

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

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Director

Oil Conservation Division

Underground Injection Control Program "Protecting Our Underground Sources of Drinking Water"

28-Feb-03

YATES PETROLEUM CORPORATION

105 S 4TH ST

ARTESIA NM 88210-

Dear Operator:

The following test(s) were performed on the listed dates on the following well(s) shown below in the test detail section.

The test(s) indicates that the well or wells failed to meet mechanical integrity standards of the New Mexico Oil Conservation Division. To comply with guidelines established by the U.S. Environmental Protection Agency, the well must be shut-in immediately until it is successfully repaired. The test detail section which follows indicates preliminary findings and/or probable causes of the failure. This determination is based on a test of your well or facility by an inspector employed by the Oil Conservation Division. Additional testing during the repair operation may be necessary to properly identify the nature of the well failure.

Please notify the proper district office of the Division at least 48 hours prior to the date and time that repairs will be attempted so that such operations may be witnessed by a field representative.

MECHANICAL INTEGRITY TEST DETAIL SECTION

BELL ESTATE 001

30-005-60890-00-00

J-17-5S-24E

Active Gas (Producing)

Test Date: 2/25/2003

Permitted Injection PSI:

Actual PSI:

Test Reason: TA Status Test

Test Result: F

Repair Due: 5/31/2003

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: Pumped 70 bbls fluid. Could not load hole. Well was on vacuum when pump truck flow line was disconnected. Well is in violation of Rule 203.

ROADRUNNER VY STATE 001

30-005-61818-00-00

O-6-8S-27E

Shut-In Gas (Producing)

Test Date: 2/25/2003

Permitted Injection PSI:

Actual PSI:

Test Reason: TA Status Test

Test Result: F

Repair Due: 5/31/2003

Test Type: Std. Annulus Pres. Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: Pressured well up to 500 psi. Steady drop off of pressure back to 0 psi within 5 minutes. Well is in violation of rule 203.

Thank you for your prompt attention to this matter and your efforts in helping to protect our ground water

Sincerely,

A handwritten signature in cursive script, appearing to read "Mike Smith".

Artesia OCD District Office

Note: Pressure Tests are performed prior to initial injection, after repairs and otherwise, every 5 years; Bradenhead Tests are performed annually. Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data. "Failure Type" and "Failure Cause" and any Comments are not to be interpreted as a diagnosis of the condition of the wellbore. Additional testing should be conducted by the operator to accurately determine the nature of the actual failure. * Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.