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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 N/C

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 N/C

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 N/C

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 1/-103 7/11 No well sign