

INTERIOR BOARD OF LAND APPEALS

International Metals & Petroleum Corp.

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INTERNATIONAL METALS & PETROLEUM CORP.

IBLA 2001-94

Decided December 3, 2002

Appeals from a decision issued by the California State Office, Bureau of Land Management, declaring noncompetitive oil and gas leases terminated by operation of law and a State Director decision affirming an order requiring permanent plugging and abandonment of all existing wells. CAS-066405 and CAS-066405-A; SDR 922-01-01.

State Office decision affirmed as modified; State Director decision affirmed.

1. Oil and Gas Leases: Noncompetitive Leases--Oil and Gas Leases: Termination

A noncompetitive oil and gas lease in its extended term by reason of production is properly deemed terminated by operation of law upon the cessation of production if the lessee does not initiate reworking or drilling operations within 60 days of the cessation of production and fails to establish that the lease contains a well capable of production in paying quantities.

APPEARANCES: Jack Winters, President, International Metals & Petroleum Corp., Bakersfield, California, for appellant; Patricia D. Gradek, Chief, Division of Minerals, Bakersfield Field Office, Bureau of Land Management, U.S. Department of the Interior, Bakersfield, California, for the Bureau of Land Management.

OPINION BY ADMINISTRATIVE JUDGE MULLEN

International Metals & Petroleum Corporation (IMPC) has appealed two decisions issued by the California State Office, Bureau of Land Management (BLM). In the first decision, dated November 22, 2000, the State Office declared noncompetitive oil and gas leases CAS-066405 and CAS-066405-A terminated by operation of law, effective November 21, 2000. In the second decision, dated April 20, 2001, the BLM State Office affirmed a March 14, 2001, order issued by the BLM's Bakersfield Field Office, on State Director Review (No. 922-01-01). The Bakersfield Field Office decision directed

IMPC to permanently plug and abandon the existing wells on leases CAS-066405 and CAS-066405-A. 1/

Noncompetitive oil and gas lease CAS-066405 (formerly SAC 066405) was issued on May 31, 1961, pursuant to section 17 of the Mineral Leasing Act, as amended, 30 U.S.C. § 226 (2000) (MLA). The lease encompassed 320 acres of public land in the N½ sec. 26, T. 29 S., R. 29 E., Mount Diablo Meridian, Kern County, California, and is in the Edison Oil Field. It has a June 1, 1961, effective date and a term of 5 years, and "so long thereafter as oil or gas is produced in paying quantities." A partial assignment of 240 acres in the NE¼ and E¼NW¼ sec. 26, T. 29 S., R. 29 E., effective January 1, 1967, was designated lease number CAS-066405-A (formerly SAC 066405-A). The remaining lands remained subject to lease CAS-066405. The assigned lands were partially within an undefined addition to the Edison Field Known Geologic Structure (KGS). The remaining 80 acres (lease CAS-066405), the W¼NW¼ sec. 26, is entirely within an undefined addition to the Edison Field KGS. After many assignments of ownership interests, ownership of the two leases was acquired by Pardee Petroleum Corporation (Pardee), and assigned to IMPC. Pardee retained the operating rights.

Several wells were drilled, and Well No. 4 on Lease CAS-066405 (the base lease) commenced production on August 13, 1965 (during the primary term). (Memorandum to Regional Oil and Gas Supervisor, U.S. Geological Survey (USGS), from District Engineer, USGS, dated Sept. 28, 1965; Memorandum to Chief, Branch of Oil and Gas Operations, USGS, from District Engineer, USGS, dated Aug. 30, 1965.) Production was sporadic, but continued until 1994. See, e.g., Memorandum to Area Manager, Caliente Resource Area, California, BLM, from Petroleum Engineer, Caliente Resource Area, dated June 22, 1994; Memorandum to Land Law Examiner, Leasable Minerals Section, California State Office, from Chief, Division of Minerals, Caliente Resource Area, dated Nov. 22, 1994.

Production ceased some time before September 12, 2000. On that date a total of 14 wells were on the leased lands. Twelve were incapable of production because of missing equipment, and 2 (a water source well and a steam injection well) were shut-in. (Decision, dated Nov. 22, 2000, at 2 (referring to well Nos. 1-4, 8, 10, and 11 (Lease CAS-066405) and Nos. 1A-5A, 11A, and 101A (Lease CAS-066405-A)); see Letter to IMPC from Acting Chief, Division of Minerals, Bakersfield Field Office, dated Dec. 13, 2000; Memorandum to the File from Mike Davis, BLM Petroleum Engineering Technician, dated Nov. 13, 2000.)

In letters dated September 12, 2000, the Chief, Division of Minerals, Bakersfield Field Office, notified Pardee of its determination that the

1/ IMPC's appeal of the State Office's November 2000 decision is docketed as IBLA 2001-94. IMPC's appeal of the State Office's April 2001 decision was not assigned a separate docket number because the appeals arise from similar facts and present related questions of fact and law.

leases did not contain a well capable of production in paying quantities, and directed Pardee to commence reworking or drilling operations on the leases within 60 days of the date of receipt of the letters and to continue with reasonable diligence until paying production was restored. See 43 CFR 3107.2-2. The letters specifically stated: "The lease will not terminate so long as approved operations are commenced within the 60-day period and such operations are continued with reasonable diligence until paying production is restored." (Letter to IMPC dated Sept. 12, 2000 (Lease CAS-066405), at 1; Letter to IMPC dated Sept. 12, 2000 (Lease CAS-066405-A), at 1.) Alternatively, Pardee was afforded 60 days to submit a "detailed technical justification" demonstrating that the leases contained a well or wells capable of production in quantities sufficient to pay the day-to-day operating costs. The Bakersfield Field Office stated that if IMPC failed to commence reworking or drilling operations or demonstrate that there was a well or wells currently capable of production in paying quantities within the 60-day period, the leases "will automatically terminate." (Letter to IMPC, dated Sept. 12, 2000 (Lease CAS-066405), at 2; Letter to IMPC, dated Sept. 12, 2000 (Lease CAS-066405-A), at 2.)

As noted above, the September 12, 2000, letters were addressed to Pardee, the operator, and not to IMPC, the record title holder of the leases. 2/ However, the BLM decisions were forwarded to IMPC and received by IMPC on September 22, 2000. See Notice of Appeal/Statement of Reasons for Appeal (NA/SOR) dated Dec. 18, 2000; BLM Answer dated Jan. 31, 2001. The 60-day period in which IMPC was required to initiate reworking or drilling operations or demonstrate the ability to produce in paying quantities commenced on September 22, 2000, and expired on November 21, 2000. 3/

On November 6, 2000, IMPC notified BLM that, after a period during which the wells were shut-in, wells Nos. 8 and 2A were "return[ing] to production." (Letter to BLM dated Nov. 4, 2000; see "Sundry Notices and Reports on Wells" (Leases CAS 066405 and CAS 066405-A) (attached to Nov. 4, 2000, letter to BLM).) BLM inspected the leases on November 8 and again

2/ In an Apr. 6, 1995, decision, BLM recognized IMPC as the holder of the two leases, by virtue of a Jan. 6, 1987, order of the United States Bankruptcy Court for the Eastern District of California. In the same decision Pardee was recognized as holding the operating rights.

3/ The 60th day following IMPC's Sept. 22, 2000, receipt of the two letters was Nov. 21, 2000. This deadline date was communicated to IMPC in two Oct. 24, 2000, letters from the Bakersfield Field Office, which were received on Oct. 27, and 30, 2000. (Letter to IMPC dated Oct. 24, 2000 (Lease CAS-066405); Letter to IMPC dated Oct. 24, 2000 (Lease CAS-066405-A).) IMPC asserts that the 60-day period "expired on November 22, 2000," allowing it until Nov. 27, 2000, to notify BLM of production (in accordance with the 5-day period provided in 43 CFR 3162.4-1(c)). (NA/SOR dated June 6, 2001, at 2; but see NA/SOR, dated Dec. 18, 2000, at 1 (the 5-day period ended on Nov. 26, 2000).)

on November 21, 2000. It found that there was no production from either lease, that none of the wells were physically capable of producing, and that there were no facilities capable of storing oil or gas. The inspection on November 21, 2000, specifically revealed:

There was no well on either lease capable of producing because not one well had enough equipment to produce. Not all the wells had pumping units and those that did had no prime mover of any sort. * * * Furthermore, none of the facilities appeared to be capable of functioning with valves missing many parts and several bullet holes existing in each of the tanks. There was a small amount of liquid in the sump that appeared to be mostly water. * * *

* * * We found only one electrical subpanel intact at well number 2[A] on lease CAS 066405A. The remainder of the panels had been stripped or had fallen off of their mounting pole. No work downstream of the service panel was evident. [A representative of Pacific Gas and Electric (PG&E)] indicated that he had heard that [IMPC] was in arrears on [its] electrical service and that PG&E would require a large cash deposit or a letter of credit before the power would be restored.

On November 6, 2000[,] we received two sundry notices from [IMPC] * * * stating [its] intent to return one well on each lease to production. Those were well 2[A] * * * [o]n lease CAS 066405A and well 8 on lease CAS 066405 * * * During our visit it was obvious that no work had been done on either of these wells in a very long time.

(Memorandum from John Kaiser, BLM Petroleum Engineer, dated Dec. 4, 2000, at 1; see BLM Answer dated Jan. 31, 2001, at 2.)

In its November 22, 2000, decision the State Office declared the two leases terminated effective November 21, 2000, "due to cessation of production," because the wells were not capable of producing oil or gas in paying quantities and IMPC had failed to return the leases to paying production. (Decision dated Nov. 22, 2000, at 2.) IMPC appealed.

On March 14, 2001, the Bakersfield Field Office issued two orders directing IMPC to permanently plug and abandon all of the wells situated on the lands subject to leases CAS-066405 and CAS-066405-A. BLM specifically stated:

[Y]ou are hereby ordered to submit plans to permanently plug and abandon all wells on the lease, to dismantle and remove all surface equipment and facilities on the property, and to restore the surface to an acceptable

condition. All abandonment plans must be submitted to this office on a Sundry Notice (Form 3160-5) and receive our approval prior to initiating any surface disturbing activities. The plans must include a proposed timetable for initiating and completing the work. All abandonment and restoration work must be completed within a maximum of 90 days from receipt of this notice. [Emphasis added.]

(Letter to IMPC dated Mar. 14, 2001 (Lease CAS-066405), at 1; Letter to IMPC dated Mar. 14, 2001 (Lease CAS-066405-A), at 1.) The Bakersfield Field Office noted that IMPC's failure to comply with its March 2001 orders would be considered an Incident of Noncompliance, which could subject IMPC to civil assessments and penalties.

IMPC sought State Director Review of the Bakersfield Field Office's March 2001 order with respect to lease CAS-066405-A, pursuant to 43 CFR 3165.3(b). ^{4/} In its April 2001 decision, the State Office affirmed the Bakersfield Field Office's March 2001 order requiring IMPC to permanently plug and abandon the wells. However, the State Office modified the Bakersfield Field Office's order, holding that, pursuant to 43 CFR 3162.3-4, IMPC was also required to permanently plug and abandon the wells because all of the wells had been "temporarily abandoned" for a period of more than 5 years without BLM's prior approval, and the wells were "no longer capable of producing oil or gas in paying quantities." (Decision dated Apr. 20, 2001, at 2.)

IMPC appealed the State Office's April 2001 decision. It contends that the leases had not terminated by operation of law because of cessation of production. ^{5/} It also challenges the State Office's decision directing it to permanently plug and abandon all existing wells.

In its NA/SOR's IMPC contends that BLM erred when declaring oil and gas leases CAS-066405 and CAS-066405-A terminated by operation of law

^{4/} IMPC's request for State Director Review specifically stated that it constituted an "Appeal of Permanent Abandonment of Wells on Federal Lease CAS 66405A." (Letter to BLM, dated Mar. 26, 2001.) There was no mention of lease CAS-066405, or the Bakersfield Field Office order requiring plugging and abandoning of wells on that lease. The State Office properly construed the request as being applicable only to lease CAS-066405-A. (See Apr. 20, 2001, Decision at 1.)

^{5/} IMPC petitioned for a stay of the effect of that decision pending resolution of the State Office's November 2000 decision. The leases terminated by operation of law rather than by State Office decision. There is nothing in the applicable statute or Departmental regulations automatically suspending an automatic termination during the pendency of an appeal. Thus, BLM was free to direct IMPC to permanently plug and abandon all of the existing wells on the leased lands. The Bakersfield Field Office's Mar. 14, 2001 order was not premature, but could be stayed by this Board. By this decision we are resolving IMPC's appeal, and IMPC's petition to stay is denied as moot.

because of cessation of production, effective November 21, 2000. It argues that it responded timely to the Bakersfield Field Office's September 2000 letters and asserts that during the 60-day period it was "in the process of preparing the oil leases for production," but was hampered by the fact that equipment had been stolen. It contends that, having restored production from at least one well on each of the leases, it attempted to notify BLM of having restored wells to production on November 25, 2000. (NA/SOR dated Dec. 18, 2000, at 2.) IMPC notes that this date was within the five-day period set out in 43 CFR 3162.4-1(c), and was therefore in accordance with the November 14, 2000, letter from BLM. A copy of IMPC's November 25, 2000, letter, which was faxed to BLM, has been submitted by IMPC. In that letter IMPC states that it "has returned one well on each * * * lease to production." Documentation purporting to show that the wells were capable of production in paying quantities was attached to the November 25 letter. (Ex. B (Letter to BLM from IMPC dated Nov. 25, 2000) attached to NA/SOR dated Dec. 18, 2000, at 1.) IMPC states that had BLM contacted it before BLM issued its November 2000 decision, it could have "turned on the power to the wells and shown that the wells were in operation and capable of production." (NA/SOR, dated June 6, 2001, at 2.)

[1] When the term of an oil and gas lease is extended by production, if there is no well capable of production in paying quantities when production ceases, the lessee must initiate reworking or drilling operations within 60 days and continue the reworking or drilling operations with reasonable diligence to avoid termination. In such cases termination is automatic if BLM has not approved the suspension of operations and/or production. Merit Productions, 144 IBLA 156, 158-59 (1998); Daymon D. Gililland, 108 IBLA 144, 147 (1989); Universal Resources Corp., 31 IBLA 61, 66 (1977). The ability to continue the lease by reworking or drilling operations upon the cessation of production is provided by section 17(i) of the MLA, which states in relevant part:

No lease issued under this section which is subject to termination because of cessation of production shall be terminated for this cause so long as reworking or drilling operations which were commenced on the land prior to or within sixty days after cessation of production are conducted thereon with reasonable diligence, or so long as oil or gas is produced in paying quantities as a result of such operations. [6/]
[Emphasis added.]

6/ The reworking/drilling regulation implementing section 17(i) of the MLA is found at 43 CFR 3107.2-2. That regulation provides that, to avoid termination upon the cessation of production from a lease in its extended term by reason of production, reworking or drilling operations must commence within 60 days of the receipt of notice. This regulatory language directly conflicts with the statutory provision, and is without effect. Merit Productions, supra at 161-67 (Burski, A.J., concurring). A lessee is required by section 17(i) of the MLA to initiate reworking or drilling

Production ceased more than 5 years prior to the Bakersfield Field Office's September 2000 letters. (Letter to IMPC from the Bakersfield Field Office dated Sept. 12, 2000 (Lease CAS-066405), at 1; Letter to IMPC from the Bakersfield Field Office dated Sept. 12, 2000 (Lease CAS-066405-A), at 1; see BLM Answer dated June 21, 2001, at 4.) Idle Wells Data Sheets attached to an April 28, 2000, letter to IMPC from Division of Oil, Gas, and Geothermal Resources, Department of Conservation, State of California, state that all 14 wells had been idle for 10 or 15 years. There is no evidence that any reworking or drilling operations were commenced within 60 days of the date production ceased, and none was conducted for a very long time after that date. Nor does IMPC make any assertion that there were any postproduction reworking or drilling operations. 7/ Thus, absent a well on either of the leases capable of production in paying quantities, the leases terminated by operation of law. Merit Productions, supra at 158-59 and at 167 (Burski, A.J., concurring); Stanco Petroleum, Inc., 143 IBLA 86, 88-89 (1998); Samuel Gary Jr. & Associates, Inc., 125 IBLA 223, 225-28 (1993); Robert Hawkins, 45 IBLA 105, 106-07 (1980); Steelco Drilling Corp., 64 I.D. 214, 217-19 (1957).

When a lease contains a well capable of production in paying quantities, section 17(i) of the MLA and 43 CFR 3107.2-3 provide that BLM must notify the lessee that it must place the well in production within 60 days from the date of receipt of the notice to avoid having BLM declare that the lease has expired by operation of law. 8/ Merit Productions, supra at 158-59; Great Western Petroleum & Refining Co., supra at 24; 9/

fn. 6 (continued)

operations within 60 days from the date of cessation of production and the Bakersfield Field Office's September 2000 letters did reinstate the time allowed for commencement of reworking or drilling operations.

7/ We find no evidence supporting IMPC's assertion that one well on each of its leases was capable of commercial production on Nov. 25, 2000. This assertion is directly contradicted by evidence that there was no well on either lease physically capable of production on Nov. 27, 2000. See Letter to IMPC from Chief, Division of Minerals, dated Dec. 13, 2000.

8/ Section 17(i) of the MLA provides, in relevant part:

"No lease issued under this section covering lands on which there is a well capable of producing oil or gas in paying quantities shall expire because the lessee fails to produce the same unless the lessee is allowed a reasonable time, which shall be not less than sixty days after notice by registered or certified mail, within which to place such well in producing status or unless, after such status is established, production is discontinued on the leased premises without permission granted by the Secretary [of the Interior] under the provisions of [30 U.S.C.] [C]hapter [3A]." [Emphasis added.]

30 U.S.C. § 226(i) (1994).

9/ Great Western involved an appeal of a June 7, 1991, State Office decision, holding the two leases subject to this appeal terminated by operation of law after cessation of production. We set aside that decision because BLM had improperly conditioned compliance with its 60-day notice on increased bond coverage: "[T]his condition is barred by the order of the bankruptcy court." 124 IBLA at 28; see id. at 21, 27-28.

Hancock Enterprises, 74 IBLA 292, 293 (1983); John Swanson, 51 IBLA 239, 241 (1980). Thus, if the leases had a well capable of production in paying quantities when production ceased, the statutorily-prescribed notice would be a necessary prerequisite to declaring the leases expired. 10/

A well is considered capable of production in paying quantities when it is physically capable of producing a sufficient quantity of oil and/or gas to yield a reasonable profit after the payment of all the day-to-day costs incurred after the initial drilling and equipping of the well, including the costs of operating the well, rendering the oil or gas marketable, and transporting and marketing that product. Abe M. Kalaf, 134 IBLA 133, 138-39 (1995); Amoco Production Co., 101 IBLA 215, 221-22 (1988). Productive capability must be determined as of the date the lease is deemed to have terminated by operation of law by reason of cessation of production, absent a well capable of paying production, and cannot be based on future expectations. Abe M. Kalaf, *supra* at 139, 141; American Resources Management Corp., 40 IBLA 195, 202 (1979); The Polumbus Corp., 22 IBLA 270, 271-73 (1975). If BLM determines that a well is not capable of production in paying quantities, the party challenging that determination bears the burden of proving, by a preponderance of the evidence, that it is capable of production in paying quantities. Abe M. Kalaf, *supra* at 139.

BLM's determination that the leases were not capable of production in paying quantities was based on IMPC's "continued history of non-production of the[] wells, especially during the current period of historically high oil prices." (Memorandum to the File, dated Sept. 28, 2000; see Letter to IMPC from BLM dated Oct. 24, 2000 (Lease CAS-066405) ("[B]ased on your sustained failure to produce any oil or gas from the subject leases during the past ten years, BLM has determined them to be incapable of economic production".)) This determination was reinforced by BLM's inspections of the wells in early and late November 2000. None of the wells was physically capable of producing during the period immediately prior to the State Office's November 2000 decision, and none was capable of production on November 27, 2000. BLM noted that "[a] thorough inspection of both leases revealed that they do not contain a single well that is capable of production without a substantial amount of work. None of the wells are producing or capable of being produced mechanically." (Letter to IMPC from Chief, Division of Minerals dated Dec. 13, 2000.) On page 2 of a December 4, 2000, memorandum, BLM employee Kaiser states:

When we arrived the leases remained shut-in in the same condition that they were when we inspected them on November 21, 2000 * * *. Neither of the wells [IMPC] said were on production had enough equipment installed

10/ There is no evidence that IMPC sought, or that the Department granted, a suspension of operations and/or production, pursuant to applicable statutory/regulatory authority at any time after production ceased. See 30 U.S.C. §§ 209, 226(i) (1994); 43 CFR 3103.4-4 and 3165.1.

to produce them - nor did any other well on the lease[s] for that matter."

The fact that none of the existing wells on the two leases was physically capable of any production rendered the leases not capable of producing oil or gas in paying quantities, as of November 2000. Amoco Production Co., *supra* at 217-18, 222 (well not physically capable if it requires reworking and/or stimulation); Arlyne Lansdale, 16 IBLA 42, 46-47, 49 (1974) (well not physically capable if casing must be perforated and formation sand fractured); Carl Losey, A-30153 (Dec. 4, 1964), at 4 (well not physically capable if casing must be set, cemented, and perforated); Steelco Drilling Corp., 64 I.D. at 218, 220 (well not physically capable if it must be treated with hot oil and swabbed).

IMPC offers little in the way of evidence regarding the productive capability of any of its wells. Instead, it appears to rely on projections of future productive capability, if the wells were restored to a functioning condition. It admits that it was only "in the process of preparing the oil leases for production," but asserts that production was not achieved until some time before the State Office issued its November 22, 2000, decision. (NA/SOR dated Dec. 18, 2000, at 2, emphasis added.) This supports BLM's conclusion that there was no well on either lease capable of production at any time between the date it gave notice and November 22, 2000.

When IMPC submitted its November 25, 2000, letter in response to the Bakersfield Field Office's September 2000 letters, it attached a "Statement of Income" for each of its leases for the period "January 2001 Through February 2001." 11/ (Ex. B to NA/SOR at 3-4.) These statements projected production of three barrels of oil per day from each lease. However, they are not evidence, and there is no other evidence that any well on either lease was physically capable of producing any oil or gas, let alone a quantity sufficient to cover the specific costs of operation and production. This statement of production potential is not adequate. An actual capability, rather than a potential capability, to produce must be shown. American Resources Management Corp., *supra* at 202.

IMPC has failed to demonstrate, by a preponderance of the evidence, that either of the subject leases had a well capable of producing in paying quantities when production ceased on September 12, 1995, or thereafter. When IMPC failed to initiate reworking or drilling operations within 60 days of the cessation of production, its leases terminated by operation of law. John S. Peihar, 41 IBLA 191, 193 (1979).

11/ IMPC states that its leases had been "evaluated and appraised based on the oil production predictions made by KR Evans & Associates" regarding oil production given either "existing wells and lease facilities" or a "development program designed to [e]ffect maximum ultimate recoveries via a full scale steam flood of the property." (NA/SOR at 2.) We do not find

Finally, other than as a part of its overall challenge of BLM's decision that lease CAS-066405-A terminated by operation of law, IMPC does not dispute the State Office's April 2001 decision affirming the Bakersfield Field Office's March 2001 order to permanently plug and abandon the wells on that lease. BLM properly directed IMPC to plug and abandon the wells, to dismantle and remove the equipment and facilities, and to restore the surface of the leased lands. Abe M. Kalaf, supra at 142; Daymon D. Gililland, supra at 147.

IMPC requested a hearing to address whether the leases have a well "capable of economic production." (NA/SOR dated June 6, 2001, at 2.) A lessee is entitled to notice and an opportunity to request a hearing on the issue of the productive capacity of a well if the lessee has presented evidence raising an issue of fact regarding the status of the well. Daymon D. Gililland, supra. However, IMPC has failed to demonstrate a material issue of fact regarding either the production capability of any of its wells or whether its leases terminated by operation of law that cannot be resolved without an evidentiary hearing. We do not deem it necessary to exercise our discretionary authority, pursuant to 43 CFR 4.415, to grant IMPC's request for a hearing. Felix F. Vigil, 129 IBLA 345, 347 (1994); Woods Petroleum Co., 86 IBLA 46, 55 (1986). That request is denied.

To the extent not addressed herein, all other arguments of error of fact or law asserted by IMPC are rejected on the grounds that they are either contrary to the facts or law or immaterial.

In its November 22, 2000, decision the State Office properly declared IMPC's oil and gas leases CAS-066405 and CAS-066405-A terminated by operation of law. However, we modify that decision to hold that the leases terminated by operation of law upon the cessation of production, rather than 60 days after IMPC's receipt of the Bakersfield Field Office's September 2000 letters directing it to initiate reworking or drilling operations. We affirm the State Office's April 20, 2001, decision affirming the Bakersfield Field Office's March 14, 2001, order directing IMPC to permanently plug and abandon all of the existing wells on the leased lands.

Accordingly, pursuant to the authority delegated to the Board of Land Appeals by the Secretary of the Interior, 43 CFR 4.1, the decisions appealed from are affirmed as modified herein, and IMPC's petition to stay

fn. 11 (continued)

this evaluation/appraisal in the record. From the statements in the NA/SOR we surmise that the report projects future recovery from the field, and presumes that the wells can be returned to a functioning condition. This document does not serve as evidence that any well was or is capable of producing.

the effect of the State Office's April 20, 2001, decision and request for a hearing are denied.

R.W. Mullen
Administrative Judge

I concur:

David L. Hughes
Administrative Judge