



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Betty Rivera

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

9/4/2002

SWR OPERATING
200 CRESCENT CT. SUITE 1310
DALLAS, TEXAS 75201

RE: 30-015-05672 UT N-33-18s-31e
SHUGART B #3

DEAR SWR,

A FIELD INSPECTION MADE BY O.C.D. ON 9/3/2002 FOUND THE SHUGART B #3 A SI OIL TO HAVE A UNAUTHORIZED RELEASE. THIS UNAUTHORIZED RELEASE APPEARS TO BE COMING FROM BELOW GROUND LEVEL NEAR THE WELLHEAD OF THE SHUGART B #3. THIS UNAUTHORIZED RELEASE HAS RESULTED IN HYDROCARBON AND SALT WATERS CONTAMINATION IN THE IMMEDIATE AREA OF THE WELLHEAD, AND IN THE AREA SOUTH EAST OF THE WELLHEAD.

RULE 116.A. REQUIRES NOTIFICATION OF UNAUTHORIZED RELEASES. THIS SHUGART B #3 IS NOW IN VIOLATION OF RULE 116.A. NOTIFICATION.

RULE 116.D. REQUIRES CORRECTIVE ACTION ON UNAUTHORIZED RELEASES. THE SHUGART B #3 IS ALSO NOW IN VIOLATION OF RULE 116.D. CORRECTIVE ACTION REQUIRED.

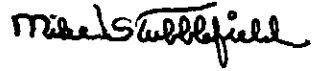
PLEASE SUBMIT TO THE O.C.D. ARTESIA OFFICE A C-141 FORM { NOTIFICATION OF UNAUTHORIZED RELEASES FORM } REPORTING THE UNAUTHORIZED RELEASE MADE BY THE SHUGART B #3 .

INCLUDE WITH-IN THIS C-141 A WORKPLAN TO REMEDIATE THE UNAUTHORIZED RELEASE OCCURRED BY THE SHUGART B #3.

THIS REMEDIATION WORKPLAN MUST FOLLOW THE GUIDELINES FOR REMEDIATION OF LEAKS, SPILLS AND RELEASES. A COPY OF THE GUIDELINES FOR REMEDIATION OF LEAKS, SPILLS AND RELEASES IS INCLUDE IN THIS LETTER PACKET.

THE REQUIREMENTS MADE BY THIS LETTER ARE TO BE SUBMITTED TO O.C.D.
ARTESIA OFFICE NO LATER THAN 9/10/2002.

SINCERELY,

A handwritten signature in black ink, appearing to read "Mike Stubblefield". The signature is written in a cursive, somewhat stylized script.

MIKE STUBBLEFIELD ENVIRO. ENG. SPEC. N.M.O.C.D.