

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Response Required – Deadline Enclosed

Field Inspection Program

"Preserving the Integrity of Our Environment"

27-Jun-08

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

7001 1940 0001 9971 6090

LOV NO. 2-08-119

LETTER 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

Harbold No. 12

N-35-17S-27E

30-015-00613-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|-------------------------|---------------|------------|------------------------------|---------------------------|----------------|
| 06/25/2008 | Compliance Verification | Sherry Bonham | Yes | No | 07/09/2008 | SEB0817836587 |

Comments on Inspection: Observed two distinct pits on location. One pit was permitted and OCD approved as fresh water only. The second pit is not permitted. West pit has hydrocarbon staining and possible breached liner on the northeast corner.

Violation(s):

19.15.17.8.A

A person shall not construct or use a pit or below-grade tank except in accordance with a division-issued permit.

19.15.17.9.A

An operator shall use form C-144 to apply to the division for a permit to construct or use a pit, closed-loop system, below-grade tank or proposed alternative method to which 19.15.17 NMAC applies.

19.15.17.9.C

Closure plans. A closure plan that an operator submits in a plan required in Subsection B of 19.15.17.9 NMAC, or any other closure plan required pursuant to 19.15.17 NMAC, shall describe the proposed closure method and the proposed procedures and protocols to implement and complete the closure.

19.15.17.12.A

General specifications. An operator shall maintain and operate a pit, closed-loop system, below-grade tank or sump in accordance with the following requirements. (1) The operator shall operate and maintain a pit, closed-loop system, below-grade tank or sump to contain liquids and solids and maintain the integrity of the liner, liner system or secondary containment system, prevent contamination of fresh water and protect public health and the environment.

Please submit--for NMOCD-District II approval--a form C-144 Pit Permit and Closure Plan Application* for the non-permitted pit on or before the compliance due date.

**Form C-144 has been updated and operators should no longer use the forms dated prior to June 16, 2008.*

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,

A handwritten signature in dark ink, appearing to be "J. H. ...", with a long horizontal line extending to the right.

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.