

PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

Page 1

OGRID CODE OPERATOR	WELL NAME	API	USTR	UL	PROD YEAR	PROD MTH	GAS	OIL	WATER	INT
15488 N DALE NICHOLS	ALMA SHIELDS #007	30-005-62567	N-33-078-27E	N	1997	1				
					1997	2		31	17	
					1997	3		33	18	
					1997	4		38	21	
					1997	5		35	21	
					1997	6		44	26	
					1997	7		44	26	
					1997	8		39	21	
					1997	9		39	23	
					1997	10		36	21	
					1997	11		30	16	
					1997	12		45	24	
					1998	1		39	21	
					1998	2		39	21	
					1998	3		29	16	
					1998	4		44	24	
					1998	5		41	22	
					1998	6		42	23	
					1998	7		40	22	
					1998	8		39	21	
					1998	9		44	24	
					1998	10		42	23	
					1998	11		39	21	
					1998	12		45	24	
					1999	1		25	13	
					1999	2		29	15	
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					2000	12				
					2001	1				
					2001	2				

As of February 25, 2003
If month and year appear with no amounts, zero volumes
were reported.

BEFORE THE
OIL & GAS COMMISSION
STATE OF TEXAS
OC0 12862
CASE 12862

PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

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OGRID CODE OPERATOR	WELL NAME	API	ULSTR	OCD UL	PROD YEAR	PROD MTH	GAS	OIL	WATER	INJ
15488 N DALE NICHOLS	LEWIS NEFF #003	30-005-10432	P-33-078-27E	P	1997	3				
					1997	4				
					1997	5				
					1997	6				
					1997	7				
					1997	8				
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					2001	3				
					2001	4				

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were reported.

PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID	CODE OPERATOR	WELL NAME	API	ULSTR	UL	PROD	PROD	GAS	OIL	WATER	INJ
						MTB					
15488	N DALE NICHOLS	LEWIS NEFF #003	30-005-10432	P-32-07S-27E	P	2001	5				
						2001	6				
						2001	7				
						2001	8				
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Fixed 12-3-02 per

OGRID	CODE OPERATOR	WELL NAME	API	ULSTR	UL	PROD	PROD	GAS	OIL	WATER	INJ
						MTB					
15488	N DALE NICHOLS	LEWIS NEFF #004	30-005-00224	O-32-07S-27E	O	1997	1				
						1997	2				
						1997	3				
						1997	4				
						1997	5				
						1997	6				
						1997	7				
						1997	8				
						1997	9				
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PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID	CODE OPERATOR	WELL NAME	API	ULSTER	UL	PROD	PROD	GAS	OIL	WATER	INT
						YEAR	MTN				
15488	N DALE NICHOLS	LEWIS NEFF #004	30-005-00224	O-32-078-27E	O	1999	5				
						1999	6				
						1999	7				
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PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID	CODE OPERATOR	WELL NAME	API	UICSTR	UIC	PROD YEAR	PROD MTH	GAS	OIL	WATER	INT
15488	N DALE NICHOLS	LYNX #001	30-005-62160	G-19-088-29E	G	1997	6				
						1997	7				
						1997	8				
						1997	9				
						1997	10				
						1997	11				
						1997	12				
						1998	1				
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						2001	7				

As of February 25, 2003
 If month and year appear with no amounts, zero volumes
 were reported.

PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID CODE OPERATOR	WELL NAME	API	ULSTR	UL	OCB PROD YEAR MTH	GAS	OIL	WATER	ING
15488 N DALE NICHOLS	STANDARD STATE #003	30-005-10429	2-05-088-27E	B	1999 8				
					1999 9				
					1999 10				
					1999 11				
					1999 12				
					2000 1				
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					2002 9				
					2002 10				
					2002 11				
					2002 12				
							20	88	
							25	102	
							24	102	
							69	292	
15488 N DALE NICHOLS	STATE A #002	30-005-00232	P-07-088-27E	P	1997 1				
					1997 2				
					1997 3				
					1997 4				
					1997 5				
					1997 6				
					1997 7				

←
has not
been
reported
production

As of February 25, 2003
if month and year appear with no amounts, zero volumes
were reported.

PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OCERID	CODE OPERATOR	WELL NAME	API	CLUSTER	UL	PROD YEAR	PROD MTH	GAS	OIL	WATER	INJ
15488	N DALE NICHOLS	STATE A #002	30-005-00232	P-07-088-27E	P	1997	8				
						1997	9				
						1997	10				
						1997	11				
						1997	12				
						1998	1				
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						2001	8				
						2001	9				

As of February 25, 2003
If month and year appear with no amounts, zero volumes
were reported.

PRODUCTION FROM BELOW LISTED WELLS 1997 - PRESENT

OGRID CODE OPERATOR	WELL NAME	API	U/STR	OCD PROD UL YEAR MTH	GAS	OIL	WATER	INJ
15488 N DALE NICHOLS	STATE A #002	30-005-00232	P-07-088-27E	P	2001 10			
				2001 11				
				2001 12				
				2002 1				
				2002 2				
				2002 3				
				2002 4		10		
				2002 5		35		
				2002 6		5		
				2002 7			6	
				2002 8		8	20	
				2002 9		7	20	
				2002 10		10	20	
				2002 11		5	10	
						80	76	

← April 2002
production resumes

As of February 25, 2003
if month and year appear with no amounts, zero volumes
were reported.

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
ARTESIA DISTRICT OFFICE

GARY E. JOHNSON
GOVERNOR

NOVEMBER 5, 1997

JENNIFER SALISBURY
CABINET SECRETARY

N. DALE NICHOLS
P.O. BOX 1972
MIDLAND, TX 79702

RE: Shut In Wells

The State of New Mexico is in the process at this time of reviewing leases and determining the number of shut in wells.

Rule 201 A. states "The operator of any well drilled for oil, gas or injection, for seismic, core or other exploration, or for a service well, whether cased or uncased, will be responsible for the plugging thereof."

Rule 201 B. states "A well will be either properly plugged and abandoned or temporarily abandoned in accordance with these rules within 90 days after: (1) a 60-day period following suspension of drilling. (2) A determination that the well is no longer usable for beneficial purposes. (3) A period of one year in which a well has been continuously inactive."

House Bill 65 has been passed by the Legislature and provides a 3.75% tax incentive for wells put back in production. However, if there are no plans to put this well back in service then it needs to either be plugged or properly temporarily abandoned.

Please use Form C-103 and Form C-139 for the 3.75% tax incentive to indicate your intentions for the following well(s):

300-015-10432 P-32-7-27 LEWIS NEFF #3 ✓
300-015-00223 I-32-7-27 LEWIS NEFF #2 TA EXP. 4-28-1997
300-015-00233 A-7-8-27 STATE A #3
300-015-00231 B-7-8-27 STATE A #1

Please advise this office within 30 days of the date shown above as to your intentions or any change of status for the above listed well(s). If you have any questions or if you need any help - feel free to stop by the office and visit with us.

BEFORE EXAMINER

OIL CONSERVATION DIVISION

OCD EXHIBIT NO. 2
CASE NO. 12862

Sincerely,

Tim W. Gum
Supervisor District II

New Mexico Oil Conservation Division
Energy, Minerals and Natural Resources Department

811 South First Street, Artesia, NM 83210
2040 South Pacheco, Santa Fe, New Mexico 87505



Data Management Program
"Embracing 21st Century Technology"

11-May-00

N DALE NICHOLS
PO BOX 1972
MIDLAND TX 79702-

Attention: Regulatory Department

Re: Current Status of Oil and Gas Well(s)

Dear Sirs:

Division records indicate that you are the current operator of the following described oil or gas well(s) in New Mexico. Upon review of our records, apparently there has been a continuous, minimum one year period in which production volumes greater than zero have not been reported or, no report has been sent to the Division on Form C-115 as required by Division Rule 1115.

In an attempt to update our records and ascertain the nature of the non-reporting, the Division requests that you supply the following information:

1. Is your company the current operator of these oil or gas well(s)?
2. Are these well(s) active and currently being produced? If not, have the well(s) been temporarily abandoned, converted to injection, etc., and the proper paperwork filed with the appropriate District Office?
3. Are the produced volumes being reported to the Division on Form C-115?*
4. If the well(s) are not currently being produced, does your company plan to reinstitute production operations on these well(s) in the near future?

If the subject well(s) have been shut-in longer than one (1) year and/or in a non-reporting status, the Division will require the well(s) to be brought into compliance with the Oil Conservation Division Rules and Regulations.

Please direct a copy of this letter with the provided response areas completed within 45 days to the Artesia District Office.

If you should have any questions, please contact Ms. Carmen Reno at 505-748-1283 (x-n/a) at the Artesia District Office.

*If the nature of the problem is reporting, we will contact your representative _____ (name)
at (_____) _____ (area code/number).

Your cooperation is appreciated,

New Mexico Oil Conservation Division Staff

Responses should only correct wrong information. If all data indicated is correct for a particular well, no response entries should be made on that line. If all information is correct, please initial here _____ and return a copy of this letter in its entirety. The following are ONGARD codes for Well Type:

Valid Well Types: O = Oil, G = Gas, I = Injection, S = Salt Water Disposal, M = Miscellaneous

(Please refer to Rules 201, 202 and 203 for definitions of proper P and A and TA procedures.)

**For the purpose of this letter, "Inactive" is defined as 1) no production reports, 2) a prolonged period of reporting 0 [zero] production or, 3) a prolonged period of the well being shut-in.

AVALANCHE JOURNAL S

Well No.	API Number	Location	Well Type	Years Inactive**
001	30005104630000	F 4 8 S 27 E	O	6+
Response:	Current Operator? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Our records indicate the Current Type to be: <input type="checkbox"/> O <input type="checkbox"/> G <input type="checkbox"/> I <input type="checkbox"/> S <input type="checkbox"/> M	8	1/13/2000
	Well is Producing <input type="checkbox"/> TA'd? <input type="checkbox"/> Plugged? <input type="checkbox"/> Shut-In? <input checked="" type="checkbox"/> Convert to Inj/SWD <input type="checkbox"/>	Date of Action Checked		

See Attached Note # 1

9/5-682-5621

004 30005104710000

K 4 8 S 27 E

O

6+

Response: Current Operator? ☒ Yes ☐ No Our records indicate the Current Type to be: 0 8 /13 /2000
 Well is Producing ☐ TA'd? ☐ Plugged? ☐ Shut-In? ☒ Convert to Inj/SWD ☐ Date of Action Checked
 See Attached Note # 2

006 30005104880000

L 4 8 S 27 E

O

2

Response: Current Operator? ☒ Yes ☐ No Our records indicate the Current Type to be: 0 8 /13 /2000
 Well is Producing ☐ TA'd? ☐ Plugged? ☐ Shut-In? ☒ Convert to Inj/SWD ☐ Date of Action Checked
 See Attached Note # 3

J KYLE

Well No.	API Number	Location	Well Type	Years Inactive**
001	30005631700000	C 26 7 S 28 E	G	6+

Response: Current Operator? ☒ Yes ☐ No Our records indicate the Current Type to be: 0 8 /13 /2000
 Well is Producing ☐ TA'd? ☐ Plugged? ☐ Shut-In? ☒ Convert to Inj/SWD ☐ Date of Action Checked
 See Attached Note # 4

LEWIS NEFF

Well No.	API Number	Location	Well Type	Years Inactive**
002	30005002230000	I 32 7 S 27 E	O	4

Response: Current Operator? ☒ Yes ☐ No Our records indicate the Current Type to be: 0 8 /13 / 2000
 Well is Producing ☐ TA'd? ☐ Plugged? ☐ Shut-In? ☒ Convert to Inj/SWD ☐ Date of Action Checked
 See Attached Note # 5

004 30005002240000

O 32 7 S 27 E

O

3

Response: Current Operator? ☒ Yes ☐ No Our records indicate the Current Type to be: 0 8 /13 / 2000
 Well is Producing ☐ TA'd? ☐ Plugged? ☐ Shut-In? ☒ Convert to Inj/SWD ☐ Date of Action Checked
 See Attached Note # 6

003 30005104320000

P 32 7 S 27 E

O

6+

Response: Current Operator? ☒ Yes ☐ No Our records indicate the Current Type to be: 0 8 /13 /2000
 Well is Producing ☐ TA'd? ☐ Plugged? ☐ Shut-In? ☒ Convert to Inj/SWD ☐ Date of Action Checked
 See Attached Note # 7

LYNX

Well No.	API Number	Location	Well Type	Years Inactive**
001	30005621600000	G 19 8 S 29 E	G	6+

Response: Current Operator? ☒ Yes ☐ No Our records indicate the Current Type to be: G 8 /13 / 2000
 Well is Producing ☐ TA'd? ☐ Plugged? ☐ Shut-In? ☒ Convert to Inj/SWD ☐ Date of Action Checked
 See Attached Note # 8

STANDARD STATE

Well No.	API Number	Location	Well Type	Years Inactive**
003	30005104290000	2 5 8 S 27 E	O	5

Response: Current Operator? ☒ Yes ☐ No Our records indicate the Current Type to be: 0 8 /13 / 2000
 Well is Producing ☐ TA'd? ☐ Plugged? ☐ Shut-In? ☒ Convert to Inj/SWD ☐ Date of Action Checked
 See Attached Note # 9

007 30005627850000

2 5 8 S 27 E

O

5

Response: Current Operator? ☒ Yes ☐ No Our records indicate the Current Type to be: 0 8 /13 /2000
 Well is Producing ☐ TA'd? ☐ Plugged? ☐ Shut-In? ☒ Convert to Inj/SWD ☐ Date of Action Checked
 See Attached Note # 10

006Y 30005105130000

G 5 8 S 27 E

O

6+

Response: Current Operator? ☒ Yes ☐ No Our records indicate the Current Type to be: 0 8 /13 /2000
 Well is Producing ☐ TA'd? ☐ Plugged? ☐ Shut-In? ☒ Convert to Inj/SWD ☐ Date of Action Checked
 See Attached Note # 11

STATE A

Well No.	API Number	Location	Well Type	Years Inactive**
003	30005002330000	A 7 8 S 27 E	O	1
Response:	Current Operator? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Our records indicate the Current Type to be:	<input type="checkbox"/> 0	8 / 13 / 2000
	Well is Producing <input type="checkbox"/> TA'd? <input type="checkbox"/> Plugged? <input type="checkbox"/> Shut-In? <input checked="" type="checkbox"/> Convert to Inj/SWD <input type="checkbox"/> Date of Action Checked			
	See Attached Note # 12			
001	30005002310000	B 7 8 S 27 E	O	6+
Response:	Current Operator? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Our records indicate the Current Type to be:	<input type="checkbox"/> 0	8 / 13 / 2000
	Well is Producing <input type="checkbox"/> TA'd? <input type="checkbox"/> Plugged? <input type="checkbox"/> Shut-In? <input checked="" type="checkbox"/> Convert to Inj/SWD <input type="checkbox"/> Date of Action Checked			
	See Attached Note # 13			
002	30005002320000	P 7 8 S 27 E	O	3
Response:	Current Operator? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Our records indicate the Current Type to be:	<input type="checkbox"/> 0	8 / 13 / 2000
	Well is Producing <input type="checkbox"/> TA'd? <input checked="" type="checkbox"/> Plugged? <input type="checkbox"/> Shut-In? <input checked="" type="checkbox"/> Convert to Inj/SWD <input type="checkbox"/> Date of Action Checked			
	See Attached Note # 14			

Notes and Possible Procedures
Attached to "Current Status of Oil and Gas Well(s)"
N. Dale Nichols

Note # 1 Avalanche Journal S Well # 1

This well was Shut-In in about 1969 by the previous Operator. We cleaned out, acidized with 1500 gallons acid and tested the well in 1997. Well non-commercial, holding for possible SWD well, (see Note # 6 below).

Note # 2 Avalanche Journal S Well # 4

This well was Shut-In in about 1970 with tubing stuck with gyp scale. In 1998 we attempted to free tubing with chemicals but was unsuccessful. Have formulated plans to cut the tubing and wash over to recover all tubing and place well on production, after we have cleared some title problems.

Note # 3 Avalanche Journal S Well # 6

This well was reworked in 1996, acidized and placed on production at about 2 BOPD. Later in about 1998 the tubing became stuck with gyp scale. Efforts to free the tubing with chemical failed. We plan to cut the tubing and wash over and recover all the tubing and place well back on production.

Note # 4 J. Kyle # 1

Well drilled in 1998 was non-commercial due to channeling of fracture treatment. Possibilities are either to drill a horizontal lateral, convert to SWD or P&A. Decisions will be delayed due to marketing gas from this field. Shoreham Pipeline shut down April 1, 2000 leaving us with no market. We have since connected to Dynegy Mainstream Services (Warren Petroleum) but are not able to get into their line due to high pressures. We are currently installing compression to deliver this gas to them.

Note # 5 Lewis Neff Well # 2

This well, it has been reported, was Shut-In in about 1967 due to excessive GOR, by a previous operator. Our plans are to test the well soon and petition the OCD for a permit to inject the gas into Neff well # 3 (see Note # 7 below).

Note # 6 Lewis Neff Well # 4

This well was Shut-In due to low oil production, high water production due to water breakthrough from offsetting SWD well, and low oil price. Possibilities include converting the Avalanche Journal Well # 1, (see Note # 1 above) to SWD and place this well back on producing status.

Note # 7 Lewis Neff Well # 3

Well Shut-In due to low production and low oil price, Plan to use as a gas injection well (see Note # 5 above).

Note # 8 Lynx Well # 1

Well Shut-In as deep zone is depleted. Operator of the shallow San Andres has shown interest in this well for his operation.

Note # 9 Standard State Well # 3

This well Shut-In by previous operator. Current plans include perforating lower in the P-1 zone, treat and test.

Note # 10 Standard State Well # 7

This well Shut-In by previous operator. Current plans include perforating lower in the P-1 zone, treat and test.

Note # 11 Standard State # 6Y

This well was Shut-In by a previous operator after reportedly shooting the P-1 zone with Nitro. Subsequently the well made only water. The well should have a P-1 oil section. Plans are being formulated for a possible work over.

Note # 12 State "A" Well # 3

This well was Shut-In by previous operator after deepening through the P-3 zone. Work over possibilities exist to plug back to the P-1 zone, treat and test.

Note # 13 State "A" Well # 1

This well was cleaned out and treated in 1998 and Shut-In due to low oil price and low oil production. We have current plans to place well back on production.

Note # 14 State "A" Well # 2

This well was Shut-In due to low oil price and low production. We have current plans to place the well back on production.

N. Dale Fletcher



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

September 8, 2000

15488
N DALE NICHOLS
PO BOX 1972
MIDLAND, TX 79702

Re: Current Status of Oil and Gas Wells

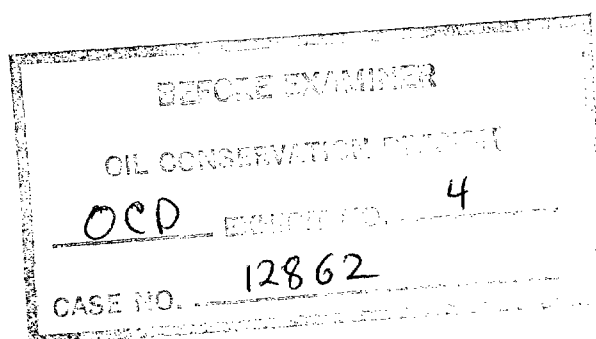
In May of this year, the Oil Conservation Division ("Division") sent a letter to you setting forth the Division's information on wells for which you are the operator of record. The letter requested a response with additional information. The Division has had no response to the letter. The Division presumes you agree with the information in the letter regarding your inactive wells.

The wells have not shown production or been reported on Form C-115 for more than one year. The wells are not in compliance with the Division's rules and the New Mexico Oil and Gas Act.

You are hereby directed to bring these wells into compliance within 60 days. In the alternative, within 30 days you may submit a compliance plan including a schedule of activities with dates.

Sincerely,

Tim Gum
District Supervisor



N. DALE NICHOLS

BOX 1972
MIDLAND, TEXAS 79702

January 8, 2001



Mr. Tim Gunn
Oil Conservation Division
811 South First Street
Artesia, New Mexico 88210

Re: NICHOLSINACT111600.xls

Dear Mr. Gumm:

Attached is our proposal for our time and sequential well schedule for which you requested during my visit to your office 12-23-2000. We request permission to alter both our time table and the well sequence if this becomes necessary during these operations. We wish to assure you that we will vigilantly pursue these operations with no or very little time between the completion of one operation and the commencement of another. Only such time as is necessary for us to do servicing to keep all wells producing will work be delayed on these projects. We have our own well service unit (pole rig) and will operate on a 8 hour day 5 days a week schedule.

The C-103 for each of the wells of our first two project proposals are attached. Additional reports will be submitted on C-103s as this work is completed.

If you have any questions need additional information I can probably be reached more easily at these Roswell telephone numbers during these work projects, - (505) 623-8079 or Cell (505) 626-8101.

Thank you for your consideration.

Yours truly,

N. Dale Nichols

BEFORE EXAMINER	
OIL CONSERVATION DIVISION	
OCD	EXHIBIT NO. 5
CASE NO.	12862



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 10, 2001

N.DALE NICHOLS
P.O. BOX 1972
MIDLAND, TEXAS 79702

RE: INACTIVE NON-COMPLIANCE WELLS

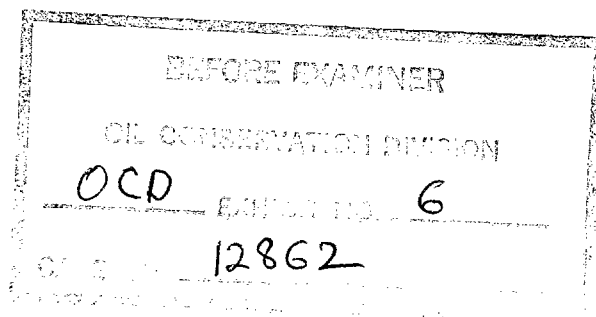
Dear Mr. Nichols:

Thank you for your response of January 8, 2001. As discussed in our meeting of 12/23/00, the preferred time frame to bring your fourteen wells into compliance was six months. Based on your comments, the extended time table of one year is approved. However, if continuous and significant progress is not achieved in the first six months, you will be required to bring all remaining wells into compliance in the last six months of the project or by 1/1/02.

Sincerely,

TIM W. GUM

DISTRICT II SUPERVISOR
OIL CONSERVATION DIVISION



NICHOLSINACT111600.xls

API #	Type	Last Production/ Injection	Well Name and Number	USTR	FNS	FEW	Depth	Surface Owner	Federal Minerals	Field20	Operator's Proposed Action/D at and	Operator's Action/D Comments	Date Resolved
30-005-10463	O	12-1992	AVALANCHE JOURNAL STATE #001	F-04-08S-27E	1980N	1650W		S			1-1-02		
30-005-10471	O	12-1992	AVALANCHE JOURNAL STATE #004	K-04-08S-27E	2310S	1650W		S			5-1-01		
30-005-10488	O	06-1997	AVALANCHE JOURNAL STATE #006	L-04-08S-27E	1650S	990W		S			2-30-01		
30-005-63170	G	NONE	J KYLE #001	C-26-07S-28E	660N	1980W	0	P			11-1-01		
30-005-00223	O	06-1995	LEWIS NEFF #002	I-32-07S-27E	1650S	990E		P			5-15-01		
30-005-10432	O	09-1990	LEWIS NEFF #003	P-32-07S-27E	660S	660E		P			4-15-01		
30-005-00224	O	08-1996	LEWIS NEFF #004	O-32-07S-27E	330S	2310E		P			1-01-01		
30-005-62160	G	10-1993	LYNX #001	G-19-08S-29E	1815N	1980E		P			7-1-01		
30-005-10429	O	07-1994	STANDARD STATE #003	2-05-08S-27E	990N	1650E		S			4-1-01		
30-005-10513	O	NONE	STANDARD STATE #006Y	G-05-08S-27E	2310N	2310E	1971	S			9-1-01		
30-005-62785	O	07-1994	STANDARD STATE #007	2-05-08S-27E	990N	1980E		S			8-1-01		
30-005-00231	O	12-1992	STATE A #001	B-07-08S-27E	660N	1980E		S			3-15-01		
30-005-00232	O	06-1996	STATE A #002	P-07-08S-27E	660S	660E		S			8-1-01		
30-005-00233	O	06-1998	STATE A #003	A-07-08S-27E	660N	660E		S			3-25-01		





NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

July 25, 2001

N.DALE NICHOLS
P.O.BOX 1972
MIDLAND, TX. 79702

RE: INACTIVE NON-COMPLIANCE WELL STATUS

As you are aware, the OIL CONSERVATION DIVISION is currently addressing inactive wells (wells in non-compliance with the OCD rules) as a top priority on a statewide base. This project began on May 11, 2000 with a mass mailing of notices to all operators' statewide who had inactive wells. This letter referenced OCD Rules 201, 202 and 203. These rules state time frames regarding inactive wells and initiating temporary abandonment and plugging of such wells.

Specifically, "if the subject well(s) have been shut-in longer than one year and/or are in a non-reporting status, the division will require the well(s) to be brought into compliance with the OCD Rules and Regulations."

You may have received additional correspondence on this subject depending on how you responded to the May 11, 2000 letter.

Therefore you are hereby urgently requested to provide this office with a status report on all your inactive non-complaint wells within ten days of receipt of this letter.

Under the rules and regulations of the OCD and the Oil and Gas Act, wells must be produced or plugged. 19 NMAC 15.D.201.B (3). The only alternative to producing or plugging a well is to place the well into temporarily abandoned status (19 NMAC 15.D.203.). Placing a well into TA status requires obtaining a permit for temporary abandonment pursuant to Rule 203, completing a mechanical integrity test (19 NMAC 15.D.203.C) and sometimes obtaining additional bonding (NMSA 1978 §70-2-38).

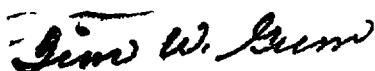
FBI/DOJ EXAMINER	
OIL CONSERVATION DIVISION	
OCD	EXHIBIT NO. 7
CASE NO.	12862

Recognizing the fact that the high level of field activity in the oil patch is making the availability of service equipment (pulling units, etc.) problematic for some operators, the OCD may accept single well plugging bonds as an alternative to immediate compliance. This use of single well plugging bonds will be considered on a case-by-case basis and will be acceptable only for a period of one year. It should allow sufficient additional time to bring all inactive wells into compliance with the OCD rules and regulations through restoration of production, temporary abandonment or plugging.

A show cause hearing will be set for all wells not in compliance with OCD rules as of January 1, 2002. Wells for which additional bonding is approved as described in the preceding paragraph will not be set for hearing then. Wells under this special bonding will have to be in compliance (either restored to production, temporarily abandoned or permanently plugged in accordance with Rules 202 or 203) at the end of the one-year period. Otherwise proceedings for the plugging of such wells will be initiated at that time.

SHOW CAUSE HEARINGS REGARDING NON-COMPLIANT WELLS MAY RESULT IN ORDERS REQUIRING PLUGGING AND ABANDONMENT OF ALL NON-COMPLIANT WELLS, SHUTTING IN ALL PRODUCING WELLS, FORFEITING YOUR STATEWIDE BOND AND/OR ASSESSING A MONETARY CIVIL PENALTY PURSUANT TO NMSA 1978 § SECTION 70-2-31.A OF UP TO \$1,000 PER DAY PER NON-COMPLIANT WELL. IF YOUR BOND IS FORFEITED, YOU CAN NO LONGER OPERATE IN THE STATE OF NEW MEXICO.

Sincerely,



Tim W. Gum
District II Supervisor
Oil Conservation Division

Xc: Lori Wrotenbery, Director
David Brooks, Attorney
Armando Lopez, BLM

N. DALE NICHOLS

BOX 1972

MIDLAND, TEXAS 79702

August 20, 2001

✓

Mr. Tim Gum
Oil Conservation Division
1301 W. Grand Ave.
Artesia, New Mexico 88201

Re: Inactive Non-Compliance Well Status

Dear Mr. Gum:

We apparently now have 15 wells which fit into the non-compliance status. Two of these have become non-compliance since our last discussion of these problems in early 2001.

Of the 15 existing wells we hope to put 12 back on producing status, plug one well and temporary abandon 2. We have acquired sufficient physical equipment to accomplish this except for some flow lines and electrical control panels.

Our biggest problem is in meeting your schedule. We have a pole pulling unit and a cable tool rig but only one crew, three men. During 2001 we have had to do remedial on 5 existing active wells to keep our production up, and are currently working on another. After this we will cease any remedial on existing active wells until we have all other well in compliance or otherwise plugged or TA.

We request your consideration of our time element and pledge to you that we will work diligently in attempting to meet your time schedule.

C-103's for P&A the Lynx well and to TA the Kyle and Avalanche Journal # 1 well will be forth coming. We wish to reserve the latter two wells for possible SWD wells.

If you desire any additional information please advise.

Yours truly,

N. Dale Nichols
N. Dale Nichols

FIELD EXAMINER	
OIL CONSERVATION DIVISION	
OCD	EXHIBIT NO. 8
12862	



N. DALE NICHOLS - PROPOSED PENALTY

Avalanche Journal State #4	5-11-00	on prodn 7-02	2,000
Louis Neff #3	11-5-97	TA 12-3-02	5,000
Louis Neff #4	5-11-00	on prodn 4-02	1,000
Lynx #1	5-11-00	not producing not in compliance	2,000
Standard State #3	5-11-00	on prodn 9-02	2,000
Standard State #6Y	5-11-00	6-3-02 (actually plugged) P&A 12-17-02	2,000 1,000
State A#2	5-11-00	production 4-02	2,000 1,000
(Alma Shields #4 (#?))			<u>16,000</u>
		date approved	14,000

bad
notice

How many wells total?

REPORT TO
OIL FIELD/TECH CENTER
OCD 9
CASE 12862

API #	Type	Last Production/ Injection	Well Name and Number	ULSTR	FNS	FEW	Surface Owner	Operator's Proposed Action/Date and Comments	Date Resolved	TYPE WORK
30-005-10463	O	12-1992	AVALANCHE JOURNAL STATE #001	F-04-08S-27E	1980N	1650W	S	07/07/02	10/31/01	TA -
30-005-10471	O	12-1992	AVALANCHE JOURNAL STATE #004	K-04-08S-27E	2310S	1650W	S	05/01/01	07/01/02	PROD -
30-005-10488	O	06-1997	AVALANCHE JOURNAL STATE #006	L-04-08S-27E	1650S	990W	S	02/20/01	07/01/02	PROD -
30-005-63170	G	NONE	J KYLE #001	C-26-07S-28E	660N	1980W	P	11/01/01	01/21/02	TA -
30-005-00223	O	06-1995	LEWIS NEFF #002	I-32-07S-27E	1650S	990E	P	05/15/01	9/1/2002	PROD -
30-005-10432	O	09-1990	LEWIS NEFF #003	P-32-07S-27E	660S	660E	P	06/15/01	12/03/03	TA -
30-005-00224	O	08-1996	LEWIS NEFF #004	O-32-07S-27E	330S	2310E	P	10/01/01	04/02/02	PROD -
30-005-62160	G	10-1993	LYNX #001	G-19-08S-29E	1815N	1980E	P	07/01/01		M.PROB. INT TO PA
30-005-10429	O	07-1994	STANDARD STATE #003	2-05-08S-27E	990N	1650E	S	04/01/01	09/01/02	PROD -
30-005-10513	O	NONE	STANDARD STATE #006Y	G-05-08S-27E	2310N	2310E	S	09/01/01	12/17/02	PA -
30-005-62785	O	07-1994	STANDARD STATE #007	2-05-08S-27E	990N	1980E	S	02/01/01	08/01/01	PROD -
30-005-00231	O	12-1992	STATE A #001	B-07-08S-27E	660N	1980E	S	03/15/01	09/01/01	PROD -
30-005-00232	O	06-1996	STATE A #002	P-07-08S-27E	660S	660E	S	08/01/01	04/01/02	PROD -
30-005-00233	O	06-1998	STATE A #003	A-07-08S-27E	660N	660E	S	03/25/01	09/01/01	PROD -

Some wells not at issue in this case!!

physical pluging completed in June, field inspection verified release after receipt of documentation from operator -

performing the wells info and plan



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

March 6, 2003

RE:CASE NO. 12862
ORDER NO. R-11859
N.DALE NICHOLS

Mr. Brooks:

Chairman Wrotenbery questioned why Finding No. 9 of the division's order stated that the Lewis Neff No.3, Avalanche Journal State No.4 , Standard State No.3 and 6-Y were still not in compliance with Division Rule 201.B as of October 29, 2002.

Documentation stating the current well status was not received in the District office until sometime after October 29, 2002. However each of these wells except the Lewis Neff No.3 was in compliance at an earlier date as stated on the submitted documentation.

Standard State well no. 3: C-103 received 11/1/02 : stated that a production well was taken on 9/9/02 : however C-115 received 11/22/02 reporting this production.

Avalanche Journal State well no.4 : C-103 received 7/15/02 stated that a production well test taken 7/8/02; however C-115 not received until 10/22/02 and entered into ONGARD 10/24/02.

Standard State well no. 6-Y : P&A'd 12/17/02 (ONGARD): C-103 received on 11/1/02 state that well P&A'd 6/8/02.First field inspection made 10/23/02 showed site not ready to release.
Second inspection made 12/9/02 - OK to release.

Lewis Neff Well No. 3.:TA'd 12/3/02.

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
OCD EXHIBIT NO. 11
CASE 12862

update to attachment to OCD exhibit No. 6 :

The third column from the right is the operator's projected compliance date based on his work plan.
The second column from the right is the actual date that the well was brought into compliance.

Please note that only 36% (5 of 14 wells) were brought into compliance within the operators projected time frame and before the 1/01/02 deadline stated in the letter of 1/10/01 as part of OCD EXHIBIT NO. 6.

Sincerely,

TIM W. GUM
DISTRICT II SUPERVISOR
OIL CONSERVATION DIVISION