



New Mexico Oil Conservation Division, District 1
1625 N. French Drive
Hobbs, NM 88240
United States Department of the Interior
BUREAU OF LAND MANAGEMENT
Pecos District
2909 West Second Street
Roswell, New Mexico 88201-2019



HOBBS OCD

NOV 04 2011

In Reply To:
3160 NMP0130
NMNM-0145685
Order No. 12TBS6W

NOV 09 2011

RECEIVED

CERTIFIED MAIL – RETURN RECEIPT REQUESTED
7001 1940 0006 3700 7544

EOR Operating Co.
200 N. Loraine, Suite 1440
Midland, TX 79701

NOTICE OF ORDERS OF THE BLM AUTHORIZED OFFICER

Gentlemen:

A site inspection was conducted on Federal Lease NMNM-0145685, **Horton Federal #5**, API-**#30-041-10127**, 1650 FNL & 2244 FEL, sec. 30, T. 8 S., R. 35 E., Roosevelt County, New Mexico, on 12 October 2011 by Beth Skaggs, Environmental Protection Specialist. It was found that operations were not being conducted in a manner designed to protect the mineral resources, other natural resources, and environmental quality (43 CFR 3162.5).

BLM is in receipt of your Final Abandonment Notice, dated 30 June 2011, including the letter executed by the surface owner accepting the current condition of this, and other Plugged and Abandoned Well pads and roads. After further monitoring it appears the location has not been reclaimed to the satisfaction of the authorized officer.

ORDERS OF THE AUTHORIZED OFFICER

The following environmental compliance problems, pursuant to 43 CFR 3162.5-1(b), which states, "... Upon the conclusion of operations, the operator shall reclaim the disturbed surface in a manner approved or reasonably prescribed by the authorized officer ..." The following environmental compliance problems were identified during the latest site inspection of the subject location. Specific environmental compliance problems:

- **Environmental Problem No. 1: Location needs further reclamation.**

NOV 09 2011

Corrective Action: Submit a new reclamation plan for the Horton Federal #5 location. You may consider the following Best Management Practices in your plan: Remove caliche, rip and contour surface to resemble surrounding landscape; seed using BLM's recommended seed mix for Sandy Plains HP-3, dated 4 April 2006, Enclosure #1.

- **Environmental Problem No. 2: Saturated soil.**

Historic saturated soil is present at well head.

Corrective Action: All stained soil on the location shall be excavated and disposed of at an authorized disposal facility. Excavated areas shall be backfilled with clean earthen material and recontoured to mirror the contours of the surrounding terrain.

- **Environmental Problem No. 3. Oil pipeline crosses access road.**

Active pipeline crosses access road.

Corrective Action: Protect pipeline by digging it under the access road. Access road restoration is addressed in Environmental Problem No. 1, above.

- **Stipulation. Lesser Prairie Chicken Management Area**

Please see Enclosure #2, BLM Lesser Prairie Chicken Management Stipulations.

Report your compliance to this Written Order on a Subsequent Sundry Notice on Form 3160-5 (Sundry Notice and Reports on Wells) stating the above problems have been corrected and are ready for inspection; an original and five (5) copies are required. Your liability under bond is retained until surface reclamation is complete and approved by the Authorized Officer.

In accordance with 43 CFR 3163.1(a), please comply with the corrective action(s) for the identified environmental problems no later than **8 December 2011.**

If you fail to comply within the time frame specified, you will be subject to further enforcement action as may be deemed necessary.

WARNING

Orders of the Authorized Officer or Incidents of Non Compliance and reporting time frames begin upon receipt of the Notice or 7 business days after the date it is mailed, whichever is earlier. Each problem or 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.

For Incidents of Non Compliance, please note you already may have been assessed for noncompliance (see amount under "Assessed for Noncompliance"). If you do not comply as noted above under "Corrective Action to Be Completed By," you may incur additional assessment under (43 CFR 3163.1) and may also incur Civil Penalties (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, 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 an order of the authorized office or violation must request a State Director Review of the Order or Incident of Noncompliance. This request must be filed within 20 working days of receipt of the Order or Incident of Noncompliance with the appropriate State Director at P. O. Box 27115, Santa Fe, NM 87502-0115 (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Lands Appeals, 801 North Quincy Street, MS 300-QC, Arlington, Virginia 22203 (see 43 CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

Should you have any questions concerning our Written Orders for the **Horton Federal #5** location, please contact Beth Skaggs, Environmental Protection Specialist at the Roswell Field Office, 575-627-0210.

Sincerely,

/s/ Angel Mayes

Angel Mayes
Assistant Field Manager,
Lands and Minerals

Cc: Occidental Permian LP
5 East Greenway Plaza #110
Houston, TX 77046-0521

Enclosures (3):

- 1 - Pecos District Desired Plant Community seed mixture for **Horton Federal #5**, API #30-041-10127, 1650 FNL & 2244 FEL, sec. 30, T. 8 S., R. 35 E., Roosevelt County, New Mexico. (2 pp.)
- 2- Lesser Prairie Chicken Stipulations (1 p.)
- 3 - Photographs of Horton Federal #5 location, 12 October 2011 (3 pp.).

Enclosure #1

Desired Plant Community Seed Mixture

Seed the **Horton Federal #5** location, API #**30-041-10127**, 1650 FNL & 2244 FEL, sec. 30, T. 8 S., R. 35 E. Roosevelt County, New Mexico, with the Pecos District Desired Plant Community seed mixture for Range Site: Sandy Plains HP-3, dated April 4, 2006..

Use a certified noxious weed free seed mixture. Use seed tested for viability and purity in accordance with State law(s) within nine months prior to purchase. Use a commercial seed mixture certified or registered and tagged in accordance with State law(s). Make the seed mixture labels available for BLM inspection.

Contact Beth Skaggs, Environmental Protection Specialist of the Roswell Field Office at 575-627-0210 at least three (3) working days before seeding, and should you have any questions.

PECOS DISTRICT, BLM
SEED MIX FOR

The following Soils or Soil Associations may represent these ecological sites:

Amarillo loamy fine sand
Amarillo loamy fine sand eroded
Arvana loamy fine sand
Patricia fine sand
Gomez loamy fine sand
Clovis fine sandy loam
Drake loamy fine sand

Range Site: Sandy Plains HP-3
April 4, 2006

<u>Common Name and Preferred Variety</u>	<u>Scientific Name</u>	<u>Pounds of Pure Live Seed Per Acre</u>
Sideoats grama var. Vaughn or El Reno	(<i>Bouteloua curtipendula</i>)	2.0
Little bluestem	(<i>Andropogon scoparium</i>)	2.5
Sand bluestem	(<i>Andropogon halli</i>)	1.5
Sand dropseed	(<i>Sporobolus cryptandrus</i>)	1.0
Bush penstemon	(<i>Penstemon ambiguous</i>)	1.0
Desert or Scarlet Globemallow	(<i>Sphaeralcea ambigua</i> or <i>S. coccinea</i>)	1.0
TOTAL POUNDS PURE LIVE SEED (pls)PER ACRE		9.0
Certified Weed Free Seed		

IF ONE SPECIES IS NOT AVAILABLE,
INCREASE ALL OTHERS PROPORTIONATELY
Mix must include a minimum of 4 species, including one forb species.

No less than 9.0 pounds pls per acre shall be applied

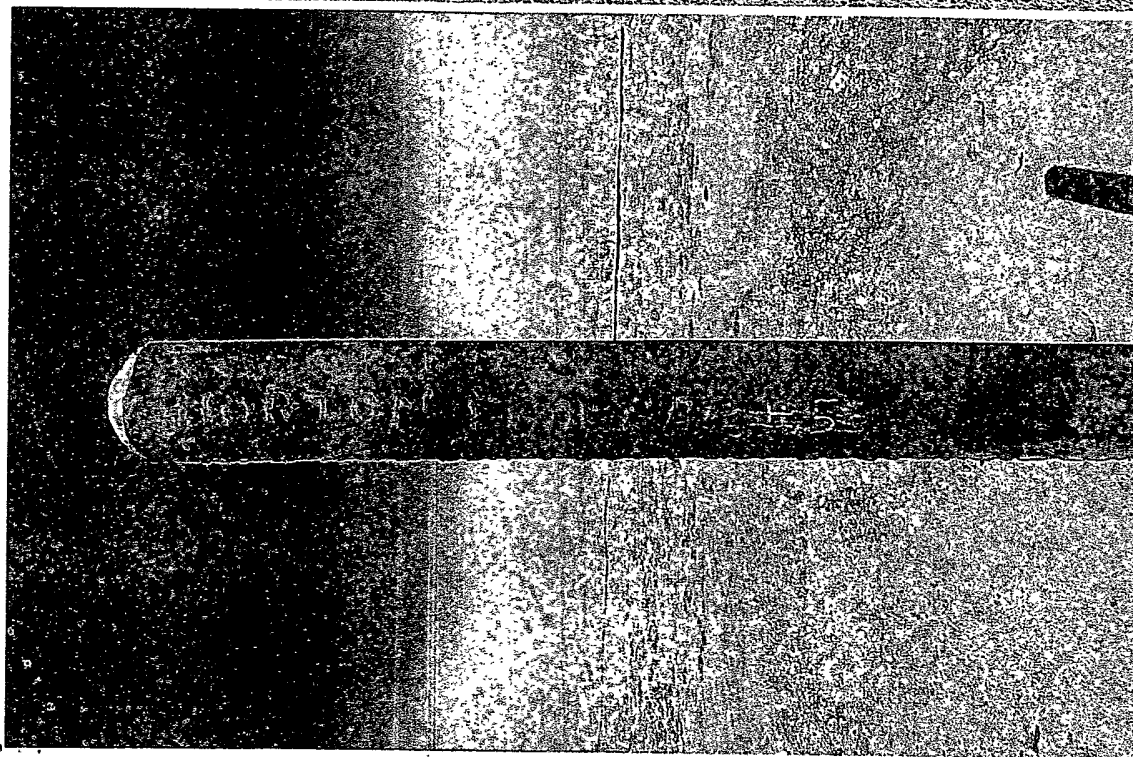
APPROVED: /s/ Douglas J. Burger
District Manager, Pecos District

Enclosure #2

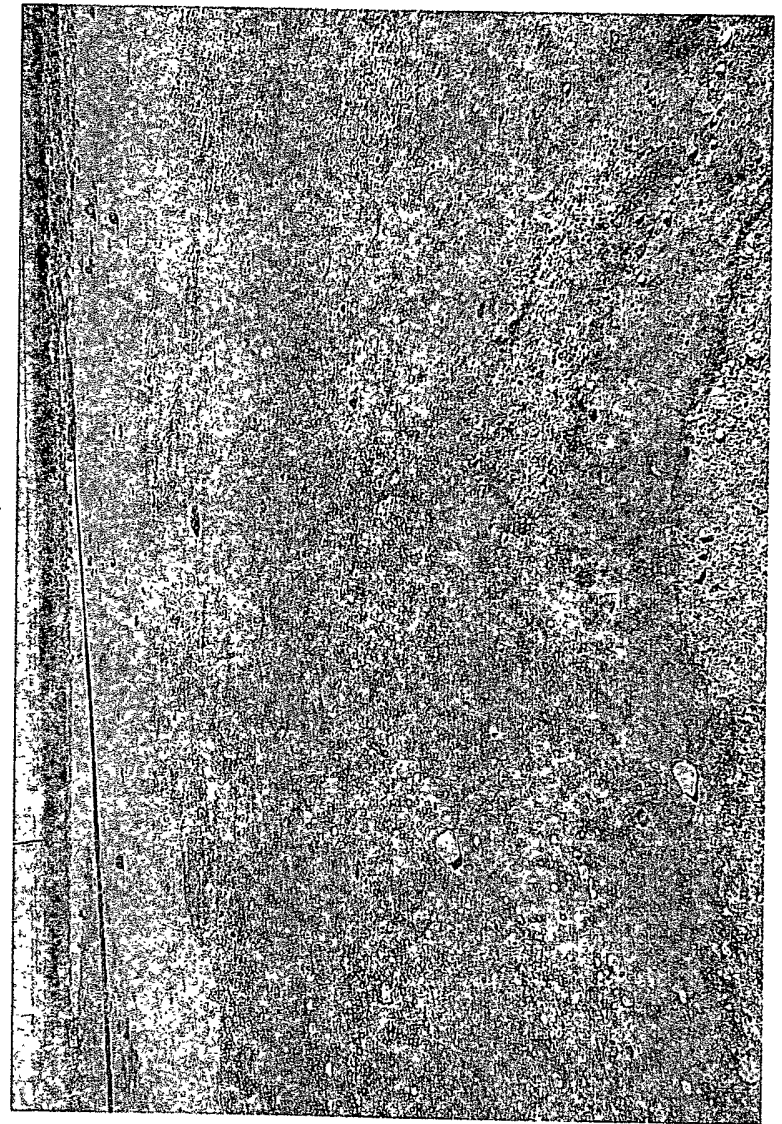
Lesser Prairie Chicken Stipulations

The actions required for the remediation, reclamation and abandonment of the wells listed below, are subject to Lesser Prairie Chicken Management stipulations from March 1st through June 15th. Reclamation work may be conducted from March 1st through June 15th, but **not** between the hours of 3:00 AM and 9:00 AM.

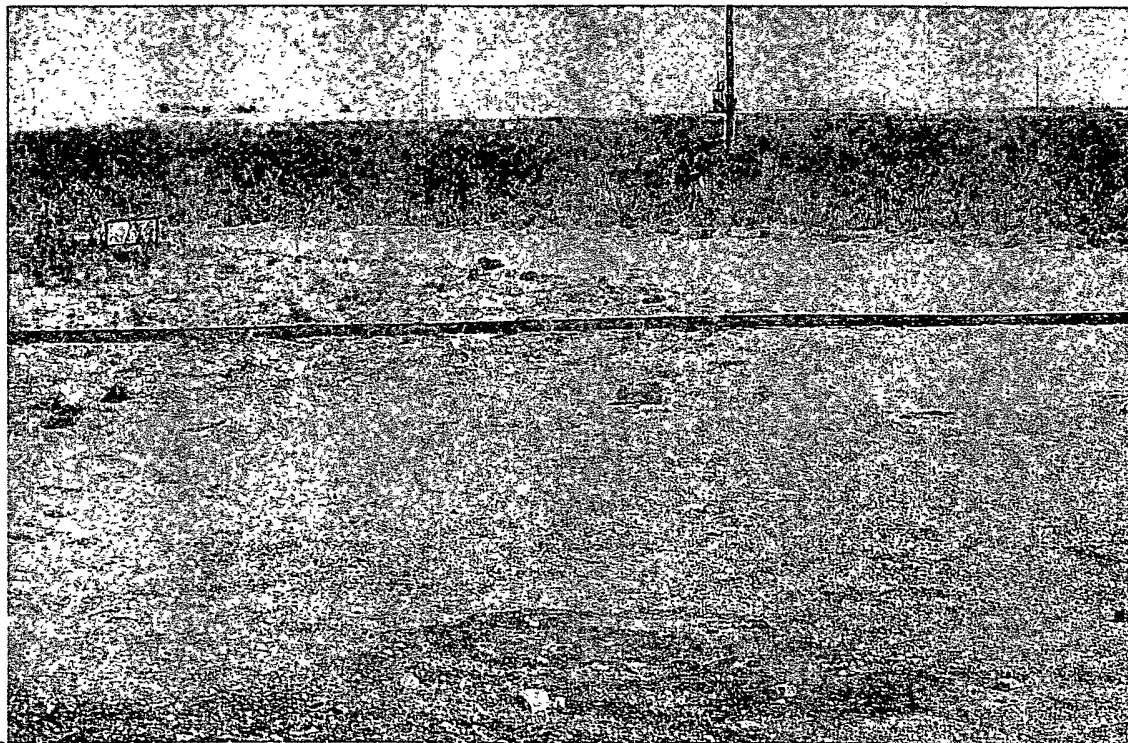
Deviation from these stipulations requires written authorization from the authorized officer. Outside of this March 1st through June 15th window these time of day constraints do not apply. (BLM, 2008. Special Status Species Record of Decision and Approved Resource Management Plan Amendment pages 8-9, United States Department of Interior, Bureau of Land Management. 32+ pp. Appendices

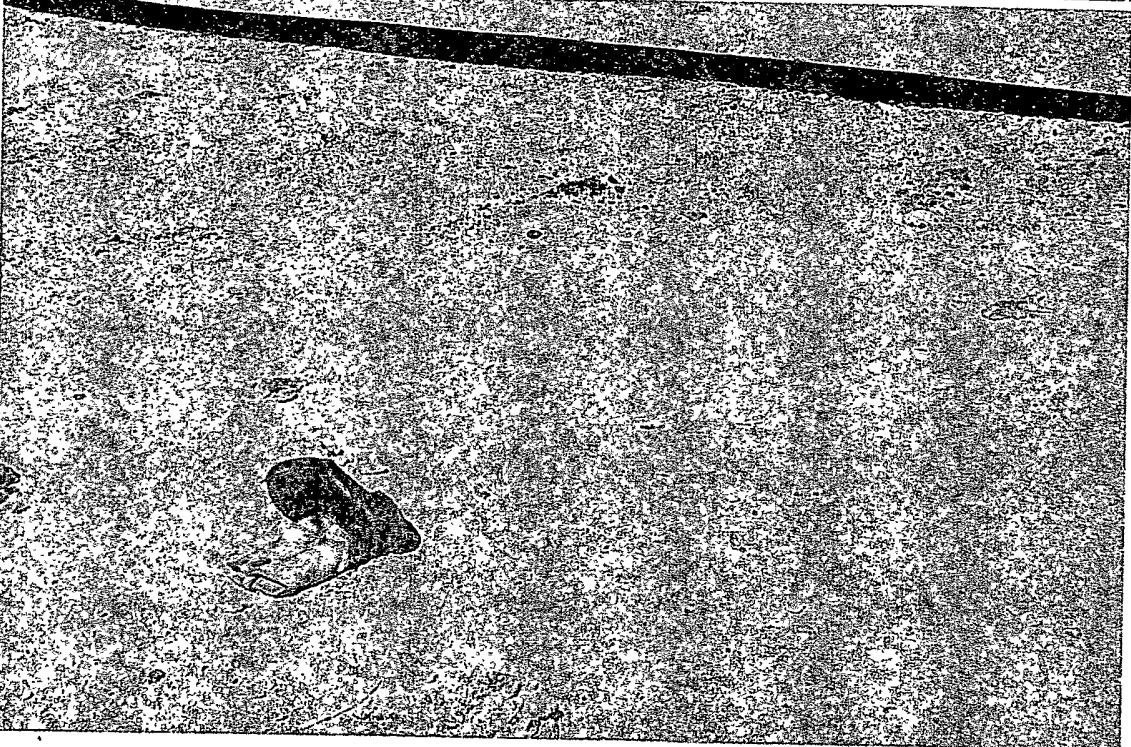
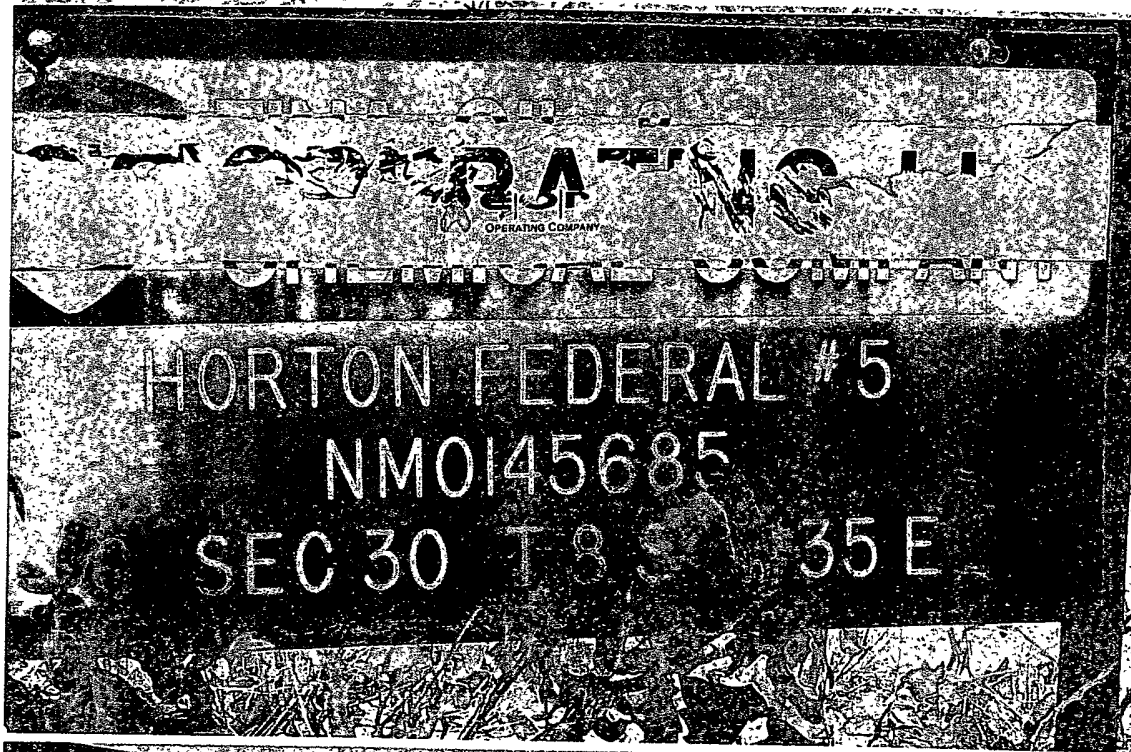


Horton Federal #5
12 Oct 2011 1/3
Enclosure #3



2/3





New Mexico Oil Conservation Division, District I
1625 N. French Drive
Hobbs, NM 88240
 UNITED STATES
 DEPARTMENT OF THE INTERIOR
 BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

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 <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5 Lease Serial No NMNM-0145685
2 Name of Operator EOR Operating Company		6 If Indian, Allottee or Tribe Name
3a Address 200 N. Loraine, Suite 1440 Midland, TX 79701	3b Phone No (include area code) 432-687-0303	7 If Unit or CA/Agreement, Name and/or No
4 Location of Well (Footage, Sec, T, R, M, or Survey Description) 1650'FNL & 2244' FEL, SWNE Sec. 30, T8S-R35E, NMPM, Roosevelt Co., NM		8 Well Name and No. Horton Federal #5
		9 API Well No 3004110122
		10 Field and Pool, or Exploratory Area Milnesand - San Andres
		11 County or Parish, State Roosevelt Co., 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 type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input checked="" type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other _____
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

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 recompleate 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 recompleation 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.)

EOR OPERATING COMPANY HEREBY SUBMITS A "FINAL ABANDONMENT NOTICE" FOR THE SUBJECT WELL. INCLUDED IS A LETTER EXECUTED BY THE SURFACE OWNER ACCEPTING THE CURRENT CONDITION OF THE P&A WELL PAD AND ROAD.

please see W.O.12TB56W
B Stoggs 3 Nov 11
ROSWELL FIELD OFFICE

DENIED

14 I hereby certify that the foregoing is true and correct Name (Printed/Typed) Tony Krakauskas, CPL		Title Land Manager
Signature <i>Tony Krakauskas</i>		Date 06/30/2011

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 _____	

Title 18 USC Section 1001 and Title 43 USC 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.

(Instructions on page 2)