



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Response Required – Deadline Enclosed
Field Inspection Program
"Preserving the Integrity of Our Environment"

03-Feb-10

LOV NO. 02-09-125

WATERFORD OPERATING, LLC
1001 MCKINNEY SUITE 2000
HOUSTON, TX 77002

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

CRYSTAL DIAMOND No.133

J-33-12S-28E

30-005-64022-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
01/25/2010	Routine/Periodic	Richard Inge	Yes	No	3/3/2010	iREI1002534790

Comments on Inspection: Two Violations of rule 19.15.17.13. There are two unregistered pits on location. The operator received a permit for a "Closed Loop System" using haul off bins. There is a small pit just north of wellhead, fenced and lined. A larger pit to north east of location. Lined and fenced. Some fluid, dirt, weeds and junk in bottom of pit.

Please submit OCD form C-144 Pit Closure plan by compliance action due by date with the pits to be closed within 1 month of the closure approval by the OCD.

Violation of rule 19.15.25.8. No well sign. Please have a well sign placed on location by compliance action due by date and file form C-103 stating when this action is completed.



February 3, 2010

Page 2

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,

A handwritten signature in black ink that reads "Richard Inge". The signature is written in a cursive, slightly slanted style.

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.