



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

1/21/2004

Melrose Operating
PO Box 953
Midland, Tx 79702

RE:

API Well No	Well Nm	Well No	Wh Sec	Wh Twpr	Wh RngN
3001510314	State 647 AC 721	201	33	18	28

Dear Sirs:

This second directive is to notify you that this well is still in violation of Rule 201.

On October 14, 2003, a letter was sent notifying you of the violation of Rule 201. A search of the well files on January 21, 2004, found no correspondence indicating the well had been brought into compliance. **This well(s) must be in physical compliance by the date indicated below.**

A copy of the OCD Rulebook may be obtained on our web page at www.emnrd.state.nm.us/o cd in pdf format.

Rule 201 of the New Mexico Oil Conservation Division provides as follows:

201 WELLS TO BE PROPERLY ABANDONED

201.A. The operator of any well drilled for oil, gas or injection; for seismic, core or other exploration, or for a service well, whether cased or uncased, shall be responsible for the plugging thereof. [7-12-90...2-1-96]

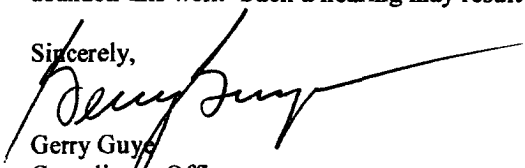
201.B. A well shall be either properly plugged and abandoned or temporarily abandoned in accordance with these rules within ninety (90) days after:

- (1) A sixty (60) day period following suspension of drilling operations, or
- (2) A determination that a well is no longer usable for beneficial purposes, or
- (3) A period of one (1) year in which a well has been continuously inactive.

[7-12-90...2-1-96]

In the event that a satisfactory response is not received to this letter of direction by February 20, 2004, 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,


Gerry Guye
Compliance Officer
NMOCD - District II