JIM PIERCE

SUITE 859
PETROLEUM BUILDING
200 WEST FIRST
ROSWELL, NEW MEXICO 88203

OIL AND GAS PROPERTIES

PHONE 505-622-7246 FAX 505-622-1711

EMAIL: jplandman@dfn.com

August 19, 2004

Mr. Horace DeLong P. O. Drawer G Loco Hills, NM 88255

RE:

BLM Notice of Written Order Your Southern Federal Lease

Eddy County, NM

Dear Mr. DeLong:

30-015-02771

Just received and enclosed is the "Operator's Copy" of Notice of Written Order from the BLM concerning the spill on the captioned lease.

Also received and provided is a copy of the Operators Crude Oil Statements from "Navajo Refining" for both the Southern Federal and Heard 6 Federal leases covering July, 2004 production revenues of \$12,203.77 and \$5,622.06 net, respectively.

Since you have refused to acquire you own bonds, as previously agreed, my bonds continue to be at risk, consequently I request you adhere to the BLM requirements concerning all matters regarding these leases, as well as any NMOCD issues that may exist per my letter to you dated June 18, 2004.

Jim Pierce

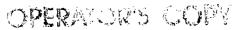
Encl.

Trully

Xc: Bureau of Land Management/Carlsbad District

Xc: NMOCD/Artesia District

Xc: Hunker-Fedric P.A. Xc: William C. Fleming



Form 3160-18 (October, 1999)

\boxtimes	Certified Mail - Return Receipt Requested 70040750000308021427
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UNITED STATES DEPARTMENT OF THE INTERIOR

Number	04-JA-111					
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Bureau of Land Management C						Operator					Ξ	
CARLSBAD FIELD OFFICE Address 620 F GREENE STREET					PIERCE JIM						_	
Address 620 E GREENE STREET CARLSBAD NM 88220					Address 200 W 1ST CT #859 ROSWELL NM 88201							
Telephone FOE 224 FOOD						Attention						-
505-234-5909 Inspector					Attn A	.ddr					-	
		AMOS				<u> </u>						
Site Name SOUTHERN FED		Well or Faci	lity	l I		•	Range	Meridian NMP	County	EDDY	State	-
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Date	τ	ime	Соггест	ive Action to be	`T		Date	<u> </u>	Auti	hority Reference		-
	(24-ho	ur clock)	Co	mpleted by	İ		rrected	readily retorded				
08/12/2004 Remarks:	13	3:00	10/	17/2004					43 CFR 3162.1(a), 3162.5-1(a&b)			_
REQUIREMENTS ARE MATERIAL IS TO BE FOUND TO BE FOUND TO BE FOUND THE EAST OF THE CONSTRUCTED WITH LOCATION TO PREVEOUS TREWALL TO THE NOTHE WESTERN EDGE (Remarks continued of the continued of t	REMOVE THE OLI E DISPO H FRESH ENT AN ORTH, A E TYING	ED FROM D BATTEF DSAL PIT. H CALICH Y FUTURE ALONG TH IN WITH	FEDERA RY LOCA A FIREV I. A LOCE SPILLS HE NORT THE RO	AL LANDS A ATION. NOTE VALL, WHIC SATION FIRE S FROM RUN THERN EDG	ND DETHIS HWILE WALE NING E OF	ISPOS MAT LL HC L IS T G OFF THE	SED OF PROPERIOR OF PROPERIOR OF COMMON THE CONSIDER OF COMMON PAD. THEN	OPERLY, CI I COME FRO F THE TOTA STRUCTED . I. THIS IS TO FROM THE	LEAN MA OM THE A AL TANK JUST OF DEXTENI NORTH	TERIAL IS TO AREA ADJACE AGE IS TO BE F THE EDGE D FROM THE TO RUN SOU	D BE USED ENT AND E OF THE TANKAGE TH ALONG	\ <i>/i</i> ~~
When the Written Order is c	omplied w	vith, sign thi	s notice an	d return to abov	e addre	ess.						-
Company Representative Ti	tle				Sign	ature				Date	AUG 2 5	
Company Comments					-	_		· · · · · · · · · · · · · · · · · · ·			OCP-AR	TES!
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The Authorized Officer has his Notice or 7 business day eported to the Bureau of La hall be issued an Incident of 163.1 and may also incur crame for correction.	ys after the ind Manage if Noncom	date it is ma ement Office pliance (INC	ailed, whice at the add () in accord	hever is earlier. Iress shown abo Iance with 43 C	Each : ve. If y FR 316	stipulat you do 53.1(a).	ion must be con not comply as to Failure to con	mected within t noted above un nply with the IV	he prescrib der "Coπec IC may resi	ed time from receitive Action to be ult in assessments	ipt of this Notice: Completed By", y as outlined in 43	and ou CFR
Section 109(d)(1) of the Fed 1163.2(f)(1), provides that a or other written information maximum of 20 days.	ny person	who "knowi	ngly or wil	Ifully " prepares	s, main	tains, o	r submits false	, inaccurate, or	misleading	reports, notices, a	affidavits, records	R , data,
				Review	and A	ppeal	Rights					
person contesting a decision	on shall red	quest a State	Director r	eview of the Wr	ritten O	rder. T	This request mu	ist be filed with	in 20 worki	ing days of receip	t of the Notice wi	th the

A person contesting a decision shall request a State Director review of the Written Order. This request must be filed within 20 working days of receipt of the Notice with the appropriate State Director (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Land Appeals, 801 North Quincy Street, Suite 300, Arlington, VA 22203 (see 43 CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

Signature of Bureau of La	and Management Authorized Officer	Date 8/17/04 Time 1100	
7		FOR OFFICE USE ONLY	
Number	Date	Type of Inspection	_
3		ES	

BLM Remarks, continued

TANK AND HEATER TREATER. REMOVE SPILLAGE FROM OLD TANK, INSTALL A CATCH BASIN AT THE OIL LOAD LINE TO CATCH SPILLS. THIS BASIN IS TO HAVE A SCREEN OR GRATING TO KEEP BIRDS AND WILDLIFE OUT, REPAIR FENCING AROUND DISPOSAL PIT TO KEEP WILDLIFE OUT, IN ADDITION CEASE THE PRACTICE OF DRAINING BOTTOMS OFF TANKAGE. IF YOU HAVE QUESTIONS ABOUT THESE REQUIREMENTS, CONTACT JIM AMOS AT 505-234-5909.