

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

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Director
Oil Conservation Division

Field Inspection Program
"Preserving the Integrity of Our Environment"

07-Nov-02

MELROSE OPERATING COMPANY
5813 NW GRAND BLVD STE B
OKLAHOMA CITY OK 73118-

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

STATE 647 AC 713 140

K-14-18S-28E

30-015-29079-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|--------------------|------------------|---------------|------------|---------------------------------|------------------------------|----------------|
| 11/06/2002 | Routine/Periodic | Mike Bratcher | Yes | No | 2/9/2003 | iMLB0231039421 |

Comments on Inspection: No flowline or production equipment. Records indicate last production for this well was in 12/00. Well is in violation of Rule 201 which requires well to be put back into production, plugged or tested and temporarily abandoned.

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.