

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM 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. NM-020491
2. Name of Operator Texland Petroleum-Hobbs, LLC		6. If Indian, Allottee or Tribe Name
3a. Address 777 Main Street, Ste 3200 Fort Worth, TX 76120	3b. Phone No. (include area code) 817-336-2751	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Unit M, Sec. 3, T17S, R36E 330' FSL & 770' FWL		8. Well Name and No. Federal 3 #1
		9. API Well No. 30-025-37456
		10. Field and Pool, or Exploratory Area Shoe Bar, Devonian SE
		11. County or Parish, State Lea 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 type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Request to flare gas
	<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 recompleat 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 recompleat 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.)

Texland Petroleum-Hobbs, LLC request to flare the casinghead gas produced from the above captioned well. The gas will be measured by a meter.

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) Vickie Smith		Title Production Analyst
Signature <i>Vickie Smith</i>		Date 7/13/06

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by <i>[Signature]</i>	Title <i>PE</i>	Date <i>8/29/06</i>
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 <i>CFO</i>		

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. 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)

GWW

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COPY

Number 06MLD079

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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

NOTICE OF INCIDENTS OF NONCOMPLIANCE

☒ Certified Mail - Return Receipt Requested 70040750000348089456

☐ Hand Delivered Received by

Identification	
LID	
Lease	NMNM020491
CA	
Unit	
PA	

Bureau of Land Management Office HOBBS INSPECTION OFFICE	Operator
Address 414 WEST TAYLOR HOBBS NM 88240	Address TEXLAND PETROLEUM-HOBBS,LLC 777 MAIN STREET,SUITE 3200 FORT WORTH, TX 76102
Telephone 505.393.3612	Attention
Inspector DEATON	Attn Addr

Site Name FEDERAL #3-1	Well or Facility A	1/4 1/4 Section	Township 17S	Range 36E	Meridian NMP	County LEA	State NM
Site Name FEDERAL 3	Well or Facility 01	1/4 1/4 Section SWSW 3	Township 17S	Range 36E	Meridian NMP	County LEA	State NM

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

Date 06/19/2006	Time (24 - hour clock) 11:00	Violation 43 CFR 3162.7-3	Gravity of Violation MAJOR
Corrective Action To Be Completed By 07/19/2006	Date Corrected	Assessment for Noncompliance	Assessment Reference 43 CFR 3163.1(i)

Remarks

Unmeasured gas is being flared/vented without prior approval. Sell the gas or measure the amount being flared/vented. Submit on a Sundry Notice Form 3160-5, to this office, to my attention, an application for approval to flare/vent the gas.
Unauthorized flaring is subject to royalties, per, 43 CFR 3162.7-1d.

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

Company Representative Title Production Manager Signature Walter Smith Date 7-13-06

Company Comments a gas meter was installed and effective 7-1-06 gas is measured daily. Currently it is being flared. A gas line will be installed and the gas sold to Duke Energy Field Services as soon as possible.

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 <u>Marlon Deaton</u>		Date <u>19 June 06</u>	Time <u>1100</u>
FOR OFFICE USE ONLY			
Number 23	Date	Assessment	Penalty
Type of Inspection PI	Termination		