



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Field Inspection Program

"Preserving the Integrity of Our Environment"

02-Feb-05

YATES PETROLEUM CORPORATION

105 S 4TH ST

ARTESIA NM 88210

NOTICE 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

FEDERAL HJ No.001

A-31-6S-26E

30-005-60412-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
02/01/2005	Routine/Periodic Violations Surface Leaks/Spills	Mike Bratcher	Yes	No	3/2/2005	iMLB0503330438

Comments on Inspection: Inspected site after receipt of Final Report C-141 on a release of 800 bbls produced water with recovered fluid amount unknown. Final Report C-141 indicates "Burned material was removed, the bermed area was excavated to 4 1/2 ft, a 1 ft clay cap was put in place, and 608 yards of caliche was used as fill. The new battery was built on the other side of the location, and is in service at this time." Inspection of the site showed the following: Burned materials have been scraped into a pile and remain on location. A storage tank and fiberglass water tank remain from the old tank battery and are in use. There appears to be some evidence that the water tank has run over at some point and flow was to the North. An approx 8" BGS excavation was made with hand auger in an area that would have been part of the original tank battery. What appears to be hydrocarbon contaminated soils was encountered just below ground level and continued the full extent of the excavation. To my knowledge, no analyticals were performed prior to, or following remediation action. No notice was given to the OCD prior to commencement of remediation actions. The new tank battery has 4 storage vessels. Three of the vessels have had fluid overflows. Ground area at base of vessels is saturated with oil pooled in 3 areas. The new releases at the new tank battery area are in violation of Rule 13 and Rule 116. Please submit a C-141 on these releases along with a remediation action work plan. A 24 hour notice to the District 2 OCD office is required prior to any remediation work being performed or samples obtained. A determination will be forthcoming on the closure of the remediation of the original 300 bbl release.

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.