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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Response Required – Deadline Enclosed

18-Aug-08

TOPAT OIL CORP
505 N Big Springs Ste 405
Midland TX 79701

LOV NO. 2-08-147

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

JACKIE FEDERAL No.001

J-20-11S-27E

30-005-62365-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
07/17/2008	Routine/Periodic	Richard Inge	Yes	No	9/5/2008	iREI0819942501

Comments on Inspection: Violation of OCD Rules 19.15.1.13 (General Operations/Waste Prohibited) and 19.15.3.116 (Release Notification and Corrective Action). There is fresh oil around wellhead. Oil has leaked onto pad site and into pit north of wellhead.

The leak at the well head must be repaired immediately and a form c-141 Spill Report submitted to the OCD by Completion Action Due By Date.

PATRICIA FEDERAL No.001

K-20-11S-27E

30-005-62903-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
07/17/2008	Routine/Periodic	Richard Inge	Yes	No	9/5/2008	iREI0819947703

Comments on Inspection: Violation of OCD Rules 19.15.1.13 (General Operations/Waste Prohibited). There is an oil leak from the wellhead. There is air leaking from stuffing box. The leak must be repaired immediately and OCD form C-103 submitted explaining what was done to repair the leak by Completion Action Due by Date.

Violation of OCD Rules 19.15.1.13 (General Operations/Waste Prohibited) and 19.15.3.116 (Release Notification and Corrective Action). The Patricia Federal Tank Battery is at the Jackie Federal 001 location. There is recent, heavy contamination around the tank battery and west into the pasture.

Submit a c-141 Spill Report to the OCD by Completion Action Due By Date.

PATRICIA FEDERAL No.002

L-20-11S-27E

30-005-62948-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
07/17/2008	Routine/Periodic	Richard Inge	Yes	No	9/5/2008	iREI0819947288

Comments on Inspection: Violation of OCD Rules 19.15.1.13 (General Operations/Waste Prohibited) and 19.15.3.116 (Release Notification and Corrective Action). There is contaminated soil around wellhead and across the location. It looks like there was a repair to the flowline.

Submit a c-141 Spill Report to the OCD by Completion Action Due By Date.

ROSILEE FEDERAL No.001

F-20-11S-27E

30-005-62998-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
07/17/2008	Routine/Periodic	Richard Inge	Yes	No	9/5/2008	iREI0819948067

Comments on Inspection: Violation of OCD Rules 19.15.1.13 (General Operations/Waste Prohibited). Wellhead area contaminated with oil.

Submit a c-141 Spill Report to the OCD by Completion Action Due By Date.

PATRICIA FEDERAL No.003

N-20-11S-27E

30-005-63041-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
07/17/2008	Routine/Periodic	Richard Inge	Yes	No	9/5/2008	iREI0819943054

Comments on Inspection: Unlined, temporary pit north of wellhead on location filled with rainwater.

Violation of OCD rule 19.15.17.13.a.3. Submit OCD form C-144 with a Pit Closure Plan by Completion Action Due By date with the pit to be closed by 9/16/2008.

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,

Richard Inge

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.