

PHOENIX HYDROCARBONS OPERATING CORPORATION

415 WEST WALL, SUITE 703
MIDLAND, TX 79701

P. O. BOX 3638
Midland, Texas 79702

Phone 432 686-9869
FAX 432 686-7798

December 22, 2003

30-045-20362

United States Department of the Interior
Bureau of Land Management
Farmington Field Office
Farmington, NM 87401

ATTN: STEVE MASON

RE: NMSF-078476 (WC) /3162.3-2 (7100)
FEDERAL R #1B/30-045-31870

Dear Steve:

Phoenix submitted an APD requesting to permit the above referenced well in *UL B*, Sec 15, T-27-N, R-8-W (805' FNL and 1685' FEL). That location was moved and permitted at *UL A*, Sec 15, T-27-N, R-8-W (830' FNL and 1045' FEL) by the Bureau of Land Management. Phoenix was not aware until after the location was built and operations had begun that this location picked by the BLM was an *illegal location too close* to the old existing Federal R #1 (990' FNL & 1170' FEL/30-045-20362) at *UL A*, Sec 15, T-27-N, R-8-W.

Phoenix forwarded a sundry notice stating the old existing Federal R#1 was going to be shut-in on December 3, 2003. After some research a second sundry notice dated December 11, 2003 was submitted stating the Mesaverde zone *only* would be shut-in and Phoenix would produce the Basin Dakota.

The old established Federal R#1 had been approved to produce from both the Blanco Mesaverde and the Basin Dakota. If the old established Federal R#1 is produced out of the Basin Dakota we can produce the new Federal R#1B out of the Blanco Mesaverde.

Presently, it is Phoenix's position to get the new well, Federal R #1B, completed and producing. Phoenix has spent in excess of \$450,000 to drill and complete this new well. Phoenix is still evaluating the situation and deciding the best plan for our company and investors. Phoenix is requesting the Bureau of Land Management allow us to produce the Federal R#1 (30-045-20362) from the Basin Dakota and the Federal R #1B (30-045-31870) from the Blanco Mesaverde pending *Phoenix request for a hearing to produce both wells in the Mesaverde.*

If you have questions or need additional information, please do not hesitate to contact Phyllis or Gregg at 432-686-9869.

Sincerely,



Phyllis R. Gunter

Prg

Enclosure

Cc: NMOCD, Aztec, NM
State Director, Bureau of Land Management, P O Box 27115, Santa Fe

COPY



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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

IN REPLY REFER TO:

NMSF-078476 (WC)
3162.3-2 (7100)

December 12, 2003

Mr. Gregg Baiano
Phoenix Hydrocarbons Operating Corp.
PO Box 3638
Midland, TX 79702

REC'D DEC 22 2003

Dear Mr. Baiano:

Reference is made to your well No. 1 Federal R located 990' FNL & 1170' FEL sec. 15, T. 27 N., R. 8 W., San Juan County, New Mexico, Lease NMSF-078476. Also referenced is your Sundry Notice dated December 3, 2003, which stated the subject well has been shut-in. You are required to submit your justifications as to why this well will remain in an inactive status instead of being returned to production or plugged and abandoned. You are required to submit these justifications by January 15, 2004.

Failure to comply within the time above may result in an assessment in accordance with 43 CFR 3163.1.

Under provisions of 43 CFR 3165.3, you may request an Administrative Review of the orders described above. Such 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 (NM-93000), P. O. Box 27115, Santa Fe, New Mexico 87502-0115. Such requests shall not result in a suspension of the order(s) unless the reviewing official so determines. Procedures governing appeals from instructions, orders or decisions are contained in 43 CFR 3165.4 and 43 CFR 4.400 et seq.

If you have any questions please contact Stephen Mason with this office at (505) 599-6364.

Sincerely,

Stephen Mason
Petroleum Engineer, Petroleum Management Team

REC'D DEC 22 2003

Form 3160-3
(August 1999)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000**SUNDRY NOTICES AND REPORTS ON WELLS**
Do not use this form for proposals to drill or to re-enter an
abandoned well. Use Form 3160-3 (APD) for such proposals.**SUBMIT IN TRIPLICATE - Other instructions on reverse side**

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

PHOENIX HYDROCARBONS OPERATING CORP.

3a. Address

P. O. Box 3638, Midland, TX 79702

3b. Phone No. (include area code)

432-686-9869

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

T27N - R8W

E/2 of Sec. 15, 990' FNL & 1170' FEL

5. Lease Serial No.

SF 078476

6. If Indian, Allottee or Tribe Name

070 Fairbairn, NM

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

Federal R #1

9. API Well No.

30-045-20362

10. Field and Pool, or Exploratory Area

Blanco Mesaverde Basin

11. County or Parish, State

Dakota

San Juan County, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

☒ 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 (Start/Resume)☐ Reclamation☐ Recomplete☐ Temporarily Abandon☐ Water Disposal☐ Water Shut-Off☐ Well Integrity☒ Other

Shut Well in

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Effective 12-5-03 this well will be shut in.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Phyllis R. Gunter

Title Agent

Signature

Phyllis R. Gunter

Date

12-3-03

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Title

Office

ACCEPTED FOR RECORD
Date

DEC 12 2003

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, 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.

OPERATOR

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

PHOENIX HYDROCARBONS OPERATING CORP.

3a. Address

P. O. Box 3638, Midland, TX 79702

3b. Phone No. (include area code)

432-686-9869

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

T27N - R8W

E/2 of Sec. 15, 990' FNL & 1170' FEL

5. Lease Serial No.

SF 078476

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

Federal R #1

9. API Well No.

90-045-20362

10. Field and Pool, or Exploratory Area

Blanco Mesaverde Basin

11. County or Parish, State

Dakota

San Juan County, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Shut only the
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Mesaverde Zone in
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	and prod the Dakota

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

12/11/03

Phoenix is going to produce the Basin Dakota Zone only. The NMOCD has an approved C-104 for this zone also. Only the Blanco Mesaverde will be shut in effective 12/5/03. Effective 12/12/03 the El Paso sales meter will be hooked up to the Basin Dakota gas.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

PHYLLIS R GUNTER

Title AGENT

Signature

Phyllis R. Gunter

Date 12/11/03

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

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