

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

**JIM PIERCE**  
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

RECEIVED  
AUG 25 2004  
OCD-ARTESIA

RE: BLM Notice of Written Order  
Your Southern Federal Lease  
Eddy County, NM

Dear Mr. DeLong:

30-015-05805

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.

Truly,

Jim Pierce

Encl.

Xc: Bureau of Land Management/Carlsbad District  
✓ Xc: NMOCD/Artesia District  
Xc: Hunker-Fedric P.A.  
Xc: William C. Fleming

**UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT**

**NOTICE OF WRITTEN ORDER**

☒ Certified Mail - Return  
Receipt Requested  
7004075000308021427

IDENTIFICATION	
IID	NMNM06814*HER
Lease	NMNM06814
CA	
Unit	
PA	

Bureau of Land Management Office <b>CARLSBAD FIELD OFFICE</b>				Operator <b>PIERCE JIM</b>			
Address <b>620 E GREENE STREET CARLSBAD NM 88220</b>				Address <b>200 W 1ST CT #859 ROSWELL NM 88201</b>			
Telephone <b>505-234-5909</b>				Attention			
Inspector <b>AMOS</b>				Attn Addr			
Site Name <b>SOUTHERN FED</b>	Well or Facility <b>1</b>	1/4 1/4 Section <b>NENE 30</b>	Township <b>19S</b>	Range <b>31E</b>	Meridian <b>NMP</b>	County <b>EDDY</b>	State <b>NM</b>
Site Name	Well or Facility	1/4 1/4 Section	Township	Range	Meridian	County	State
Site Name	Well or Facility	1/4 1/4 Section	Township	Range	Meridian	County	State

The following condition(s) were found by Bureau of Land Management Inspectors on the date and at the site(s) listed above.

Date	Time (24-hour clock)	Corrective Action to be Completed by	Date Corrected	Authority Reference
08/12/2004	13:00	10/17/2004		43 CFR 3162.1(a), 3162.5-1(a&b)

Remarks:  
AFTER REVIEWING YOUR PROPOSAL OF 11/20/03 AND A SITE INSPECTION ON 8/12/04. THE FOLLOWING REQUIREMENTS ARE TO BE MADE BY THE ABATEMENT DATE OF 10/12/04. THE STOCKPILED, CONTAMINATED MATERIAL IS TO BE REMOVED FROM FEDERAL LANDS AND DISPOSED OF PROPERLY. CLEAN MATERIAL IS TO BE USED TO FILL TRENCH AT THE OLD BATTERY LOCATION. NOTE THIS MATERIAL CAN COME FROM THE AREA ADJACENT AND TO THE EAST OF THE DISPOSAL PIT. A FIREWALL, WHICH WILL HOLD 150% OF THE TOTAL TANKAGE IS TO BE CONSTRUCTED WITH FRESH CALICHI. A LOCATION FIREWALL IS TO BE CONSTRUCTED JUST OFF THE EDGE OF THE LOCATION TO PREVENT ANY FUTURE SPILLS FROM RUNNING OFF LOCATION. THIS IS TO EXTEND FROM THE TANKAGE FIREWALL TO THE NORTH, ALONG THE NORTHERN EDGE OF THE PAD. THEN FROM THE NORTH TO RUN SOUTH ALONG THE WESTERN EDGE TYING IN WITH THE ROAD. THIS MATERIAL WILL BE CLEAN CALICHI. REMOVE OUT OF SERVICE (Remarks continued on following page(s).)

**RECEIVED**

When the Written Order is complied with, sign this notice and return to above address.

Company Representative Title \_\_\_\_\_ Signature \_\_\_\_\_ Date **AUG 25 2004**  
Company Comments \_\_\_\_\_ **OCD ARTESIA**

**Warning**

The Authorized Officer has authority to issue a Written Order in accordance with 43 CFR 3161.2. Written Order correction and reporting time frames begin upon receipt of this Notice or 7 business days after the date it is mailed, whichever is earlier. Each stipulation must be corrected within the prescribed time from receipt of this Notice and reported to the Bureau of Land Management Office at the address shown above. If you do not comply as noted above under "Corrective Action to be Completed By", you shall be issued an Incident of Noncompliance (INC) in accordance with 43 CFR 3163.1(a). Failure to comply with the INC may result in assessments as outlined in 43 CFR 3163.1 and may also incur civil penalties (43 CFR 3163.2). All self-certified corrections must be postmarked no later than the next business day after the prescribed time frame for correction.

Section 109(d)(1) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3163.2(f)(1), provides that any person who "knowingly or willfully" prepares, maintains, or submits false, inaccurate, or misleading reports, notices, affidavits, records, data, or other written information required by this part shall be liable for a civil penalty of up to \$25,000 per violation for each day such violation continues, not to exceed a maximum of 20 days.

**Review and Appeal Rights**

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 Land Management Authorized Officer <i>James R. [Signature]</i>	Date <b>8/17/04</b>	Time <b>1100</b>
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**FOR OFFICE USE ONLY**

Number <b>3</b>	Date	Type of Inspection <b>ES</b>
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BLM Remarks, continued

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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.