



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

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

July 11, 2006

GP II ENERGY, INC.
P.O. Box 50682
Midland, Texas 79710

LETTER OF VIOLATION (2-06-15)

Re: Poker Lake Superior #001, 8-25S-30E, API# 30-015-04742

Dear Operator:

This letter is a follow up to my phone conversation with Clarice on July 6, 2006

Due to a complaint by the landowner, an inspection was conducted on July 5, 2006 of the Poker Lake Superior #001. The inspection found the site to be in violation of the following Oil Conservation Division ("OCD") rules:

The pit is in violation of OCD Rule 50 [19.15.2.50 NMAC]:

- There is oil standing in the pit that must be removed immediately. *See* OCD Rule 50.C.(2)(e).
- The pit is not permitted and a closure plan must be submitted by July 27, 2006. *See* OCD Rule 50.A.

There are multiple violations of OCD Rule 116 [19.15.3.116]. There is evidence of multiple releases on the site. The volume estimates make it subject to OCD Rule 116. Please submit a form C-141 on all releases, including a remediation plan for each clean up. The following are the sites discovered during the inspection:

- There are releases at the well head.
- There is a fresh release at the pit.
- There are historical releases going west into the pasture.

Please notify the OCD Artesia district office in writing by August 1, 2006 regarding your plans to bring the identified site(s) into compliance. This notification must include all requested forms and/or remediation plans. Please include the date you intend to take corrective action so the OCD can witness the activity and/or arrange to re-inspect the site.

If the OCD does not receive an adequate written response to this letter by the Corrective Action Due date identified above, or if you do not correct the violations in a timely manner, the OCD will take enforcement action. Enforcement action may include but is not limited to applying for an order assessing civil penalties and/or requiring you to plug and abandon the affected well.

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Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infrastructure of the oil and gas industry.

Sincerely,



Richard Inge

Oil and Gas Inspector

Artesia OCD District Office

Ec: Tim Gum, District II Supervisor
Van Barton, District II
Daniel Sanchez, Compliance Director
Cheryl O'Connor, Assistant General Counsel, OCD