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Well Name	Lease Type	ULSTR	OCD Unit Letter	API no.	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth (ft)	Required Bond Amount	Bond Required Now	Bond In Place	Bond No.	In Violation	Deficiency
KEOHANE FEDERAL #001	F	7-06-19S-30E	M	30-015-04591	Feb-13		Unknown			\$0.00			
LEONARD STATE #002	S	N-01-19S-29E	N	30-015-03543	Feb-04	3/1/2006	2600	\$7,600.00	Y	\$5,000.00	RLB0007425	Y	\$2,600.00
MOUNTAIN STATES FEDERAL #001	F	I-35-18S-29E	P	30-015-25140	May-15		3505			\$0.00			
STATE P #001	S	H-36-18S-29E	H	30-015-03509	Aug-01	9/1/2003	2868	\$7,868.00	Y	\$5,000.00	RLB0007558	Y	\$2,868.00
STATE P #002	S	G-36-18S-29E	G	30-015-10125	Aug-01	9/1/2003	2890	\$7,890.00	Y	\$5,000.00	RLB0007559	Y	\$2,890.00
STATE R #003	S	P-01-19S-29E	P	30-015-03540	Jul-15	8/1/2017	2227	\$7,227.00		\$5,000.00	RLB0007560		\$2,227.00
STATE S #002	S	A-12-19S-29E	A	30-015-03582	Mar-14	4/1/2016	2443	\$7,443.00	Y	\$5,000.00	RLB0002766	Y	\$2,443.00
TENNECO STATE #001	S	4-02-19S-29E	D	30-015-24904	May-13	6/1/2015	3535	\$8,535.00	Y	\$5,000.00	RLB0003662	Y	\$3,535.00
TENNECO STATE #002	S	3-02-19S-29E	C	30-015-25000	May-13	6/1/2015	3500	\$8,500.00	Y	\$5,000.00	RLB0003663	Y	\$3,500.00
Total:													\$17,463.00

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Tony Delfin
Deputy Cabinet Secretary
June 16, 2016

David R. Catanach, Division Director
Oil Conservation Division



Jim Pierce
P.O. Box 298
Roswell, NM 88202

Notice of Violation

Dear Jim Pierce,

The Oil Conservation Division ("OCD") now reviews all operators out of compliance with the OCD's financial assurance requirements. Pursuant to 19.15.8.9 NMAC, an operator is required to furnish financial assurance acceptable to the OCD in the form of an irrevocable letter of credit, plugging insurance policy, or cash or surety bond running to the state of New Mexico conditioned that the well be plugged and abandoned and the location restored and remediated in compliance with division rules. According to OCD records, Jim Pierce is the operator of record of the attached list of wells that require additional financial assurance.

Failure to provide the OCD with acceptable financial assurance is a violation of OCD rules and the Oil and Gas Act, NMSA 1978 § 70-2 *et. seq.*, and could be punishable by a fine of not more than one thousand dollars (\$1,000) per day for each violation. NMSA 1978, § 70-2-31.

Please review 19.15.8 NMAC to determine the types and amounts of financial assurance that the OCD accepts. Immediate action is now required. If no response is received within 30 days, the OCD will take further compliance action against Jim Pierce, including, but not limited to, seeking a formal order to require Jim Pierce to provide acceptable financial assurance for the its wells at an OCD hearing and pursuing other legal available remedies to obtain compliance.

If you have any questions regarding the contents of this letter, please contact the OCD Bond Administrator, Denise Gallegos at (505) 476-3453 to schedule a compliance conference to discuss the outstanding compliance issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel Sanchez", is written over a horizontal line.

Daniel Sanchez
OCD Compliance and Enforcement Manager, UIC Program Director
Daniel.Sanchez@state.nm.us

EC: Keith Herrmann, ENMRD Assistant General Counsel
Encl: Additional Financial Assurance Report

OCD Case No. 15590
Application for Compliance Order
Against Jim Pierce, OGRID 99439
Exhibit 2-B: FA Notice of Violation
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Inactive Well Additional Financial Assurance Report

99439 JIM PIERCE

Total Well Count: 9

Printed On: Friday, June 03 2016

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Dry	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Covered By Blanket TA Bond	Bond In Place	In Violation
300977	KEOHANE FEDERAL #001	F	7-06-19S-30E	M	30-015-04591	O	02/2013		Unknown				0	
300606	LEONARD STATE #002	S	N-01-19S-29E	N	30-015-03543	O	02/2004	03/01/2006	2600	7600	Y		0	Y
30054	MOUNTAIN STATES FEDERAL #001	F	1-35-18S-29E	P	30-015-25140	O	05/2015		3505				0	
300978	STATE P #001	S	H-36-18S-29E	H	30-015-03509	O	08/2001	09/01/2003	2868	7868	Y		0	Y
	STATE P #002	S	G-36-18S-29E	G	30-015-10125	O	08/2001	09/01/2003	2890	7890	Y		0	Y
300976	STATE R #003	S	P-01-19S-29E	P	30-015-03540	O	07/2015	08/01/2017	2227	7227			0	
28807	STATE S #002	S	A-12-19S-29E	A	30-015-03582	O	03/2014	04/01/2016	2443	7443	Y		0	Y
28836	TENNECO STATE #001	S	4-02-19S-29E	D	30-015-24904	O	05/2013	06/01/2015	3535	8535	Y		0	Y
	TENNECO STATE #002	S	3-02-19S-29E	C	30-015-25000	O	05/2013	06/01/2015	3500	8500	Y		0	Y

WHERE Ogrid 99439

OCD Case No. 15590
 Application for Compliance Order
 Against Jim Pierce, OGRID 99439
 Exhibit 2-B: FA Notice of Violation
 Page 2 of 3

SENDER COMPLETION SECTION		ADDRESSEE COMPLETION SECTION	
☐ Complete items 1, 2, and 3. ☒ Print your name and address on the reverse so that we can return the card to you. ☐ Attach this card to the back of the mailpiece, or on the front if space permits.		A. Signature <i>Alondra Jimenez</i> B. Received by (Printed Name) <i>Alondra Jimenez</i> C. Date of Delivery <i>JUN 21 2016</i> D. Is delivery address different from item 1? ☐ Yes If YES, enter delivery address below: ☐ No	
1. Article Addressed to: Jim Pierce P.O. Box 298 Roswell, NM 88202		3. Service Type ☐ Adult Signature ☐ Adult Signature Restricted Delivery ☐ Certified Mail ☐ Certified Mail Restricted Delivery ☐ Collect on Delivery ☐ Collect on Delivery Restricted Delivery ☐ All Restricted Delivery	
2. Article Number (Transfer from service label) 9590 9402 1626 6053 2549 47 7012 0470 0000 0881 7081		☐ Priority Mail Express® ☐ Registered Mail™ ☐ Registered Mail Restricted Delivery ☐ Return Receipt for Merchandise ☐ Signature Confirmation™ ☐ Signature Confirmation Restricted Delivery	
PS Form 3811, July 2015 PSN 7530-02-000-9053		Domestic Return Receipt	

USPS TRACKING #	
9590 9402 1626 6053 2549 47	
United States Postal Service	First-Class Mail Postage & Fees Paid USPS Permit No. 0-40 * Sender: Please print your name, address, and ZIP+4® in this box.* OIL CONSERVATION DIVISION 1220 SOUTH ST. FRANCIS DRIVE SANTA FE, NEW MEXICO 87505 Attn: Denise

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Tony Delfin
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



June 29, 2016

JIM PIERCE
OGRID #99439
200 West 1st St, STE 859
Roswell, NM 88201

OCD Case No. 15590
Application for Compliance Order
Against Jim Pierce, OGRID 99439
Exhibit 2-C: FA Notice to Jim Pierce
Page 1 of 2

Re: 19.15.5.9 NMAC Compliance

Dear Operator:

The Oil Conservation Division (OCD) is conducting ongoing review of all operators' compliance status with Subsection A of 19.15.5.9 NMAC. According to OCD records, your company is not in compliance with Subsection A of 19.15.5.9 NMAC for the following reasons:

 Financial assurance. Your company is in violation of the financial assurance requirements for well plugging set out in 19.15.8.9 NMAC. Specifically, your company has not posted the required financial assurance required for state or fee wells which have been inactive for more than two years. The wells requiring single-well financial assurances are identified in the attached sheet.

 Corrective action. Order , issued on , found your company to be in violation of an order requiring corrective action.

 X Inactive wells. According to the attached inactive well list, your company has too many wells in violation of 19.15.25.8 NMAC (the inactive well rule) that are not subject to an inactive well agreed compliance order. As an operator of 9 wells, your company may have no more than 2 wells in violation of the inactive well rule. Your company has 5 wells in violation of the inactive well rule.

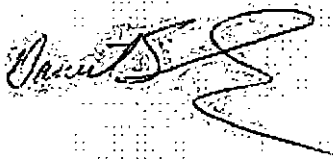
Non-compliance with 19.15.5.9 NMAC will prevent your company from acquiring any new wells, acquiring approval of exploration and development plans, receiving new allowables, and obtaining drilling, injection, and other OCD issued permits, and potentially expose your company to additional compliance actions including an OCD order requiring compliance, and revocation of injection permits. As the operator of a non 19.15.5.9 NMAC compliant company, you will not be permitted to register any additional companies to operate in New Mexico or have any interest exceeding 25 percent in any other companies in New Mexico.

November 30, 2016

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The OCD is requesting that you review the OCD's online database for your specific Oil and Gas Registration Identification (OGRID) number and notify the OCD how your company plans to return to compliance with 19.15.5.9 NMAC. This is an opportunity for your company to work with the OCD toward achieving its goal of maintaining compliance with the rules of the State of New Mexico. Please respond to the OCD within 30 days of receipt of this letter. If no response is received the OCD may begin formal compliance action.

Respectfully yours,



Daniel Sanchez,
Compliance and Enforcement Manager
(505)476-3493
Daniel.sanchez@state.nm.us

Ec: David R. Catanach, Division Director
Maxey Brown, District 1 Supervisor
Charlie Perrin, District 3 Supervisor
Randolph Bayliss, District 2 Supervisor
Will Jones, District 4 Supervisor
Keith Herrmann, Attorney, Santa Fe

OCD Case No. 15590
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