



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington District Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

IN REPLY REFER TO:
14-20-600-3530, et al. (GC)
3162.3-2 (07400)

JUL 15 1998

CERTIFIED--RETURN RECEIPT REQUESTED
P 959 169 137

Mr. Brad Walls
BK Petroleum, Incorporated
PO Box 826
Farmington, NM 87499-0826

Dear Mr. Walls:

Reference is made to your fax dated July 13, 1998, requesting additional time to further evaluate the wells and to either return them to production or plug and abandon. As you are aware, BK Petroleum, Inc. has been previously contacted with several letters requiring you to return five shut-in wells located on Navajo Tribal leases 14-20-600-3530 and 14-20-600-3531 to production/injection in accordance with your previously submitted time table. We have previously attempted to work cooperatively with you on this matter. However, you have not responded to our last two orders, nor did you comply with the previous orders, as of the May 25, 1998, abatement deadline. Therefore, your request for additional time is again denied.

Due to this continued noncompliance with our written orders, you have been assessed civil penalties in the amount of \$30,000.00 which will be billed by this office. You were also ordered to immediately shut-in all wells located on the above mentioned Navajo Tribal leases (excluding wells located in the Horseshoe Gallup Unit operated by Central Resource, Inc.). Since you have not shut-in the wells within the 24 hours after receiving our June 5, 1998 notice, this office has sent a representative out to the leases, shutting in these wells.

As mentioned in our previous notices, the Bureau of Indian Affairs has been notified, by copy of those letters as well as a Memo, to rescind your Designation of Operators (thereby removing you as operator of the above leases). The current lessees have been notified and they are in the process of evaluating the wells in order to determine whether they will be returned to production or plugged and abandoned.

If you have any questions concerning this matter, please call either Stephen Mason at (505) 599-6364, or Duane Spencer at (505) 599-6350.

Sincerely,

/s/ Duane W. Spencer

Duane W. Spencer
Acting, Assistant District Manager
Division of Minerals Resources

cc:
See Attached List