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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

30.005.61586

19-Jun-09

MCKAY OIL CORP

One McKay Place P. O. Box 2014

Roswell NM 88202

LOV NO. 02-09-027

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

FIVE MILE TANK FEDERAL No.002

J-9-6S-23E

30-005-61403-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
06/19/2009	File and Compliance Review	Richard Inge	Yes	No	9/22/2009	iREI0917047532

Comments on Inspection: Violation of OCD rule 19.15.25.8 WELLS TO BE PROPERLY ABANDONED. TA Status expired 11/24/2008. Last reported production 2/1/2001.

The well must either be returned to beneficial use or properly plugged and abandoned by Completion Action Due By date. This well will not be approved for Temporary Abandonment since there has been no production reported since 2/1/2001.

CAMP STATE No.001

J-25-5S-22E

30-005-61446-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
06/18/2009	Routine/Periodic	Richard Inge	Yes	No	9/21/2009	iREI0916949729

Comments on Inspection: Violation of OCD rule 19.15.25.8 WELLS TO BE PROPERLY ABANDONED. Expired TA on 1/19/2006. No equipment or flowline on location.

The well must either be returned to beneficial use or properly plugged and abandoned by Completion Action Due By date. This well will not be approved for Temporary Abandonment since there has been no production reported on this well.

NEW MEXICO CS STATE No.002

J-2-7S-22E

30-005-61586-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
06/19/2009	File and Compliance Review	Richard Inge	Yes	No	9/22/2009	iREI0917048162

Comments on Inspection: Violation of OCD rule 19.15.25.8 WELLS TO BE PROPERLY ABANDONED. Last reported production date 11/01/2005.

The well must either be returned to beneficial use, properly plugged and abandoned or placed into approved temporary abandonment by Completion Action Due By date.

HUSKY-MCKAY No.001

O-18-8S-26E

30-005-61616-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
06/19/2009	File and Compliance Review	Richard Inge	Yes	No	9/22/2009	iREI0917047745

Comments on Inspection: Violation of OCD rule 19.15.25.8 WELLS TO BE PROPERLY ABANDONED. Last production reported 2/1/2006.

The well must either be returned to beneficial use, properly plugged and abandoned or placed into approved temporary abandonment by Completion Action Due By date.

MCKAY-WINSTON No.001

C-3-8S-26E

30-005-62145-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
06/19/2009	File and Compliance Review	Richard Inge	Yes	No	9/22/2009	iREI0917047979

Comments on Inspection: Violation of OCD rule 19.15.25.8 WELLS TO BE PROPERLY ABANDONED. Expired TA on 1/30/2009. Last reported production date 12/01/2003.

The well must either be returned to beneficial use, properly plugged and abandoned or placed into approved temporary abandonment by Completion Action Due By date.

WEST MCKAY HARVEY FEDERAL A No.001

B-26-8S-23E

30-005-62189-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
06/19/2009	File and Compliance Review	Richard Inge	Yes	No	9/22/2009	iREI0917048446

Comments on Inspection: Violation of OCD rule 19.15.25.8 WELLS TO BE PROPERLY ABANDONED. Last reported production date 02/01/1997. Well was under ACOI-126A which expired on 2/28/2007.

The well must either be returned to beneficial use or properly plugged and abandoned by Completion Action Due By date. This well will not be approved for Temporary Abandonment since there has been no production reported since 2/1/1997.

WEST FORK UNIT No.001

C-32-4S-22E

30-005-62625-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
06/18/2009	Routine/Periodic	Richard Inge	Yes	No	9/21/2009	iREI0916939489

Comments on Inspection: Violation of OCD rule 19.15.25.8 WELLS TO BE PROPERLY ABANDONED. Last reported production date 11/01/2003. Well was under ACOI-126 and TA'd to complete requirements of this ACOI. But TA status has since expired on 9/20/2008. No equipment on location. Not hooked up to a flow line.

The well must either be returned to beneficial use, properly plugged and abandoned or placed into approved temporary abandonment by Completion Action Due By date.

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,

RICHARD INGS

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