

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

03-Mar-03

YATES PETROLEUM CORPORATION

105 S 4TH ST

ARTESIA NM 88210-

NOTICE OF VIOLATION

Dear Operator:

A review of our records and recent inspection(s) indicate that the subject well(s) has been shut-in for an extended period of time. Rule 201 of the Rules and Regulation of the Oil Conservation Division provides that a well may be shut-in no longer than sixty days after suspension of drilling operations, upon determining that the well is no longer usable (e.g., a dry hole), or one year after last production. To comply with guidelines as established in the Rules and Regulations, corrective actions must be taken immediately and the well(s) brought into compliance.

The detail section below indicates preliminary findings and/or probable nature of the violation.

The following options are available:

1. Immediately restore the well(s) to production, injection or disposal as applicable.
2. Request 'Temporary Abandoned' status pursuant to Rule 203, which requires that you set a plug and conduct a mechanical integrity test.
3. Submit a proposal to 'Plug and Abandon' the well(s) pursuant to Rule 202, proceed with plugging procedures on a timely basis after the proposal has been evaluated, amended and/or approved.

To avoid further action, we request that you exercise one of the above options no later than the "Corrective Action" due date indicated below.

Please be advised that this Notice of Violation may be followed by an application for an order to Show Cause why the bond should not be forfeited, the well plugged and civil penalties assessed. Please notify this office at least 24 hours prior to any repair and/or plugging, subsequent mechanical integrity test, or to request TA status for the well(s).

IDLE WELL INSPECTION DETAIL SECTION

FAWN AWN STATE COM 001 K-17-8S-27E 30-005-00236-00-0 Inspection No. iMLB0306231363

Inspection Date: 2/25/2003

Corrective Action Due by: 5/31/03

Type Inspection Inspector

Violation?

***Significant Non-Compliance?**

Routine/Periodic

Mike Bratcher

Yes

No

Comments on Inspection: No flowline. No production reported for this well. Violation Rule 201. Idle well.

MONAGHAN QY FEDERAL 007 C-27-5S-24E 30-005-61652-00-0 Inspection No. iMLB0305640209

Inspection Date: 2/25/2003 11:10:00 AM

Corrective Action Due by: 5/31/03

Type Inspection Inspector

Violation?

***Significant Non-Compliance?**

Routine/Periodic

Mike Bratcher

Yes

No

Comments on Inspection: Flowline is disconnected and open. Well is not able to produce. Violation Rule 201. Idle well.



Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infra-structure of the oil and gas industry.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Brant". The signature is fluid and cursive, with a long horizontal stroke at the end.

Artesia OCD District Office

* Significant Non-Compliance events are reported directly to the U.S. Environmental Protection Agency, Region VI, Dallas, Texas.