



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

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

IN REPLY REFER TO:

43CFR 3162.3-2(a)

30-039-26896

February 18, 2003

Conoco Inc.,  
Attn.: Yolanda Perez  
P.O. Box 2197, WL3 4066  
Houston, TX., 77252-2197

Dear Ms. Perez:

Reference is made to the following well on Federal oil and gas lease NM-03560:

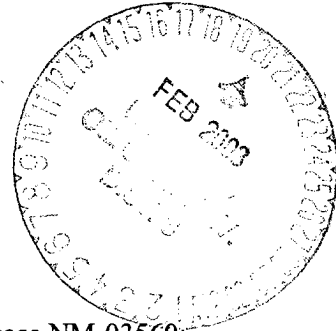
**No. 101F San Juan 28-7, located 1365' FSL and 2260' FWL, Section 30 T.27N., R.7W., Rio Arriba County, New Mexico.**

On January 28, 2003, we electronically received a Well Completion Report (EC No. 17296) detailing the well completion in the Otero Chacra Pool. We also received a Sundry Notice (EC No. 18034), requesting permission to down hole trimingle the Basin Dakota, Blanco Mesaverde and Otero Chacra pools in this well bore. The completion work on the Chacra commenced in November and was completed on November 19, 2002 as a trimingled Dakota, Mesaverde and Chacra well. The Well Completion Report and the Sundry Notice to trimingle are in essence, after-the-fact notices.

According to our records, this well was permitted as a Dakota-Mesaverde commingle. We have no record, written or verbal, which authorizes the completion in the Otero Chacra Pool and the subsequent trimingle with the Dakota and Mesaverde Formations. As such, you are again in violation of 43 CFR 3162.3-2, Subsequent Well Operations which requires prior approval before commencing recompletion in a different interval and commingling production from different intervals. This is the third violation of this rule that Conoco Inc., has had in the last year. Copies of the previously issued violations are attached for your reference.

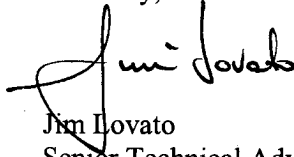
Under 43 CFR 3163.2, Civil Penalties, whenever an operator fails or refuses to comply with any applicable requirements of any regulation, the Authorized Officer (AO) shall notify the operator in writing of the violation, unless the violation was discovered and reported to the AO by the operator or the notice was previously issued under 43 CFR 3163.1. Since you were previously notified to abate further violations under 43 CFR 3163.1, you are now liable for civil penalties dating back to the completion in the Chacra formation and the subsequent trimingle with the Dakota and Mesaverde intervals.

The Bureau of Land Management (BLM) takes matters of non-compliance very seriously. We have had several discussions with your company regarding these matters and understand the problems you have regarding communicating technical issues. We believe that the lack of communication is the root of these non-compliance problems and that your recent merger efforts between Conoco and Phillips Petroleum may have had some bearing on the communication and permitting problem. At this point in time, the BLM will exercise its discretionary authority and not levy any monetary penalties toward your company. However, should you continue to have



these types of non-compliance issues in the future, civil penalties will be assessed pursuant to the provisions outlined above. We hope that you and representatives of your company will continue to meet and review the permitting process so that compliance with the oil and gas operating regulations are adhered to. If you have any questions regarding the above or would like to meet to discuss these issues in more detail, please contact me at (505) 599-6367.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Lovato". The signature is fluid and cursive, with a large initial "J" and "L".

Jim Lovato  
Senior Technical Advisor  
Petroleum Engineer

Enclosures (Well Completion Report & Sundry Notice)  
Violation Notices dated (2/21/02 & 7/18/02)

cc: NMOCD:Aztec ✓