



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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Cabinet Secretary

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Director

Oil Conservation Division

Field Inspection Program

"Preserving the Integrity of Our Environment"

16-Dec-05

YATES PETROLEUM CORPORATION

105 S 4TH ST

ARTESIA NM 88210

30-015-24630

LETTER OF VIOLATION - Inspection

Dear Operator:

The following inspection(s) indicate that the well, equipment, location or operational status of the well(s) failed to meet standards of the New Mexico Oil Conservation Division as described in the detail section below. To comply with standards imposed by Rules and Regulations of the Division, corrective action must be taken immediately and the situation brought into compliance. The detail section indicates preliminary findings and/or probable nature of the violation. This determination is based on an inspection of your well or facility by an inspector employed by the Oil Conservation Division on the date(s) indicated.

Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
12/13/2005	Routine/Periodic	Chris Beadle	Yes	No	1/7/2006	iCLB0534736865
Violations						
Surface Leaks/Spills						

Comments on Inspection: Contaminated area outside the fenced tank battery berm north of the water tank. This area measures 30 x 20 feet and is saturated to a depth of at least 1 foot indicative of a release of at least 20 barrels of produced fluids. Heavy chloride deposits on the surface of the impacted soils. The flow path for this impact area comes over the top of the berm and is directly lined up with the water tank discharge valve. The inside of the berm in this area is not heavily contaminated, some light contamination is present. The discharge piping at the base of the water tank is actively dripping, chlorides are coating the piping and impacting soils inside the berm.

Remediation is required. Submit Form C-141 (Release Notification and Remedial Actions) for this release. Submit remediation work plan to OCD District 2 Office. Remediation work plan must include general site characteristics, site ranking score, soil remediation action levels, soil remediation methods, and planned analytical testing for TPH, B-TEX, Chlorides or any other contaminants of concern as applicable. Please use the "Guidelines For Remediation of Leaks, Spills, and Releases" as your guide. This document may be found on the NMOCD web site: www.emnrd.state.nm.us/ocd, under Publications> Environmental Handbook> Miscellaneous Guidelines> Remediation of Leaks, Spills and Releases.

OCD approved remediation must begin on this release no later than January 15, 2006. OCD Rule 19.15.3.116.D [NMAC] requires that the responsible person for a release must complete division approved corrective action and that releases will be addressed in accordance with a remediation work plan submitted to and approved by the division. Provide NMOCD District 2 Office with the remediation work plan prior to January 7, 2006.

Until a remediation work plan is received, the NMOCD District 2 Office must be notified 48 hours prior to any remediation work or prior to taking samples where results of the samples may be submitted to the OCD.

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,



Artesia OCD District Office

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data.

*Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.