

☒ Certified Mail
Return Receipt Requested
7003 1680 0004 2112 2483
☐ Hand Delivered, Received by:

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Number 05-DW-013W
Page 1 of 2
Identification

IID:
Lease: NMNM13624
CA:
Unit:
PA:

NOTICE OF INCIDENTS OF NONCOMPLIANCE

Bureau of Land Management CARLSBAD FIELD OFFICE				Operator FASKEN OIL AND RANCH, Ltd.			
Address 620 EAST GREEN STREET CARLSBAD, NM 88220				Address 303 W. Wall, Suite 1800, Midland, TX. 79701			
Inspector DUNCAN WHITLOCK		Telephone 505-234-5972		Attention			
Site Name Avalon "1" Fed.	Well or Facility Well #3	1/4 1/4 Sec. SWNE, Sec. 1	Township 21S	Range 26E	Meridian NMP	County EDDY	State NM

The following violation was found by the Bureau of Land Management on the date and at the site listed above.

Date	Time (24 - hour clock)	Violation	Gravity of Violation
5/24/2005	1300	43CFR3162.1(a)/43CFR3162.3-4(c)	Minor
Corrective Action To Be Completed By	Date Corrected	Assessment for Noncompliance	Assessment Reference
6/24/2005			43 CFR 3163.1

Remarks :

A RECENT FIELD INSPECTION OF THE ABOVE REFERENCED WELL AND OUR RECORDS INDICATE THAT THE ABOVE WELL IS SHUT-IN (SI) OR TEMPORARILY ABANDONED (TA). THE BUREAU OF LAND MANAGEMENT (BLM) AND MINERALS MANAGEMENT SERVICE (MMS) 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 OUR RECORDS THE WELL REFERENCED ABOVE HAS BEEN SHUT-IN FOR 6 MONTHS OR LONGER OR HAS BEEN TEMPORARILY ABANDONED WITHOUT AUTHORIZATION.

(Remarks continued on following page(s).)

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

Company Representative Name/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 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 J. D. Whitlock Date 5/24/05 Time 1430

FOR OFFICE USE ONLY

Number	Date	Assessment	Penalty	Termination	Type of Inspection
--------	------	------------	---------	-------------	--------------------

OFFICIAL FILE COPY

BLM Remarks, continued

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.

WHEN THIS WELL WAS DRILLED IN JANUARY AND FEBRUARY OF 2001 IT WAS NEVER PROPERLY COMPLETED (PRODUCTION CASING NOT RAN) AND A PERIOD OF 6 MONTHS WAS GIVEN FOR EVALUATION TO CONVERT TO A DISPOSAL OR REDILL IN A NEW DIRECTION.

DO TO THE FACT THAT THIS WELL HAS THREE (3) PRODUCTION ZONES OPEN DOWN HOLE (CHERRY CANYON, BRUSHY CANYON AND BONE SPRINGS) WITH NOTHING ISOLATING ANY OF THE ZONES. YOU ARE ORDERED TO DO ONE OF THE FOLLOWING.

1. RETURN THE WELL TO PRODUCTION OR BENEFICIAL USE.
2. SUBMIT NOTICE OF INTENT TO PLUG AND ABANDON.

IF YOU DECIDE TO RETURN THE WELL TO PRODUCTION, SUBMIT A SUNDRY NOTICE (FORM 3160-5, ORIGINAL AND 5 COPIES) OF INTENT WITHIN 30 DAYS OF RECEIPT OF THIS LETTER. INCLUDE THE DATE YOU ANTICIPATED THE WELL BEING PLACED BACK IN SERVICE. 43 CFR 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.

IF THE WELL IS TO BE USED FOR BENEFICIAL PURPOSES, SUBMIT A SUNDRY NOTICE (FORM 3160-5, ORIGINAL AND 5 COPIES) WITHIN 30 BUSINESS DAYS OF RECEIPT OF THIS LETTER AND INCLUDE INFORMATION CONCERNING FUTURE USE. A BRIEF DESCRIPTION OF YOUR PROPOSED PLANS AND ECONOMIC FEASIBILITY AND AN ANTICIPATED DATE FOR PLACING THE WELL IN BENEFICIAL USE WILL SUFFICE. BENEFICIAL USE INCLUDES, BUT IS NOT LIMITED TO, RECOMPLETION BUT IS NOT LIMITED TO, RECOMPLETION TO OTHER HORIZONS, CONVERSION TO INJECTION FOR SECONDARY OR ENHANCED RECOVERY, AND SALT-WATER DISPOSAL OR INJECTION.

IF YOU DECIDED TO PLUG AND ABANDON THE WELL, SUBMIT A SUNDRY NOTICE (FORM 3160-5, ORIGINAL AND 5 COPIES) WITHIN 30 BUSINESS DAYS OF RECEIPT OF THIS LETTER AND DESCRIBE THE PROPOSED PLUGGING PROGRAM.

UNDER PROVISIONS OF 43 CFR 3165.3, YOU MAY REQUEST A STATE DIRECTOR REVIEW (SDR) OF THE ORDERS DESCRIBED ABOVE. SUCH A REQUEST INCLUDING 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 REQUEST SHALL NOT RESULT IN A SUSPENSION OF THE ORDER UNLESS THE REVIEWING OFFICIAL SO DETERMINES. PROCEDURES GOVERNING APPEALS FROM INSTRUCTIONS, ORDERS, OR DECISIONS ARE CONTAINED IN 43 CFR 3165.4 AND 43 CFR PART 4.

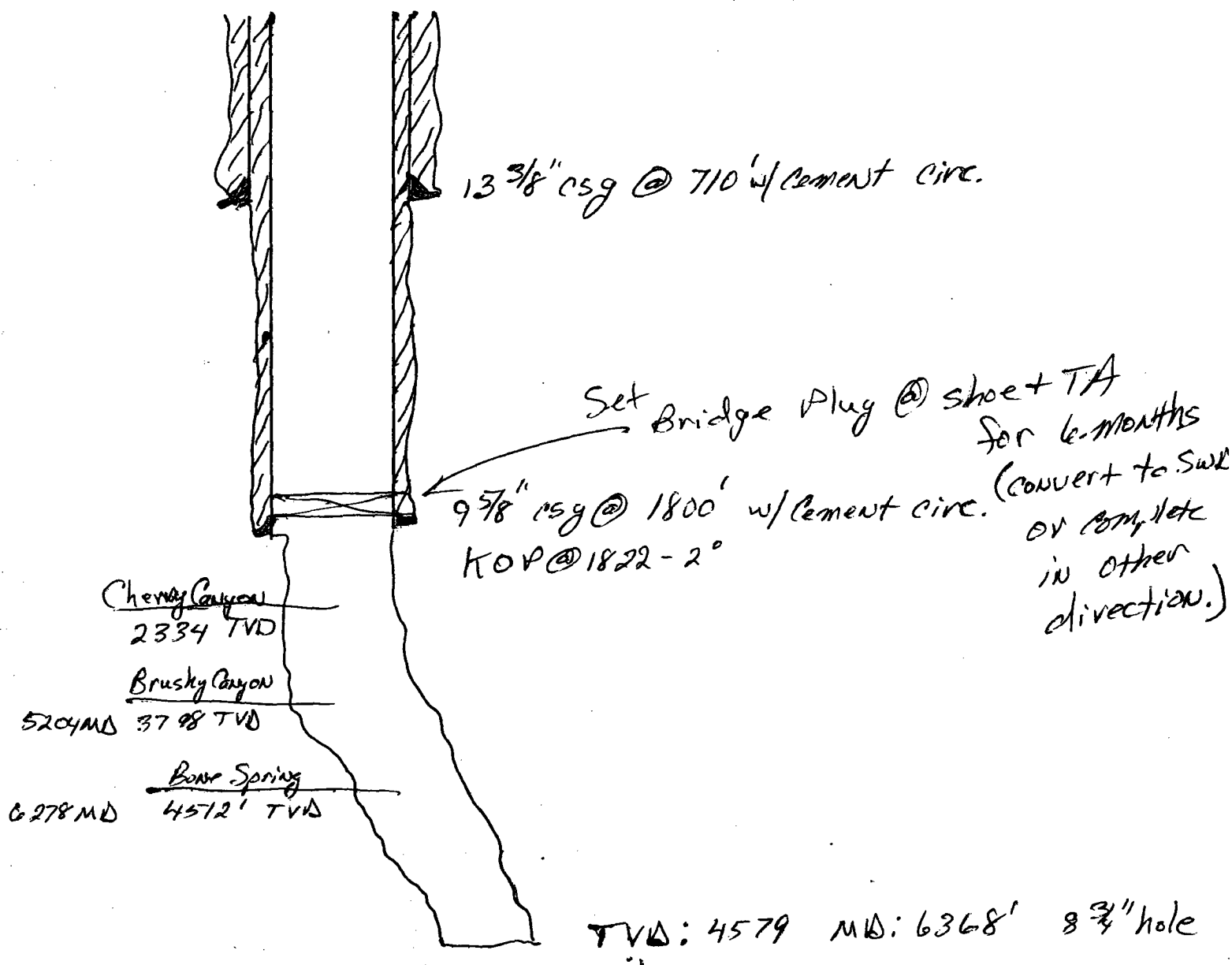
FOR MONITORING AND TRACKING PURPOSES, PLEASE SUBMIT APPROPRIATE PAPERWORK TO THIS OFFICE ATTENTION: DUNCAN WHITLOCK.

IF YOU HAVE ANY QUESTIONS, CONTACT JIM AMOS OR DUNCAN WHITLOCK AT (505) 234-5972.

2/5/2001

Avalon 1 Fed. #3 NM-13624
2762' / S4 2075' / E Sec. 1-215-26E

Ron Millet w/ Bonneville Fuels Corp. (303) 863-1555 ext 204



Operator will submit S.N. requesting TA for 6-months
I approved setting retrievable bridge plug @ 1800'.

Joe Lara