



STATE OF NEW MEXICO

ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

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(505) 334-6178

Certified Mail
Return Receipt No. P 843 754 789

July 21, 1992

Veteran Exploration Inc.
Attn. Bob Jacobsen
7535 E. Hampden Ave., Ste #506
Denver, CO 80231

RE: Oil on Pits

Dear Mr. Jacobsen:

Field inspections of Veteran Exploration wells on July 7, 14, and 17, 1992 have shown a continuing problem of oil remaining on drilling reserve pits. The Veteran Exploration Inc., San Isidro 15 #7, G-15-T20N-03W, continues to have up to two inches of oil on the drilling reserve pit and the separator is piped to dump to the reserve pit. Livestock, indicated by tracks, have some access to this pit despite a woven wire fence. The Veteran Exploration Inc., San Isidro 12 #10, J-12-20N-03W, continues to have oil on the reserve pit and the separator is piped to dump to the reserve pit. Chemical drums have been removed from location as requested and an oil spill on the well pad has been remediated. We need a well sign with the correct name not the Renegade 12 #10 as shown. The Veteran Exploration Inc., Johnson 7 #3, K-7-20N-02W, continues to have oil on the reserve pit. The production tanks have had product blown back through the hatches heavily staining areas within the firewalls which need to be remediated. The Veteran Exploration 14 #4, D-14-20N-03W, lacks a well sign, needs trash removed and has oil on the reserve pit which is still open.

Crude oil which is left on reserve pits is in violation of Oil Conservation Division Rules #3 Waste Prevention and #8B Migratory Bird Protection. Failure to remove crude oil from pits will result in fines of \$1,000 per day per violation and cancellation of allowable. The San Isidro 12 #10 and 14 #4 wells are also in violation of Division Rule #103 Well Signs. Veteran Exploration has until September 1, 1992 to bring the wells cited above into compliance with division rules. If it is necessary to continue to have open pits to break emulsion during production, Veteran Exploration needs to submit a plan for lined pits with bird netting to the OCD for review. If you have questions, feel free to contact this office at 505-334-6178.

Yours truly,

Denny G. Foust
Deputy Oil and Gas Inspector

DGF\sh

XC: DGF file
Operator file
Well Files
Ernie Busch

Pat Hester - BLM Rio Puerco District
Bob Stovall - OCD Legal Counsel