



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Response Required – Deadline Enclosed

06-Mar-08

LOV NO. 02-08-044

MCKAY OIL CORP

One McKay Place P. O. Box 2014

Roswell NM 88202

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

LOOKOUT B FEDERAL No.003

M-10-6S-22E

30-005-63754-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/06/2008	Routine/Periodic	Ron Harvey	Yes	No	4/7/2008	iREH0806635909
Violations Emergency/Temporary Pits						

Comments on Inspection: New well completed 6/6/07. Drilling pit still open and full Pit liner and pit fence ok. Violation of Rule 50. Drilling pits are to be closed within 6 months after cessation of use. Pit should have been closed no later than 12/6/07. Operator needs to submit C-144 for pit closure approval to OCD District II office and close pit in accordance with OCD guidelines no later than 4/7/08. Photos taken.

FOUR MILE DRAW B FEDERAL No.008

D-15-6S-22E

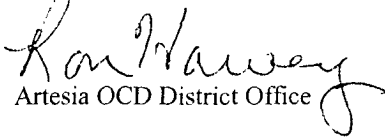
30-005-63756-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/06/2008	Routine/Periodic	Ron Harvey	Yes	No	4/7/2008	iREH0806635213
Violations Emergency/Temporary Pits						

Comments on Inspection: Drilling pit still open and full. Pit liner and pit fence ok. Well was completed 5/5/2007. Violation of Rule 50. Drilling pit should have been closed no later than 11/5/2007. Operator needs to submit C-144 to OCD District II office for pit closure approval and close pit no later than 04/07/2008. Photos taken.

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