



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"*

12-Jan-06

CHESAPEAKE OPERATING, INC.

PO Box 190

HOBBS NM 88241

LETTER 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

HINKLE FEDERAL No.001

E-27-18S-31E

30-015-10111-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
01/09/2006	Compliance Verification	Chris Beadle	Yes	No	1/27/2006	iCLB0600938211
	Violations					
	Rule Violation					

Comments on Inspection: Localized wellhead contamination, saturated soils around wellhead. A small depression approximately 5 feet northeast of wellhead has standing oil with no visible flow path indicating a possible buried flow line leak.

Remediation is required. All soil remediation activities that occur on location must comply with the soil remediation guidelines in OCD publication "Guidelines For Remediation of Leaks, Spills, and Releases". This document may be found on the NMOCD web site:
www.emnrd.state.nm.us/ocd, under Publications> Environmental Handbook> Miscellaneous Guidelines> Remediation of Leaks, Spills and Releases.

If flow line leak is detected during remediation, notify NMOCD District 2 Office with results of vertical and horizontal delineation. Contact NMOCD District 2 Office 24 hours prior to taking samples where results of the samples may be submitted to the OCD. Site remediation must begin prior to January 27, 2006. Notify NMOCD District 2 Office when remediation on location is completed.

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.