

United States Department of the Interior

BUREAU OF LAND MANAGEMENT

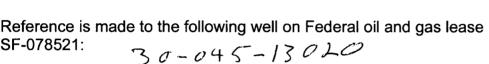
Farmington Field Office 1235 La Plata Highway, Suite A Farmington, New Mexico 87401

IN REPLY REFER TO: 3162.3-2(a) (21110)

March 3, 2006

Mr. John Thompson Thompson Engineering & Production Company 7415 East Main St. Farmington, New Mexico 87402

Dear Mr. Thompson:



No. 1 Rudman Federal, located 1850' FNL and 790 FWL, Sec. 27, T.25N., 9W., San Juan, New Mexico.

On February 27, 2006, we received a subsequent report sundry notice indicating that squeeze cementing operations were conducted to repair casing leaks. The work was commenced on August 17, 2005 and completed on August 20, 2005. This office has no record of giving prior approval, written or verbal, to perform casing repair operations. As such, you are in violation of 43 CFR 3162.3-2, Subsequent Well Operations, which requires prior approval before commencing casing repair operations. This is the second violation of this type that your company has had within the last year. The other violation is attached for your reference.

The Bureau of Land Management (BLM) takes matters of non-compliance very seriously. We believe that the lack of communication between the field and the office are the root of most violations of this sort. We encourage you to review your communication procedures and address any areas that need attention.

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, monetary penalties will be imposed. In order to properly complete the record, please file an after-the-fact, notice of intent to conduct casing repair operations. File these documents within 30 days of the date of this letter.

Under 43 CFR 3165.3, you may request an Administrative Review of any instructions, orders, or decisions issued by the Authorized Officer. Such a request,



including all supporting documents, must be filed in writing within 20 business days of receipt of this notice and must be filed with the State Director, Bureau of Land Management, P.O. Box 27115, Santa Fe, New Mexico 87502-0115. Such a request will not result in a suspension of the instructions, orders, or decisions unless the reviewing official so determines. Procedures governing appeals from the instructions, orders, or decisions are contained in 43 CFR 3165.4 and 43 CFR 4.400 et. Seq.

I you have any questions regarding the above please contact me at (505) 599-6367.

Sincerely,

Jim Lovato

Senior Technical Advisor

Petroleum Engineer

CC:

NMOCD, Aztec Attachment (1)

Firm 3 160-5 (Lugust 1999)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

CHANDOV NOTICES AND DEDODTS ON WELLS

FORM APPROVED OMB No. 1004-0135 Expires Inovember 30, 2000

5. Lease Serial No.

SF 080956

SUNDK	NOTICES AND REPORTS	ON WELLS		31.000900	
Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.				6. If Indian, Allottee or Tribe Name	
	ICATE - Other instru	a en	e elle	7. If Unit or CA/Agreement	i, Name and/or No.
1. Type of Well Oil Well Gas Well Other O70 FARMINGTON N				8. Well Name and No.	
2. Name of Operator				Martin #3R	
Thompson Engineering and Production Corp.				9. API Well No.	
3a. Address	3b. Phone No. (include 505-327-4892	area code)	30-045-20260 10. Field and Pool, or Explor		
7415 E. Main, Farmington, N. Location of Well (Footage, Sec., T.,	303-327-4692		Aztec Pictured Cliffs	•	
990' FNL & 990 FEL, Section 3, T29N, R11W				11. County or Parish, State San Juan, NM	
12. CHECK AP	PROPRIATE BOX(ES) TO IN			RT, OR OTHER DATA	
TYPE OF SUBMISSION		TYP			
Notice of Intent Subsequent Report Final Abandonment Notice	Acidize Alter Casing Casing Repair Change Plans Convert to Injection	Deepen Fracture Treat New Construction Plug and Abandon Plug Back	Production (Reclamation Recomplete Temporarily Water Dispo	Well I Other	Shut-Off Integrity
rumpea 144 sx (1/0 cu.jt., bradenhead. Closed the br Displaced cement to 50'. M WOC overnight. Drilled co	" casing between 459' and 4) 0J C1 "B" with 2% CaC12. adenhead valve. Pumped ar Max squeeze pressure was 70 ement to 500'. Pressure teste KB. Landed the 1-1/4" tubins	191'. Established circuctive of gone of 2071'KB and ret	ulation to surfactooa cement to so cement to so cu.ft.) of Cl "B' Could not move psi - held OK.	e through the bradenhed urjace inrougn ine with 2% CaCl2. cement with 1400 psi. Ran 1-1/4" tubing	 ad.
>ERATIONS TO P	true and correct	NE KEPAI	RS, ON	THIS WE!	
	ompson, P.E.	Title	P	esident	
Signature Jan C. Th	oup -	Date		2'AGGEPTED FOR RE	CORD
Approved by	THIS SPACE	FOR FEDERAL OR ST	ATE USE	AUG 1 0 2005	
Conditions of approval, if any, are attached certify that the applicant holds legal of equ which would entitle the applicant to conduct the conduction of th	itable title to those rights in the sub			EARMINGTON FIELD OF	

Title 18 U.S.C. Section 1001, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.