



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-2019
www.blm.gov/nm/st/en.html



RECEIVED OCT 01 2010

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HOBSOCD

30-005-20462

In Reply Refer To:
Case/Lease Number: NMNM 17226A
3160(NMP0130)
Order No. 04-067-10W

CERTIFIED MAIL--RETURN RECEIPT REQUESTED
7008 1830 0002 6036 2567

Freedom Energy LLC
R649 N 13th St
Lake Arthur, NM 88253

NOTICE OF ORDERS OF THE BLM AUTHORIZED OFFICER

Gentlemen:

On June 29, 2010 an inspection was performed by Randy Legler, Natural Resource Specialist on Federal Lease NMNM 17226A, Walters Federal #2, API No.: 30-005-20462, 1980 FSL & 660 FWL, NW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 34, T. 13 S. R. 30 E. Chaves County, New Mexico. It was found that operations are not being conducted in a manner designed to protect the mineral resources, other natural resources, and environmental quality (43 CFR 3162.5).

ORDERS OF THE AUTHORIZED OFFICER

Pursuant to Federal Regulation 43 CFR 3162.5-1(a), "The operator shall conduct operations in a manner which protects the mineral resources, other natural resources, and environmental quality ..." the following environmental compliance problems were identified during the latest inspection of the subject location. Specifically:

- **Environmental Problem No. 1:** No secondary containment berm around tank battery and fluids processing equipment.

Corrective Action: Construct a secondary containment berm/dike around the tank battery, separation and treatment equipment and the produced water tank. The secondary containment structure at a minimum must be capable of holding the entire capacity of the largest single container with sufficient freeboard to contain precipitation (40 CFR 112.9(c) (2) and (6)). See Enclosure 1 for BLM's Lesser Prairie Chicken Management Stipulations.

We have no record of a preconstruction archaeological survey for the Walters Federal #2 location. See Enclosure 2 for BLM's Archaeological Survey requirements for the Walters Federal #2.

• **Environmental Problem No. 2:** Unlined fluid disposal pit.

Corrective Action: Close this pit according to the NMOCD rules. Test the soils beneath the pit to determine the depth of contamination and undisturbed representative areas near the pit to determine the natural background levels of salts. Remove all contaminated soils that test above background levels of the surrounding soils. All actions at this site must meet the New Mexico Oil Conservation Division (NMOCD) rules for cleanup of spills and releases. A BLM approved site investigation plan is required before compliance with this Written Order can proceed. A BLM employee shall be on site for all sampling and cleanup actions.

The site investigation plan describes how sampling will be done, where samples will be taken, etc. The site investigation plan also describes the remediation actions including removal, cleanup, bioremediation and disposal of contaminated soils.

Your site investigation plan, including a sampling plan, is required within **20 days** of receipt of this letter. See Enclosure 3 for plan details. Include in your plan a proposal for the amount for time needed for compliance with this Written Order once your site investigation plan and sampling plan are approved. Attach your proposed site investigation plan to a Notice of Intent Sundry Notice using Form 3160-5 (Sundry Notice and Reports on Wells), an original with 5 copies is required.

Actions described in the sampling plan may begin after the BLM has approved the sampling plan and the BLM has reviewed the subsequent laboratory analysis results submitted under a Subsequent Sundry Notice using Form 3160-5 (Sundry Notice and Reports on Wells), an original and 5 copies is required.

NOTE: This a small pit that is no longer compliant with current New Mexico Oil Conservation Division pit rules of which BLM previously advised you in 2006. If you contact Randy Legler at 575-627-0215 or Al Collar at 575-627-0270 we will answer your questions concerning actions appropriate for a small pit closure.

• **Environmental Problem No. 3:** The disturbed/reclaimed areas resulting from pit closure and secondary containment berm construction on the Walters Federal #2 location require seeding with BLMs Desired Plant Community Seed Mixture.

Corrective Action: Seed the disturbed areas of the Walters Federal #2 location with BLM's Desired Plant Community seed mixture for this location specified in Enclosure 3. If necessary, repeat seeding until a satisfactory stand is established as determined by BLM's Authorized Officer.

When the BLM has approved your site investigation plan, sampling plan and laboratory analysis results you may proceed with the surface disturbing corrective actions described above. Report your final compliance with this Written Order on a Subsequent Sundry Notice using Form 3160-

5 (Sundry Notice and Reports on Wells) stating the above problems have been corrected and are ready for inspection, an original and 5 copies is required.

Again, attach your proposed site investigation plan to a Notice of Intent Sundry Notice using Form 3160-5 (Sundry Notice and Reports on Wells), an original with 5 copies is required.

In accordance with 43 CFR 3163.1(a), please comply with the corrective action for the identified environmental problem No. 2 no later than October 19, 2010. A subsequent final compliance date will be established giving consideration to your reply to Environmental Problem No. 2. If you fail to comply within the time frames specified, you will be subject to further enforcement action as deemed necessary.

WARNING

Orders of the Authorized Officer or Incidents of Non Compliance and reporting time frames begin upon receipt of the Notice or 7 business days after the date it is mailed, whichever is earlier. Each problem or violation must be corrected within the prescribed time from receipt of this Notice and reported to the Bureau of Land Management office at the address shown above.

For Incidents of Non Compliance, please note that you already may have been assessed for noncompliance (see amount under "Assessed for Noncompliance"). If you do not comply as noted above under "Corrective Action to Be Completed By," you may incur additional assessment under (43 CFR 3163.1) and may also incur Civil Penalties (43 CFR 3163.2). All self-certified corrections must be postmarked no later than the next business day after the prescribed time for correction.

Note: Section 109(d)(1) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3163.2(f)(1), provides that any person who "knowingly or willfully" prepares, maintains, or submits false, inaccurate, or misleading reports, notices, affidavits, records, data, or other written information required by this part shall be liable for a civil penalty of up to \$25,000 per violation for each day such violation continues, not to exceed a maximum of 20 days.

REVIEW AND APPEAL RIGHTS

A person contesting an order of the authorized office or violation must request a State Director Review of the Order or Incident of Noncompliance. This request must be filed within 20 working days of receipt of the Order or Incident of Noncompliance with the appropriate State Director at PO Box 27115, Santa Fe, NM 87502-0115 (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Lands Appeals, 801 North Quincy Street, MS 300-QC, Arlington, Virginia 22203 (see 43CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

If you have any questions concerning our Written Orders for the Walters Federal #2 location, please contact Randy Legler, Natural Resource Specialist at the Roswell Field Office at 575-627-0215.

Sincerely,
/s/ Angel Mayes

Angel Mayes
Assistant Field Manager,
Lands and Minerals

5 Enclosures

1- Lesser Prairie Chicken Stipulations (1p)

2- Archaeological Survey Limits for the Walters Federal #2 location (1p)

3- Pecos District Desired Plant Community seed mixture for the Walters Federal #2 location (1p)

4-Site Investigation Plan Requirements

Photos (2p)

cc:

Frostman Oil Corp
P.O. Box 1567
Hope, NM 88250-1567

New Mexico Oil Conservation Division
1625 N. French Dr.
Hobbs, NM 88240

Enclosure 1

Lesser Prairie Chicken Stipulations

The actions required for the Environmental Problem corrections of the Walters Federal #2 location are subject to lesser prairie chicken management stipulations from March 1st through June 15th. Work can be conducted from March 1st through June 15th if it is not done between the hours of 3:00 AM and 9:00 AM. Deviation from these stipulations requires written authorization from the authorized officer. Outside of this March 1st through June 15th window these time of day constraints do not apply. (BLM, 2008. Special Status Species Record of Decision and Approved Resource Management Plan Amendment pages 8-9, United States Department of Interior, Bureau of Land Management, 32+ pp. Appendices)

Enclosure 2

Archaeological Survey Limits

We have no record of a preconstruction archaeological survey for the Walters Federal #2 location. To avoid the need for an archaeological survey to current BLM standards keep all remediation and reclamation surface disturbances within the previously disturbed areas. If this is not possible an archaeological survey is required and must be approved by BLM in writing before surface disturbance occurs.

The BLM is willing to examine the location and pin flag the previously disturbed area. If the area encompassed by the BLM pin flagging is adequate for berm construction and pit closure, an archaeological survey will not be required. If a larger work area is necessary the operator is required to pay for an archaeological survey by a BLM approved archaeologist.

If a larger work area is required, before any surface disturbance is authorized an archaeological survey must be conducted. This survey shall consist of a 50' wide survey outside of the existing disturbance creating a buffer area around the pad and both sides of the pad access road if needed. The survey shall be completed by a contract archaeologist approved by BLM for the southeastern portion of New Mexico. For further information and a list of BLM approved contract archaeologists contact Justin Peters, Archaeologist, Roswell Field Office, at 575-627-0277.

Enclosure 3

Desired Plant Community Seed Mixture

Seed the Walters Federal #2 location with the Pecos District Desired Plant Community seed mixture for the Sandy Plains CP-2, Sand Hills CP-2, and Deep Sand SD-3 Ecological Sites (dated April 4, 2006):

Common Name and Preferred Variety	Scientific Name	Pounds of pure Live Seed Per acre
Sand bluestem	<i>(Andropogon hallii)</i>	0.5
Little bluestem	<i>(Schizachyrium scoparium)</i>	0.5
Sideoats grama	<i>(Bouteloua curtipendula)</i>	1.5
Sand dropseed	<i>(Sporobolus cryptandrus)</i>	0.5
Spike dropseed	<i>(S. contractus)</i>	0.5
Mesa dropseed	<i>(S. flexuosus)</i>	0.5
Plains bristlegrass	<i>(Setaria macrostachya)</i>	2.0
Desert or Scarlet Globemallow	<i>(Sphaeralcea ambigua)</i> or <i>(S. coccinea)</i>	0.5
Buckwheat	<i>(Eriogonum spp.)</i>	1.5

TOTAL POUNDS PURE LIVE SEED (pls) PER ACRE	8.00
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If one species is not available increase all others proportionately. Use no less than six (6) species with a minimum of one (1) forb. Apply no less than 8.0 pounds pls per acre.

APPROVED: /s/ Douglas J. Burger

District Manager, Pecos District

Use a certified noxious weed free seed mixture. Use seed tested for viability and purity in accordance with State law(s) within nine months prior to purchase. Use a commercial seed mixture certified or registered and tagged in accordance with State law(s). Make the seed mixture labels available for BLM inspection.

Contact Randy Legler, Natural Resource Specialist of the Roswell Field Office at 575 - 627 - 0215 at least three (3) working days before seeding and if you have questions.

Enclosure 4

Site Investigation Plan

The required site investigation plan is intended to describe all actions required to investigate the release at this site. This includes, but is not limited to:

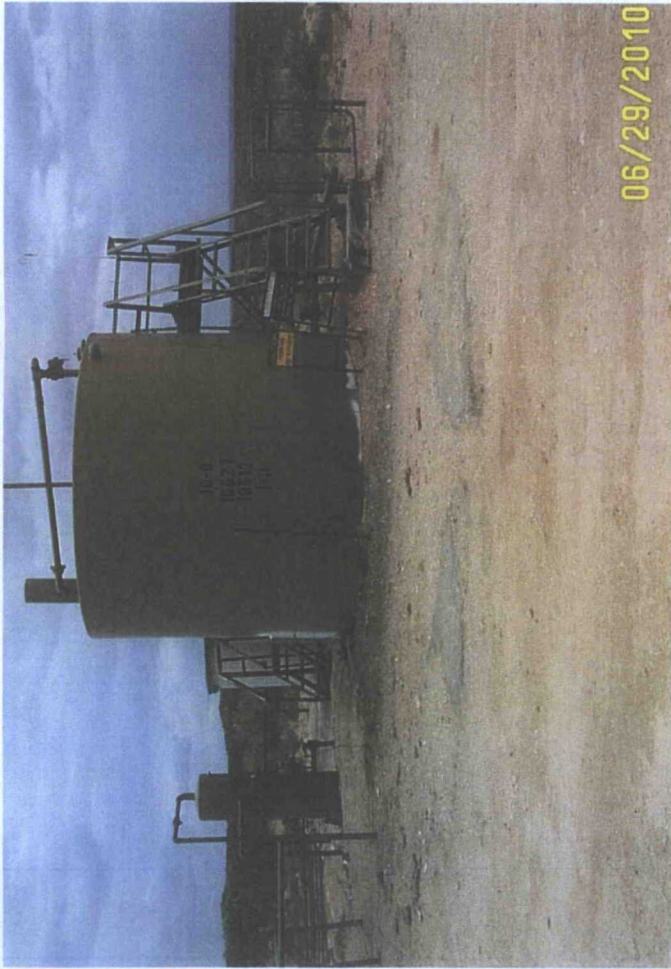
- a discussion of the cause of release, immediate response actions taken, and all post-release proposed actions.
- a sampling plan that provides the following:
 - the sampling methodology
 - sampling protocol
 - equipment to be used in sampling
 - sample locations
 - what lab will be used to analyze the samples
 - what steps will be taken to investigate potential groundwater contamination.

The sampling results are used to determine the type of contaminants, level of contamination, the vertical and horizontal limits of contamination, and what actions will be proposed in the remediation plan.

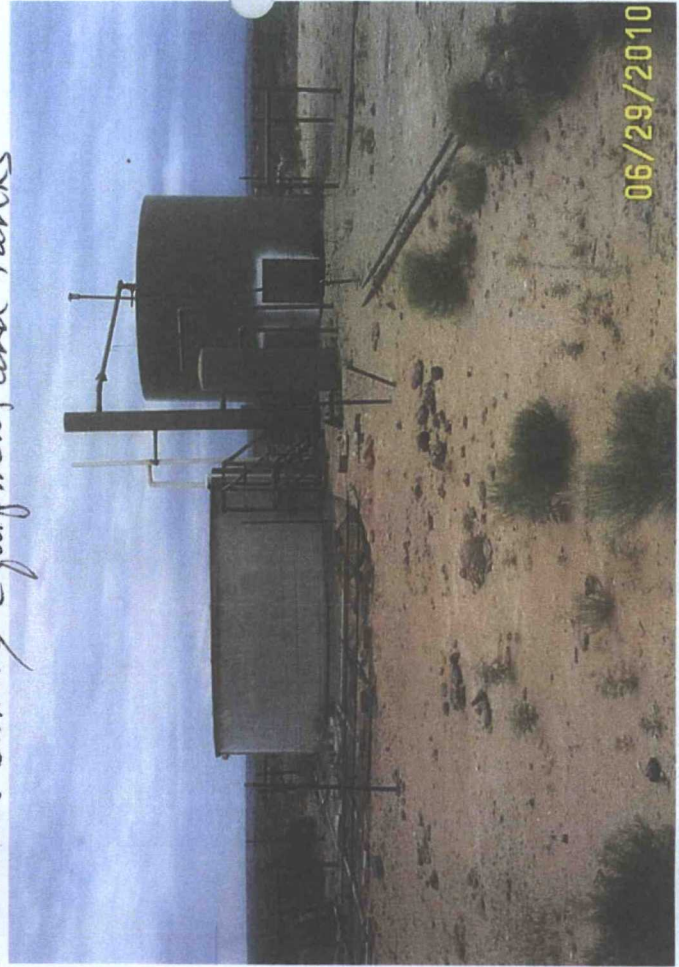
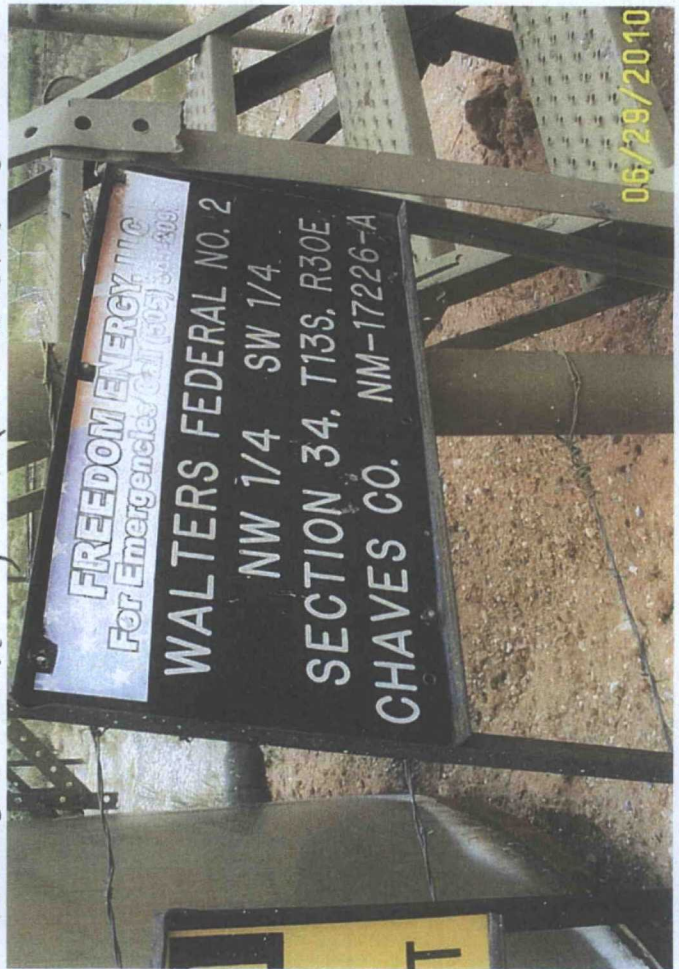
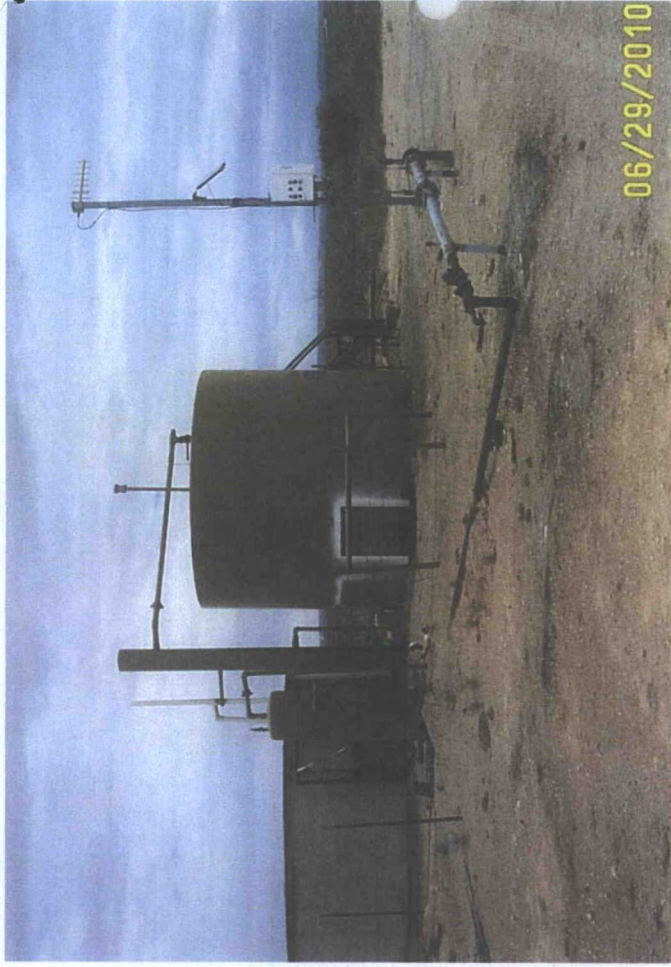
Once the sampling results have been reviewed and accepted by the BLM, and the vertical and horizontal extent of the release has been determined, you are required submit a remediation plan that describes the cleanup actions proposed. The remediation plan shall include the cleanup (excavation) process, the proposed disposal facility, and method of transport. A copy of the disposal record will be required to close this case.

The site investigation plan, including a sampling plan, is required within **20 days** of receipt of this letter. Actions described in the sampling plan may begin after the BLM has approved the sampling plan. After completion of the actions detailed in the sampling plan and sampling data has been analyzed and the extent of the release has been delineated, you must submit a remediation plan for this site. Remediation of this site shall begin after the BLM has approved the remediation plan.

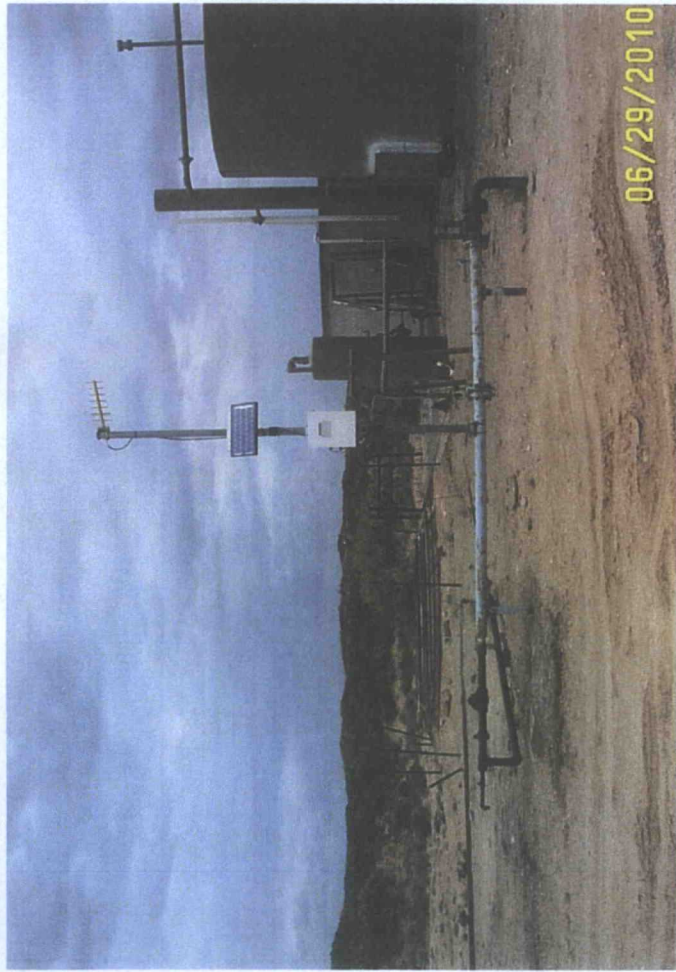
All actions at this site must meet the New Mexico Oil Conservation (OCD) rules for cleanup of spills and releases. A BLM employee shall be on site for all sampling and cleanup actions. Please contact Randy Legler at (575) 627-0215 five (5) days before beginning any sampling or remediation actions at this site.



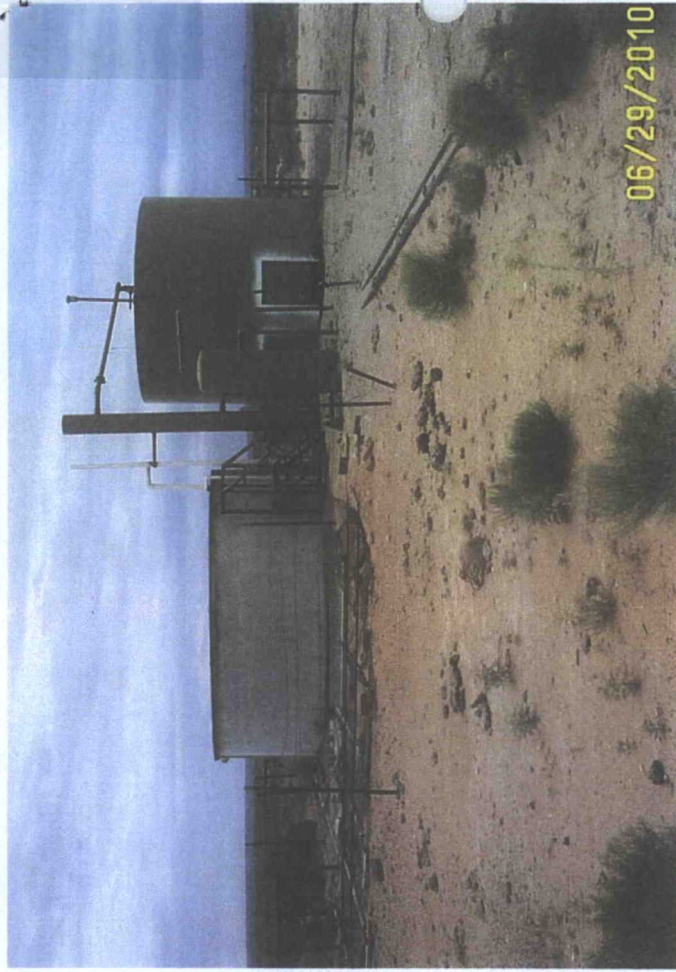
No secondary containment structure around battery equipment and tanks



Netted, unlined fluid disposal pit



06/29/2010



06/29/2010

Netted, unlined Fluid disposal pit



06/29/2010



06/29/2010