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United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201

JAN 11 2010

In Reply
Refer To:
NMNM-82040X
3180 NM (P0130)

CERTIFIED - RETURN RECEIPT REQUESTED
7006 3450 0001 4285 3408

Ridgeway Arizona Oil Corporation
Attn: Mr. Barry Lasker
One Riverway, Suite 610
Houston, Texas 77056

Gentlemen:

Your Plan of Development (POD) for the Jennifer Chaveroo Unit, Roosevelt County, New Mexico was received on September 24, 2009. A review of the POD found several in accurate statements as well as some deficiencies which will be discussed below.

The Jennifer Chaveroo Unit contains a total of Seventy-one (71) wells. Your POD states a total of Eleven (11) producing wells were put into production in the first two quarters of 2008. In the year 2009 you have activated one injection well and one production facility. Our records show six (6) producing wells for the unit and sixty-five (65) wells are shown as shut-in status.

The POD also highlights the sealing of some open boreholes for the Jennifer Chaveroo Unit wells in June of 2009. The work and method of sealing the boreholes were filed in Sundry notices for a subsequent report received in this office on September 24, 2009. Sundry notices of intent were never filed and thus the work and the method for the sealing of the wells were not approved.

In section two of the POD, titled Proposed Plan of Operations, it states the upgrading of well locations has begun. However picking up trash and junk is not as urgent or productive as cleaning up spills, leaks and properly plugging boreholes. The statement about rectifying the surface violations for the unit by spending \$3000 per month is unclear. It appears that your company intends to apply these monies to the surface problems throughout the Chaveroo Field. Our office estimates the cost for resolving the surface problems on your properties within the Chavero field will cost \$750, 000. At your proposed rate of \$3000 per/month it would take

approximately twenty (20) years to resolve the surface issues. However, if your intent is to spend \$3000 per month per property our office would consider that a reasonable approach to resolving the surface issues. Generally units have a life governed in five year increments, it is therefore presumed that the surface issues would be completed and solved within five years.

In the proposed POD, you state the surface issues have been documented and imply you have itemized areas to correct the deficiencies. The itemized list should be included by well and/or facility in the POD and describe the deficiency for each.

In your POD there is a general discussion of a water flood pilot program for the Milnesand and the Chaveroo San Andres fields. It is not clear whether this means the pilot program will be within the units or outside the units. This is why the POD should identify the pilot wells as well as identifying the boundaries of the area by legal land description and map. Another difficulty arises due to the location of these fields within the middle of the Primary Population Area for the Lesser Prairie Chicken and habitat for the Sand Dune Lizard. If your plans include any new wells for whatever purpose it may be difficult to find locations to drill. A timeline for the beginning and end of the pilot project should also be provided.

Due to present field conditions BLM will evaluate unit expansion only after Ridgeway has demonstrated the unit has production in paying quantities. The future expansion of the units into one cohesive unit for the flooding of the San Andres is possible but it is a vast undertaking given the requirements. A geologic and engineering feasibility study across the entire proposed expansion must be submitted with the application for the project. Additionally secondary recovery units have to be monetarily beneficial and in the best interest of the American public.

Due to the deficiencies addressed above this office will not approve the Plans of Development until such time as the deficiencies in the POD are corrected. You will have 30 days from receipt of this letter to submit the updated POD.

If you have any questions please call John S. Simitz, geologist at (575) 627-0288 or the Division of lands and Minerals at (575) 627-0272.

Sincerely,

/s/ Angel Mayes

Angel Mayes
Assistant Field Manager,
Lands and Minerals

cc:

Commissioner of Public Lands, Santa Fe

NMOCD, Santa Fe ✓

NM (PO01300, Chaveroo Unit, POD file)

NM (PO 01100, Central Files)

NM (NMSO LMNI1)