



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

8/9/2004

Melrose Operating Co.
PO Box 953
Midland, TX 79702

SECOND NOTICE OF NON- COMPLIANCE

RE:

| API Number | Well Name & No | Sec | Twmsp | Rng |
|--------------|---------------------|-----|-------|-----|
| 30-015-23921 | Conoco 7 St # 6 | 7 | 19 | 29 |
| 30-015-24930 | Guajalote State # 2 | 5 | 19 | 29 |

Dear Sirs:

This second directive is to notify you that these wells are still in violation of OCD Rules.

On May 5, 2004, an inspection was performed on the above well(s) and it was found the well(s) failed to meet mechanical integrity standards **and were required to be shut – in.** A review of our records indicates no correspondence has been received which indicates the well(s) have been brought into compliance. The well(s) must be **returned to physical compliance on or before the date indicated below.**

In the event that a satisfactory response is not received to this letter of direction by September 10, 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.

Sincerely,

Gerry Guye
Deputy Field Inspector
District II - Artesia