



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"

15-Dec-06

CHI OPERATING INC

P. O. BOX 1799

MIDLAND TX 79702

LOV NO. 028706

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

KODIAK No.001		I-17-22S-27E		30-015-33961-00-00		
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
12/05/2006	Routine/Periodic	Mike Bratcher	Yes	No	1/15/2007	iMLB0634954192
Violations						
Absent Well Identification Signs (Rule 103)						
Emergency/Temporary Pits						
Surface Leaks/Spills						
Comments on Inspection:						
No well sign at well site. Violation Rule 103. Condensate leaking at stack pack. Violation Rule 13. Drilling pits open. Production casing was ran May 2005. Violation Rule 50. Unlined pit open on South side of drilling pits. Blow-down line terminates at this pit. Visible staining in pit. Violation Rule 50 and Rule 13. Well sign is to be installed no later than January 15, 2007. Work plan proposal for clean up of contaminated areas is to be submitted to NMOCD District 2 office no later than January 15, 2007. A form C-144 pit closure plan is to be submitted to the NMOCD District 2 office no later than January 15, 2007. Pit closure operations are to commence within 10 working days of OCD approval of closure plan.						

KODIAK No.002

O-17-22S-27E

30-015-33962-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
12/05/2006	Routine/Periodic	Mike Bratcher	Yes	No	1/15/2007	iMLB0634952481
Violations						
Emergency/Temporary Pits						
Comments on Inspection:		Drilling pit open. Well was drilled in 2005. Violation Rule 50. Submit a C-144 closure plan no later than 1/15/2006. Closure operations are to commence within 10 working days of OCD approval of closure plan.				

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.