



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

*Field Inspection Program
"Preserving the Integrity of Our Environment"*

18-Mar-08

CHI OPERATING INC
P. O. BOX 1799
MIDLAND TX 79702

Work has been done Mike Bratcher has approved per Mark Meadows

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

ELKAN No.002Y		H-11-14S-34E		30-025-38186-00-00		
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/18/2008	Routine/Periodic	Mark Whitaker	Yes	No	4/25/2008	iMAW0807853678
Violations Surface Damage/Restoration Comments on Inspection: IMMEDIATE ACTION REQUIRED! As per Rule 202, location should be leveled and contoured to the surrounding area within one year after completion of plugging operations. Dry hole marker does not include UL. LOCATION SHOULD BE LEVELED AND DRY HOLE MARKER CORRECTED. 1st letter on non-compliance. MW						

ELKAN No.002		H-11-14S-34E		30-025-38525-00-00		
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/18/2008	Routine/Periodic	Mark Whitaker	Yes	No	4/25/2008	iMAW0807854374
Violations Surface Damage/Restoration Comments on Inspection: Well plugged. No dry hole marker erected. (see Rule 202). Location has not been leveled and contoured. DRY HOLE MARKER NEEDS TO BE ERECTED AT THE EXACT LOCATION OF THE PLUGGED WELL AND LOCATION NEEDS TO BE LEVELED. 1st letter of non-compliance. MW						

Oil Conservation Division
Case No. _____
Exhibit No. A