

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor:

Joanna Prukop Cabinet Secretary Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Same and the second THE RESPONDENCE OF STREET

10-Aug-07

MEWBOURNE OIL CO

PO Box 5270 Hobbs NM 88241 LOV NO. 02/8207

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

| DERRINGER | 18 FED | ERAL | No.001 |
|-----------|--------|------|--------|
|-----------|--------|------|--------|

C-18-20S-29E

30-015-34362-00-00

Inspection Date

Type Inspection

Inspector

*Significant Violation?

Corrective

08/10/2007

Routine/Periodic

Ron Harvey

Non-Compliance?

Action Due By:

Inspection No.

Yes

No

9/20/2007

iREH0722244074

Violations

Emergency/Temporary Pits

Comments on Inspection:

Pit full of liquids/solids. Pit fence ok. Pit liner breached on south end, violation of Rule 50.

Photos taken.

CASS DRAW 30 No.001

N-30-22S-28E

30-015-34588-00-00

Inspection Date

Type Inspection

Inspector

Violation? Non-Compliance?

*Significant

Corrective Action Due By:

08/10/2007

Routine/Periodic

Ron Harvey

Yes

No

9/20/2007

Inspection No. iREH0722240624

Violations

Emergency/Temporary Pits

Comments on Inspection:

Pit full of liquids/solids, Pit fence ok, Evidence of drilling pit overflow. Contaminated soil has been pushed back up on pit wall burm in several locations. Evidence of chlorides outside pit along

south wall. Violation of rule 50. Photos taken.

LANCASTER 9 FEDERAL COM No.001

A-9-22S-26E

30-015-35531-00-00

Inspection

Date 08/10/2007

Type Inspection Routine/Periodic Inspector

Violation?

*Significant Non-Compliance?

Corrective Action Due By:

Inspection No.

Ron Harvey

Yes

No

9/20/2007

iREH0722233394

Violations

Emergency/Temporary Pits

Comments on Inspection:

Pit still open and full of liquids/solids. Pit fence ok. Pit contents have overflowed pit wall and

breached pit liner, violation of rule 50. Photos taken.

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 Divison 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,

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.