated January 20<sup>th</sup> 2015 then please find our fourth report as called for in Clause 7 of the order.

**Order**

**Clause 1**

**COMPLETED**

**Clause 2**

The following wells were plugged in accordance with the order

HSU61, HSU66, SFRR23, SFRR83 – **COMPLETED**

The remaining 5 wells were required to be plugged by March 1, 2015. Dominion is currently carrying a balance owed on the previous plugging due to impacted cash flow caused by poor weather, low production, low commodity prices and additional cas requirements by demands placed upon us at the Federal leases we hold. We have been issued with orders by the BLM to clean wells and leases we have never owned (SH21 & 22) and to remediate previously plugged well sites that go back to the 1980's that I guess the BLM did not inspect. Dominion only has a limited number of man hours, equipment and available budget. We will submit procedures for the following wells HSU100, SFRR87, SFRR97, SH52, and SH60 subject to approval, commence this work as rapidly as we can to

take advantage of the better weather ahead. Dominion has experienced substantial delays and cost overruns that have impacted our ability to proceed as quickly as we would like and we appreciate the OCD understanding of this along with our reaffirmation of our commitment to get his done as rapidly as we can.

**Clause 3**

**COMPLETED**

**Clause 4**

**COMPLETED**

The liner was run as ordered and cemented to surface. An MIT was performed and the well passed. Subject to approval of the Sundry and OCD site inspection when ready then the well will be re-introduced as an injection well.

**Clause 5**

**SOUTH HOSPAH 17 – COMPLETED**

**SOUTH HOSPAH 39 - RIG Tested for Holes.**

As we are advised by OCD that we cannot run a casing patch then the repair of this will be costed out using traditional cement squeeze methods and if uneconomical we will place on the list of wells to be plugged.

**Clause 6**

We still need to run MIT's SH51, HSU58 and the LPD14. Our field crew have not yet been able to schedule this work. We have had severe damage to our electrical lines in the last 30 days that is taking up a considerable amount of time. We understand the requirement and we are trying to arrange resources to get this done.

**Additional Work Conducted**

An MIT was performed on the injection well at South Hospah 9 location. The well passed the test at the required pressures.

**SUMMARY**

Although we are making progress with the requirements it is slower then we would like. There were two leaks across the leases that required additional unplanned capital and tied up resources. We continued to experience poor weather with heavy rainfall in the last 4 weeks and associated lightning damage. Further, Dominion is being hit on all sides for the transgressions of others. While we understand the need to bring this into full compliance then our task is made doubly difficult the more directions we are pulled in. Nevertheless I believe both Dominion and its crews have demonstrated good faith and intentions, albeit not at the pace that we would have preferred and we appreciate the way the OCD has worked with us on this.

Yours truly

  
David Burns  
President.

# COMPLIANCE REPORT

August 20, 2015



August 20, 2015

NM Oil Conservation Division  
1220 S St Francis Drive  
Santa Fe, NM 87505

Attn: Daniel Sanchez, Keith Herrmann

NM Oil Conservation Division  
1000 Rio Brazos Road,  
Aztec, NM 87410

Attn: Charlie Perrin, Brandon Powell

Montague & Andrews  
325 Paseo de Peralto  
Santa Fe, NM 87501

Attn: J Scott Hall

**REF: NMOCD-ACO-285 – Report No 5**

Gentlemen,

Pursuant to the order signed between us dated January 20<sup>th</sup> 2015 then please find our fifth report as called for in Clause 7 of the order.

**Order**

**Clause 1**

***COMPLETED***

**Clause 2**

The following wells were plugged in accordance with the order

HSU61, HSU66, SFRR23, SFRR83 – ***COMPLETED***

Dominion has paid down the vast majority of the balance owed for the plugging of the previous 5 (five) wells and expects to be current by end of August 2015. We await quotations from a third party to plug the remaining 5 wells and expect this to be commenced in September, 2015. We have received the approvals to plug, with conditions and as stated previously we will do this as rapidly as financial conditions permit.

**Clause 3**

**COMPLETED**

**Clause 4**

**COMPLETED**

**Clause 5**

**SOUTH HOSPAH 17 – COMPLETED**

**SOUTH HOSPAH 39 - RIG Tested for Holes.**

Writing up a proposal to squeeze.

**Clause 6**

We still need to run MIT's SH51, HSU58 and the LPD14. Remains outstanding

**Additional Work Conducted**

South Hospah 9 location. The well passed the test at the required pressures.

**SUMMARY**

Dominion Production Company, LLC had advised the OCD, in confidence, of its reorganization plans. Those plans are in progress. Current market conditions and commodity pricing make it more difficult to predict the outcome however we remain confident in our plan and we will work diligently to address these remaining issues as quickly as financial conditions permit. OCD, Aztec office has elected to file an application for a compliance order.

Yours truly

David Burns  
President.



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

New Mexico State Office  
1474 Rodeo Road  
P. O. Box 27115  
Santa Fe, New Mexico 87502-0115

2006 SEP 1 AM 11 16

RECEIVED

August 30, 2006 FARMINGTON NM

IN REPLY REFER TO:

3104 (921-tf)

CERTIFIED--RETURN RECEIPT REQUESTED

BC&D Operating, Inc.  
P.O. Box 5926  
Hobbs, NM 88241-5926



Gentlemen:

United States Department of Interior, Bureau of Land Management (BLM) – Farmington Field Office notified the New Mexico State Office recommending increasing bond coverage for BC&D Operating, Inc. on Federal lands in the State of New Mexico.

The lands of well sites are located on an oil and gas lease and unit agreement in the McKinley County, New Mexico, as follows:

Oil and Gas Lease

South Hospah Unit (NMNM 78426X)

Operator

BC & D Operating, Inc.

Hanson Lease (NMNM 052931)

BC & D Operating, Inc.

United States Regulations at Title 43 CFR 3104.5, allow the amount of any bond to be increased when additional coverage is determined appropriate. BLM, Farmington Field Office has recommended that a statewide bond be in the amount of One Million, Two Hundred and Fifty Thousand Dollars (\$1,250,000.00). New Mexico State Office concurs with the recommendation. Therefore, BC & D Operating, Inc. is required to file a New Mexico Statewide bond in the amount of \$1,250,000.00 for Federal lands.

Thirty days from receipt of this letter are allowed for the defect for bonding to be cured. Bonding information and the current bond form are enclosed. Thirty days after your office receives this letter and with no bonding response from you will result forwarding this letter to all record title holders, operating rights holders, and any other operators on the above oil and gas lease and unit agreement. Our office will mention using cancellation procedures for the above oil and gas leases, if the defect for bonding is not cured.

If there are additional questions concerning bond amount, please contact Jim Lovato at BLM, Farmington Field Office (505) 599-6367. If there are additional questions regarding bond forms contact me at (505) 438-7607.

NMOCD

Attn: Brandon/Charlie