



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

*Fleet Inspection Program
"Preserving the Integrity of Our Environment"*

28-Jun-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

ALLISON CQ FEDERAL No.006

D-13-19S-24E

30-015-23211-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
06/21/2005	Routine/Periodic	Mike Bratcher	Yes	No	7/21/2005	IMLB0517243603
Violations						
Absent Well Identification Signs (Rule 103)						
Surface Leaks/Spills						

Comments on Inspection: Below grade fiberglass tank at tank battery for this well has oil saturated soils on East side of tank. Verification of tank integrity required. Delineation and remediation of contaminants released required. Violation Rule 13. Well sign is not mounted and is upside down at well head. Violation Rule 103. There are four lizard carcasses next to sign.

IRISH HILLS YESO NM FEDERAL No.002

B-12-19S-24E

30-015-23327-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
06/21/2005	Routine/Periodic	Mike Bratcher	Yes	No	7/21/2005	IMLB0517241962
Violations						
Surface Leaks/Spills						

Comments on Inspection: There are 4 flowlines that run East and West to a tank battery located West of this well. There are at least 4 produced fluid release sites along these lines. The largest and probably most current is located approx 100 yards West of well. Surface area impacted is approx 150'x50' and is considered a reportable release. Wellhead area also has contamination. These sites are in violation of Rule 13 and Rule 116. Delineation and remediation of contaminants required. Please submit a C-141 along with remediation plans and site ranking information. Pasture is currently being used to graze cattle.

NICHOLAS BJ No.002

J-5-19S-25E

30-015-23447-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
06/21/2005	Routine/Periodic	Mike Bratcher	Yes	No	7/21/2005	iMLB0517237531
Violations						
Surface Leaks/Spills						

Comments on Inspection: Footages are incorrectly listed on well sign. Tank battery for this well is in unit letter I. Several areas of contamination at battery. Below grade tank may be leaking. Gas line is plumbed utilizing a KimRay valve with the pop off line terminating open ended in the battery. Produced fluids contamination at end of line. Battery area is in violation of Rule 13 and Rule 116. Delineation and remediation of contaminants required. Please submit C-141 and remediation workplan along with site ranking information.

GLASS KINCAID OS No.001

D-7-19S-25E

30-015-23512-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
06/21/2005	Routine/Periodic	Mike Bratcher	Yes	No	7/21/2005	iMLB0517240557
Violations						
Surface Leaks/Spills						

Comments on Inspection: P/A marker in place. Tank battery has numerous areas of concern as follows: Leaks have occurred around vessels, contaminated soils stockpiled, large area on South side of vessels has what appears to be chloride impaction. Delineation and remediation of contaminants required. Please submit C-141 along with remediation plan and site ranking information. Violation Rule 13.

RUSHING NJ DEEP COM No.003

O-6-19S-25E

30-015-33755-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
06/21/2005	Routine/Periodic	Mike Bratcher	Yes	No	6/28/2005	iMLB0517239194
Violations						
Emergency/Temporary Pits						

Comments on Inspection: Well is producing. Drilling pit open, NE portion of liner is breached (melted) below content level. Inner horseshoe has oil layer on fluids entire portion of pit. Oil must be removed immediately. Violation Rule 50.

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.