



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Hobbs Field Station
414 W. Taylor St.
Hobbs, New Mexico 88240



IN REPLY REFER TO:
43 CFR 3161.3 (NM083)

CERTIFIED--RETURN RECEIPT REQUESTED
Z 577 000 916

November 18, 1999

Lanexco Incorporated
1105 West Kansas
Jal, NM 88252

RE: El Paso Ruby #1
LC032511E
SWSE, Sec. 08, T25S, R37E

Gentlemen:

Bureau of Land Management (BLM) is the agency responsible for ensuring the correct reporting of production from oil and gas leases operated on Federal and Indian lands. To meet this objective, BLM has developed a Production Accountability Inspection (PAI) program on selected Federal and Indian oil and gas properties to determine how accurately your production records match the volumes you reported on the Monthly Report of Operations (Form MMS-3160).

Operations on the referenced lease have been selected and your cooperation and assistance will be appreciated. In accordance with the requirements of 43 CFR 3162.7-5(b)(6), you are ordered to submit copies of the following source documents, procedures, and formulas used to calculate the volumes of oil, gas, or water reported on the 3160(s) for the months of May, June, and July 1999.

1. GAS:

- a. Chart Integration Volume statements or Electronic Flow Meter statements showing wellhead MCF.
- b. H₂S concentration in the gas stream. ✓
- c. Last Meter Calibration Report. ✓

2. OIL:

- a. H₂S concentration in the stock tanks.
- b. Strapping tables for the tanks where oil is sold by tank gauging.
- c. Daily Pumpers gauging reports for period. ✓

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Pursuant to 43 CFR 3162.4-1(a) the operator shall keep accurate and complete records with respect to all lease operations including but not limited to production facilities and equipment, and producing operations. Title 43 CFR 3162.4-1(b) requires that upon request, the operator shall transmit to the authorized officer copies of records maintained in compliance with paragraph (a) of this section. Onshore Oil and Gas Order No. 6, III.A.2.b. requires the operator to initially test the H₂S concentration of the gas stream for each well or production facility and, shall make the results available to the authorized officer upon request. Title 43 CFR 3162.4-1(d) requires that all records and reports shall be maintained for 6 years from the date they were generated. In addition, if the Authorized Officer (AO) notifies the record holder that the BLM has initiated or is participating in an audit or investigation involving such records, the records shall be maintained until the AO releases the record holder from the obligation to maintain such records. Under 43 CFR 3162.7-5(b)(6), such records and measurements shall be available to any AO upon request.

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 and wilfully" 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.

All documents must be properly identified by Federal or Indian lease numbers, and include the information requested above. All documents are to be submitted to this office: Bureau of Land Management, 414 West Taylor, Hobbs, NM 88240 within 20 business days of receipt of this order. To facilitate any communication or requests for additional data, please provide the name, address, and phone number of the person who should be our primary contact in regard to this letter. Failure to comply as noted above will result in a notice of violation, and may result in an assessment or civil penalty under 43 CFR 3163.

Under provisions of 43 CFR 3165.3, you may request an Administrative Review of the decision described above, before the State Director. Such request, including all 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 orders unless the reviewing official so determines. Procedures governing appeals from instructions, orders or decisions are contained in 43 CFR 3165.4 and 43 CFR 4.400 *et seq.*

If you have any questions, please contact me at this office at (505) 393-3612.

Sincerely,



Andy Cortez
Pet. Eng. Tech.

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