NEW MEXICO ENERGY, MINERALS NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor Joanna Prukop Cabinet Secretary

Mark E. Fesmire, P.E. Director Oil Conservation Division

Field Inspection Program "Preserving the Integrity of Our Environment"

19-Jun-06

J RAY STEWART PO BOX 451 MIDLAND TX 79702

Dear Operator:

LETTER OF VIOLATION - Inspection

The following inspection(s) indicate that the well, equipment, location or operational status of the well(s) failed to meet standards of

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

POKER LAKE No.065

Inspection Date Type Inspection

06/16/2006 Routine/Periodic Inspector Richard Inge Violation? Yes

*Significant Non-Compliance? No

A-19-25S-30E

L-17-25S-30E

30-015-24886-00-00 Corrective Action Due By: 7/9/2006

Inspection No. iREI0616743150

Violations

1 i R Emergency/Temporary Pits

Comments on Inspection:

Has old unlined pit with a hose going from tank to pit. Hose has leaked in past. Pit had no fluids. Hydrocarbon staining observed. Pit in violation of Rule 50. Submit C144 Closure plan along with

Remediation plan by compliance due date.

POKER LAKE UNIT No.066

Inspection Date Type Inspection 06/16/2006

Routine/Periodic Violations

Inspector Richard Inge Violation? Yes

*Significant Non-Compliance? Nο

Corrective Action Due By: 7/9/2006

30-015-24988-00-00

Inspection No. iREI0616745143

1 i R Emergency/Temporary Pits

Open drilling pit is in violation of Rule 50. Submit C144 closure plan by compliance due date. Comments on Inspection:

> Oil Conservation Division * 1301 W. Grand * Artesia, New Mexico 88210 Phone: 505-748-1283 * Fax: 505-748-9720 * http://www.emnrd.state.nm.us

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 Divison 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.