

From: Altomare, Mikal, EMNRD
To: "Mike Allen"; Mike Finley
Cc: Swazo, Sonny, EMNRD; Macquesten, Gail, EMNRD
Subject: NOG bonds posted - the next step:
Date: Wednesday, September 24, 2008 4:02:00 PM

Mr. Allen and Mr. Finley,

Dorothy Phillips has advised me that NOG has now posted the bonds for the wells for which it was not able to rebut the presumption of inactivity. Thank you for completing this important step which, as you know, is a pre-requisite to NOG being able to formally complete the transfer of operatorship of the wells from Mountain States Petroleum. I have advised Dorothy that I have now been provided with documentation to indicate some kind of sufficient activity/production for the remaining wells that are coming up on the *financial assurance compliance report* as being "in violation" (i.e. with a "y" in the far right column). You are therefore in good standing now to submit the Application for change of Operator from Mountain States, and I would recommend that you do this as soon as possible. Once you have done so, it is very important that you take steps to then formally report (submit C115s for) the production for the wells that you have rebutted the presumption on – in other words, as soon as feasible, report the production [under NOG's ogrid] for those wells that you have indicated to me are "back in production" AND report the production that resulted from the swabbing [no matter how minimal] that was conducted on those wells for which you submitted documentation of swabbing as a showing of activity/production.

The NEXT STEP, once you have everything officially transferred over to NOG, is to contact Sonny Swazo here at the OCD. He is the attorney here who handles our Inactive Well Program [which is different/subject to different rules/standards than the financial assurance compliance program, which is what we have been addressing to date]. You have a large number of Federal wells that, while not requiring additional bonding because of the fact that they are Federal, ARE inactive and thus still are going to cause you problems with Rule 40 compliance. Once you have all the wells transferred into NOG, however, you will be in a position to work with Sonny to come up with an agreed plan to bring the company /inactive wells into compliance. My understanding in speaking with you all is that you have been working with the BLM on a number of these wells and may already have a plan of some kind in place, so it may simply be a matter of formalizing it. Nonetheless, until you do so, the wells will continue to come up on the inactive well list, and this will inhibit NOG's ability to get approval for certain activities.

I would encourage you to contact Sonny as soon as possible, and I will do my best to bring him up to speed regarding what we have been able to accomplish to date.

Sonny Swazo
505-476-3463
Sonny.swazo@state.nm.us

EXHIBIT F
Case No. 14326

Please be advised, I will be out of the office tomorrow and Friday, September 25 and 26th as well as Monday September 29th. I will be sure to touch base with Sonny upon my return to get him the information he needs to be able to continue working with NOG once the change of operator goes through.

Sincerely,
Mikal Altomare



Mikal M. Altomare
Assistant General Counsel
Oil Conservation Division
Energy, Minerals & Natural Resources Department
1220 South St. Francis Drive
Santa Fe, NM 87505
Tel 505.476.3480 ~ Fax 505.476.3462
mikal.altomare@state.nm.us

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