



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"

18-May-06

SHACKELFORD OIL CO

PO BOX 10665

MIDLAND TX 79702

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

STATE No.002	Inspection Date	Type Inspection	Inspector	Violation?	N-17-20S-30E *Significant Non-Compliance?	30-015-04686-00-00 Corrective Action Due By:	Inspection No.
	05/18/2006	File and Compliance Review Violations	Mike Bratcher	Yes	No	6/8/2006	IMLB0613850487

Comments on Inspection:

Observations made during inspection of well site and associated tank battery on 5/9/06 indicate evidence of numerous unreported releases having occurred at this site. Produced fluids are pooled in several areas in tank batteries and along flow line to SWD well. BLM representatives had reported to the OCD, a flowline leak in an area situated between the following wells operated by Marbob Energy: Collinsoscopy Federal 001 (M-7-20s-30e) and the Coinflip State 001 (D-18-20s-30e) GPS coordinates at the point of release are 32.57864 degrees West x 104.01921 degrees North. The flowline was determined to originate at wells operated by Shackleford Oil Company and terminate at the tank battery that services the Shackleford Oil Company State 002 SWD. Fluids from the flowline release were observed flowing below ground level. A gas line operated by Duke Energy is buried adjacent to the Shackleford Oil flowline and it is believed that released fluids have saturated the soils surrounding the gas line. The releases observed appear to represent numerous violations of NMOCD rules and regulations. At this time, the NMOCD is requesting Shackleford Oil Company provide the NMOCD District 2 office with an Initial Report Form C-141 for every reportable release known to have occurred in these areas. Submit these forms no later than June 8, 2006. Also submit a remediation work plan proposal for each site no later than June 15, 2006. Operator is to contact Duke Energy to discuss any concerns they may have in regards to possible impact to the gas line operated by Duke Energy.

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.