

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

January 15, 2008

James Bruce

P.O. Box 1056

Santa Fe, NM 87504-1056

Re: Northstar Oil & Gas; OGRID 159020

Case No. 13920; Order R-12779-A

Dear Mr. Bruce,

Today I received a letter from Mr. John Corbett of Northstar Oil & Gas (Northstar) requesting release of the \$50,000 bond posted for the plugging of the Davie No. 1 and Barbara No. 1 wells. The letter states that certain actions have been taken at the sites and asks permission to leave some items on site at the Davie No. 1. Mr. Corbett attached a letter from Mr. Bill Davie, who states that he is the land and mineral owner at the Davie No. 1 and requests that Northstar leave the existing power pole and fence on the Davie #1 location. I have attached copies of both Mr. Corbett's letter and the attached letter from Mr. Davie.

Because Northstar is represented by counsel in this matter, I am responding to you and not to Mr. Corbett.

A financial assurance cannot be released until all the wells covered by the financial assurance have been plugged and released under 19.15.4.202 NMAC. Once a well is plugged, it cannot be released until the site has been remediated, all reports required by the rule have been filed, and the location has been inspected and approved by the district office. See 19.15.4.202.C(3) NMAC. Northstar needs to file a Form C-103 subsequent report of well plugging for each of the two wells covered by its financial assurance, indicating that the well sites have been remediated according to the rule, and that the sites are ready for inspection. A specific C-103 is available for this purpose that lists all the requirements that must be met. I have attached a copy. It is also available on the Oil Conservation Division's (OCD's) website under "forms."

Please note that in Case No. 13920 the Oil Conservation Commission imposed additional requirements that must be met before the OCD can designate the Barbara No. 1 and the Davie No. 1 as plugged and released, and release the financial assurance. Order R-12779-A provides:

If Northstar Oil and Gas Corporation restores the well sites and seeds the well sites with seed of plants native to the area by December 15, 2007, it may reduce the civil penalty by its actual expenditures for restoring the well sites. The Division shall not release Northstar Oil and Gas Corporation's financial assurance until Northstar Oil and Gas Corporation restores the well sites, seeds the well sites with seed of plants native to the area and provides invoices and proof of payment for the restoration costs.

**Before the OCC
Case 13920
Northstar Oil & Gas
OCD Ex. No. 4**

Order R-12779-A at page 3, emphasis added. So, in addition to meeting the requirements set out in 19.15.4.202 NMAC for plugging and site restoration, Northstar must do the following before the OCD can release the financial assurance:

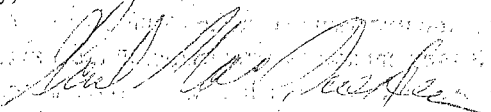
- Seed the well sites with seed of plants native to the area
- Provide invoices and proof of payment for the restoration costs.

When Northstar files its C-103s for the sites, please have it indicate whether the seeding has been done as required by the order, and please have it provide the invoices and proof of payment for the restoration costs.

In addition, if Northstar wishes to leave equipment on site, it needs to provide the district office with a notarized letter from the land owner requesting that the equipment be left on site. The letter Mr. Corbett provided from Mr. Davie is not acceptable because it is not notarized. Charlie Perrin explained the notarization requirement to Mr. Corbett when they discussed the process for obtaining this sort of approval.

Once Northstar has filed a complete C-103 indicating that it has taken all the actions required by 19.15.4.202 NMAC and Order R-12779-A, the district office will inspect the sites and determine if the wells can be designated "plugged and released." Once both wells covered by the financial assurance have been plugged and released, the OCD can release the financial assurance. At that time we will also be able to address the issue of whether the civil penalty assessed in Order R-12779-A can be reduced.

Sincerely,



Gail MacQuesten
Assistant General Counsel

Encl: Letter from Mr. Corbett, dated January 11, 2008

Letter from Mr. Davie, dated November 23, 2007

Form C-103 subsequent report showing location ready for OCD inspection after P&A

Cc: Charlie Perrin, OCD District III
Dorothy Phillips, Financial Assurance Administrator
Daniel Sanchez, Compliance and Enforcement Manager

Submit 2 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
October 25, 2007

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.

5. Indicate Type of Lease

STATE ☐ FEE ☐

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name

8. Well Number

9. OGRID Number

10. Pool name or Wildcat

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH
PROPOSALS.)

1. Type of Well: ☐ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator

3. Address of Operator

4. Well Location

Unit Letter _____ feet from the _____ line and _____ feet from the _____ line

Section _____ Township _____ Range _____ NMPM _____ County _____

11. Elevation (Show whether DR, RKB, RT, GR, etc.)

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☐

PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ P AND A ☐

CASING/CEMENT JOB ☐

OTHER: ☐

☒ Location is ready for OCD inspection after P&A

- ☐ All pits have been remediated in compliance with OCD rules and the terms of the Operator's pit permit and closure plan.
☐ Rat hole and cellar have been filled and leveled. Cathodic protection holes have been properly abandoned.
☐ A steel marker at least 4" in diameter and at least 4' above ground level has been set in concrete. It shows the

**OPERATOR NAME, LEASE NAME, WELL NUMBER, API NUMBER, QUARTER/QUARTER LOCATION OR
UNIT LETTER, SECTION, TOWNSHIP, AND RANGE. ALL INFORMATION HAS BEEN WELDED OR
PERMANENTLY STAMPED ON THE MARKER'S SURFACE.**

- ☐ The location has been leveled as nearly as possible to original ground contour and has been cleared of all junk, trash, flow lines and other production equipment.
☐ Anchors, dead men, tie downs and risers have been cut off at least two feet below ground level.
☐ If this is a one-well lease or last remaining well on lease, the battery and pit location(s) have been remediated in compliance with OCD rules and the terms of the Operator's pit permit and closure plan. All flow lines, production equipment and junk have been removed from lease and well location.
☐ All metal bolts and other materials have been removed. Portable bases have been removed. (Poured onsite concrete bases do not have to be removed.)
☐ All other environmental concerns have been addressed as per OCD rules.
☐ Pipelines and flow lines have been abandoned in accordance with 19.15.9.714.B(4)(b) NMAC. All fluids have been removed from non-retrieved flow lines and pipelines.

When all work has been completed, return this form to the appropriate District office to schedule an inspection. If more than one inspection has to be made to a P&A location because it does not meet the criteria above, a penalty may be assessed.

SIGNATURE _____ TITLE _____ DATE _____

TYPE OR PRINT NAME _____ E-MAIL: _____ PHONE: _____

For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):

Northstar Oil and Gas Corp.

P.O. Box 168

Sewickley, PA 15143

(412) 352-3787

January 11, 2008

Ms. Gail MacQuesten
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505

Subject: Release of Plugging Bond

Dear Ms. MacQuesten:

Northstar Oil and Gas has plugged the Davie #1 and the Barbara #1. All surface equipment belonging to Northstar has been removed from the locations and the locations have been leveled. Per the attached letter, the surface owner of the Davie No. 1 location has asked Northstar to leave the location and some items intact at that location so that he may use them in the future. Pipeline risers remain at each location which are a part of the gas gathering system and belong to XTO, who owns the pipeline. Northstar has advised XTO that the wells have been abandoned.

At this time Northstar respectfully requests that its plugging bond be released.

Sincerely,

Northstar Oil and Gas Corp.

John C. Corbett
President

RECEIVED
2008 JAN 15 AM 11 45

Mr. Bill Davie
2425 Downing Street
Denver, 80210

November 23, 2007

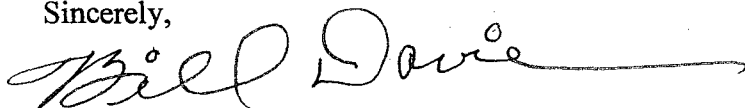
John Corbett
Northstar Oil and Gas Corp.
P.O. Box 168
Sewickley, PA 15143

Subject: Davie Well No. 1 Surface Restoration

Dear Mr. Corbett:

This letter is my request as the land and mineral owner to leave the existing power pole and fence on the Davie #1 location.

Sincerely,

A handwritten signature in cursive script that reads "Bill Davie". The signature is written in dark ink and has a long, horizontal flourish extending to the right.

Bill Davie