



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

16-Jan-07

CHI OPERATING INC

P. O. BOX 1799

MIDLAND TX 79702

LOV NO. 020207

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

COYOTE SPECIAL 9 STATE COM No.001

A-9-17S-28E

30-015-30859-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
01/11/2007	Routine/Periodic	Richard Inge	Yes	No	2/16/2007	iREI0701140980
Violations						
Surface Release						

Comments on Inspection: Violation of OCD Rule 116 Unauthorized release of hydrocarbons: two separate releases. One is @ 69', 8' at widest point. At @39' 8x10 area pool of black and green crud. Manual valve when spray was released. Mostly surface spray except for pooling. Other release at separator around 27' and 10' at separator, then flows down into 2 separate paths. 4' at widest path (north path).

Pursuant to OCD Rule 116[19.15.3.116 NMAC], the volume is estimated to have been at least 5 barrels, which would have required Chi Operating Inc to notify the OCD, in writing, of the release; we have no record of having received the required notification.


ICD Rule 116.A(1) requires that "The division shall be notified of any unauthorized release occurring during the drilling, producing, storing, disposing, injecting, transporting, servicing or processing of crude oil, natural gases, produced water, condensate or oil field waste including Regulated NORM, or other oil field related chemicals, contaminants or mixture thereof, in the State of New Mexico in accordance with the requirements of Section 116 of 19.15.3 NMAC."

OCD Rule 116.D requires that "The responsible person must complete division approved corrective action for releases which endanger public health or the environment. Releases will be addressed in accordance with a remediation plan submitted to and approved by the division or with an abatement plan submitted in accordance with Section 19 of 19.15.1 NMAC."

In accordance with Rule 116.D, Chi Operating Inc must submit a corrective action plan to the Artesia District Office on or before February 16th, 2007.

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.