



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Betty Rivera

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

6/23/2004

Arrowhead Operating Inc
2610 Camarie
Midland, TX 79705

RE: Ballard Grayburg SA Ut #1 30-015-03413

Violation of Rule 19.15.9.703:

Dear Sirs:

This second directive is to notify you that this well(s) is still in violation of the rule listed above.

On March 19, 2004 a letter was sent notifying you of the violation. An inspection of records on 6/23/2004 found no action had been taken to bring the well(s) into compliance.

The provisions of Rule 19.15.9.703 provide in part:

Injection well or producing well failures requiring casing repair or cementing are to be reported to the Division prior to commencement of workover operations.

In the event that a satisfactory response is not received to this letter of direction by July 7, 2004, 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.

Respectfully,

Gerry Guye
Compliance Officer
District II - Artesia