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by

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

NOTICE OF INCIDENTS OF NONCOMPLIANCE

Identification
IID
Lease NMNM06814
CA
Unit
PA

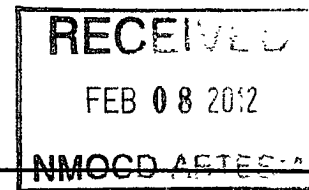
Bureau of Land Management Office CARLSBAD FIELD OFFICE				Operator PIERCE JIM			
Address 620 E GREENE STREET CARLSBAD NM 88220				Address 200 WEST 1ST COURT #859 ROSWELL NM 88201			
Telephone 575-234-5994				Attention			
Inspector BLAKLEY				Attn Addr 30-015-05811			
Site Name SOUTHERN FED	Well or Facility 7	1/4 1/4 Section SWSW 30	Township 19S	Range 31E	Meridian NMP	County EDDY	State NM
Site Name	Well or Facility	1/4 1/4 Section	Township	Range	Meridian	County	State

THE FOLLOWING VIOLATION WAS FOUND BY BUREAU OF LAND MANAGEMENT INSPECTORS ON THE DATE AND AT THE SITE LISTED ABOVE

Date	Time (24 - hour clock)	Violation	Gravity of Violation
02/06/2012	08:00	43CFR 3162 3-4 (a), and 43CFR 3162.1	MINOR
Corrective Action To Be Completed By	Date Corrected	Assessment for Noncompliance	Assessment Reference
03/12/2012			43 CFR 3163.1()

Remarks

Failure to comply with Written Order ~~12JB000~~ **12JB071**
For compliance: Provide this office with an appropriate notice of intent to plug and abandon this well are give substantial justification for doing otherwise with this well subject to approval by this office. All engineering and geology information must be submitted and approved. Any such (Remarks continued on following page(s).)



When violation is corrected, sign this notice and return to above address

Company Representative Title _____ Signature _____ Date _____

Company Comments _____

WARNING

Incidents of Noncompliance correction and reporting timeframes begin upon receipt of this Notice or 7 business days after the date it is mailed, whichever is earlier. Each violation 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. Please note that you already may have been assessed for noncompliance (see amount under "Assessment for Noncompliance"). If you do not comply as noted above under "Corrective Action To Be Completed By" you may incur an additional assessment under (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 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, record, 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 violation shall request a State Director review of the Incidents of Noncompliance. This request must be filed within 20 working days of receipt of the Incidents of Noncompliance with the appropriate State Director (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Lands 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>Jerry D. Blakley</i>				Date 2/6/12	Time 13:00
FOR OFFICE USE ONLY					
Number 50	Date	Assessment	Penalty	Termination	
Type of Inspection PI					

PI: 2/15/2012

Accepted for record
NMOC D

BLM Remarks, continued

approval must be completed by abatement date. Abatement date is 3/12/2012 All terms of original Written Order apply.

43CFR 3162.1 General requirements.

(a) The operating rights owner or operator, as appropriate, shall comply with applicable laws and regulations; with the lease terms, Onshore Oil and Gas Orders, NTL's; and with other orders and instructions of the authorized officer. These include, but are not limited to, conducting all operations in a manner which ensures the proper handling, measurement, disposition, and site security of leasehold production; which protects other natural resources and environmental quality; which protects life and property; and which results in maximum ultimate economic recovery of oil and gas with minimum waste and with minimum adverse effect on ultimate recovery of other mineral resources

43 CFR 3162.3-4 (a), (c)

Recent field inspections indicate that the above well is shut-in (s) or temporarily abandoned (ta). The Bureau of Land Management (BLM) and Office of Natural Resources Revenue (ONRR) definition of a shut-in well is a completion that is physically and mechanically capable of production in paying quantities or capable of service use. The definition of a temporarily abandoned well is a completion that is not capable of production in paying quantities but which may have value as a service completion. According to field inspection the well referenced above has been shut-in or has been temporarily abandoned without authorization. 43 cfr 3162 3-4 (c) requires that wells incapable of production in paying quantities be promptly plugged and abandoned and requires approval for any well temporarily abandoned for more than 30 days.

THEREFORE YOU ARE TO DO ONE OF THE FOLLOWING.

1. Submit notice of intent to plug and abandon.

2. Submit reasonable justification for doing otherwise with this well subject to approval. If the well is capable of producing and it is approved to restore it to production a third party well test will be required.

Corrective action to be completed by the following time frames: 12/31/2011 If you decide to plug and abandon the well, submit a sundry notice (form 3160-5, original and 5 copies) by 12/31/2011 and describe the proposed plugging program.

If you decide to return the well to production, submit a sundry notice of intent (form 3160-5, original and 5 copies) by 12/31/2011 Include the date you anticipated the well being tested prior to being placed back in service. This must be completed prior to the end of this time frame (12/31/2011) and must show paying commercial quantities. 43CFR 3162.4-1(c) also requires you to notify the authorized officer, not later than the fifth business day after production is resumed for any well which has been off production for more than 90 days, the date on which such production was resumed. Notification may be by letter or sundry notice, or orally followed by letter or sundry notice

For monitoring and tracking purposes, please submit appropriate paperwork to this office attention:

Jerry Blakley

Jerry D. Blakley
Petroleum Engineering Technician
Bureau of Land Management
620 East Greene Street
Carlsbad, NM 88220
Office: (575) 234-5994
Cell: (575) 361-0112
Fax: (575) 234-5927
E-mail: Jerry_Blakley@nm.blm.gov

43CFR 3162.3-4 Well abandonment.

(a) The operator shall promptly plug and abandon, in accordance with a plan first approved in writing or prescribed by the authorized officer, each newly completed or recompleted well in which oil or gas is not encountered in paying quantities or which, after being completed as a producing well, is demonstrated to the satisfaction of the authorized officer to be no longer capable of producing oil or gas in paying quantities, unless the authorized officer shall approve the use of the well as a service well for injection to recover additional oil or gas or for subsurface disposal of produced water. In the case of a newly drilled or recompleted well, the approval to abandon may be written or oral with written confirmation.

(b) Completion of a well as plugged and abandoned may also include conditioning the well as water supply source for lease operations or for use by the surface owner or appropriate Government Agency, when authorized by the authorized officer. All costs over and above the normal plugging and abandonment expense will be paid by the party accepting the water well.

(c) No well may be temporarily abandoned for more than 30 days without the prior approval of the authorized officer. The authorized officer may authorize a delay in the permanent abandonment of a well for a period of 12 months. When justified by the operator, the authorized officer may authorize additional delays, no one of which may exceed an additional 12 months. Upon the removal of drilling or producing equipment from the site of a well which is to be permanently abandoned, the surface of the lands disturbed in connection with the conduct of operations shall be reclaimed in accordance with a plan first approved or prescribed by the authorized officer.

[47 FR 47765, Oct 27, 1982 Redesignated and amended at 48 FR 36583- 36586, Aug. 12, 1983, further amended at 53 FR 17363, May 16, 1988; 53 FR 22847, June 17, 1988]