



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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Director

Oil Conservation Division

Field Inspection Program

"Preserving the Integrity of Our Environment"

18-May-05

PENROC OIL CORP

PO BOX 2769

HOBBS NM 88241-2769

NOTICE 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

MCMILLAN FEDERAL COM No.001

J-14-20S-27E

30-015-22384-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
05/18/2005	Routine/Periodic	Mike Bratcher	Yes	No	6/20/2005	iMLB0513848652
	Violations					
	Surface Leaks/Spills					

Comments on Inspection: Produced fluids release has occurred at tank battery. Some fluids have run out into pasture on South side of battery. Violation Rule 13 and Rule 116. Please submit a C-141 reporting release and workplan for remediation of release. Area at wellhead is oil saturated and cellar is full of produced fluids. Stuffing box is leaking at time of inspection. Repair and remediation required.

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,



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.