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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

Field Inspection Program
"Preserving the Integrity of Our Environment"

03-Jun-02

ACECO PETROLEUM CO
2106 W RICHEY
ARTESIA NM 88210-

Dear Operator:

The following inspection(s) indicate one or more violations as described in the detail section below. The inspection(s) indicates that the well, equipment, location or operational status failed to meet standards of the New Mexico Oil Conservation Division. 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 below 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.

Please notify the proper district office of the Division of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.
Please be advised that failure to comply with this directive will result in an application for an order to Show Cause why the Bond should not be forfeited, the well plugged and civil penalties assessed.

INSPECTION DETAIL SECTION

GILMORE STATE 001 *NIC*

N-17-18S-28E

30-015-01894-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|------------------|---------------|------------|------------------------------|---------------------------|----------------|
| 05/28/2002 | Routine/Periodic | Mike Bratcher | Yes | No | 07/03/02 | iMLB02148381 |

Comments on Inspection: No well sign. Violation Rule 103. B/T PJ-Oper. 7/11 No well sign

SIGNAL STATE 002 *NIC*

E-17-18S-28E

30-015-01901-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|------------------|---------------|------------|------------------------------|---------------------------|----------------|
| 05/28/2002 | Routine/Periodic | Mike Bratcher | Yes | No | 07/03/02 | iMLB02148355 |

Comments on Inspection: No Well Sign. Violation Rule 103. 7/11 No well sign (PJ is operating)

GRARIDGE STATE 004 *NIC*

L-17-18S-28E

30-015-01905-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|-----------------|-----------|------------|------------------------------|---------------------------|----------------|
| | | | | | 7/3/02 | |

No well sign 11-103

7/11 No well sign

05/28/2002 Routine/Periodic N Bratcher Yes No 07/03/02 iMLB02148368

Comments on Inspection: No well sign. Violation Rule 103. PJ-Oper.

WELCH STATE 005 NIC

J-17-18S-28E

30-015-01912-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|------------------|---------------|------------|------------------------------|---------------------------|----------------|
| 05/28/2002 | Routine/Periodic | Mike Bratcher | Yes | No | 07/03/02 | iMLB02148418 |

Comments on Inspection: Well sign lists Collier as operator and is not mounted. Violation Rule 103. Pumpjack does not appear to have been operating recently. 7/11 No Change

ADKINS WILLIAMS STATE 002Y NIC

O-17-18S-28E

30-015-01920-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|------------------|---------------|------------|------------------------------|---------------------------|----------------|
| 05/28/2002 | Routine/Periodic | Mike Bratcher | Yes | No | 07/03/02 | iMLB02148432 |

Comments on Inspection: Location needs attention. Equipment OK. Well sign is not mounted and lists well as #2. PJ-Oper. Violation Rule 103. 7/11 No Change

ADKINS WILLIAMS STATE 001 NIC

O-17-18S-28E

30-015-10450-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|------------------|---------------|------------|------------------------------|---------------------------|----------------|
| 05/28/2002 | Routine/Periodic | Mike Bratcher | Yes | No | 07/03/02 | iMLB02148455 |

Comments on Inspection: Well appears idle. Well sign is not mounted and lists wrong operator. Violation Rule 103. NO change 7/11

WELCH STATE 007 NIC

K-17-18S-28E

30-015-10451-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|------------------|---------------|------------|------------------------------|---------------------------|----------------|
| 05/28/2002 | Routine/Periodic | Mike Bratcher | Yes | No | 07/03/02 | iMLB02148373 |

Comments on Inspection: No well sign. Violation Rule 103. PJ-Oper. 7/11 No well sign

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

Sincerely,

Oil Conservation Division, District II

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.