

September 28, 2004

Oil Conservation Division
1301 W. Grand Ave.
Artesia, NM 88210

Att: Gerry Guye, Deputy Field Inspector

30-015-24930

RECEIVED

SEP 30 2004

OCD-ARTESIA

RE: Melrose Operating Co., Conoco 7, Well #6, Guajalote State, Well #2
Eddy County, New Mexico

Dear Mr. Guye,

Concerning your letter of August 9, 2004 pertaining to the wells referenced above, step rate tests were run on the wells by Cudd on September 1, 2004. After talking with the Melrose field representative, he will be sending me the Cudd "building chart" and report on the test as soon as he receives it from Cudd.

The OCD letter of August 9, 2004 is a "Second Notice of Non-Compliance" so I wanted to let you know that the step rate test had been run and we will get it to you, along with a Sundry Notice as soon as I receive the report.

Please let me know if you need any further information concerning the wells and/or violations. Thank you.

Yours truly,



Ann E. Ritchie, Regulatory Agent
Melrose Operating Co.
c/o P.O. Box 953
Midland, TX 79702
432 684-6381
432 682-1458-fax
ann.ritchie@wtor.net

xc: Melrose Operating Co. - Oklahoma City, OK



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

RECEIVED

SEP 30 2004

ROB-ARTESIA

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,

Oil Conservation Division * 1220 South St. Francis Drive * Santa Fe, New Mexico 87505
Phone: (505) 476-3440 * Fax (505) 476-3462 * <http://www.emnrd.state.nm.us>

*Injection
pressures
too
high -
Cudd / Step rate
9-1-04*

L. Hard-