



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

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Director
Oil Conservation Division

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1 March 2002

Via Certified Mail

Yates Petroleum Corp.
105 S. 4th St.
Artesia, New Mexico 88210

RE: NOTICE OF VIOLATION: NMOCD Rule 705.C
Yates Petroleum Corp.
Saguaro "AGS" Fed. Com # 8 O-14-20-24 API# 30-015-26517

Dear Sirs:

This letter shall serve as a Notice of Violation of the rules of the New Mexico Oil Conservation Division.

Yates Petroleum Corp. was by letters dated 8-02-2001 and 12-28-2001 notified about this matter. This certified letter is being sent in part because all directives have brought no response.

OCD's rules require that all injection wells:

Whenever there is a continuous one year period of non-injection into any injection project, storage project, salt water disposal well, or special purpose injection well, such project or well shall be considered abandoned, and the authority for injection shall automatically terminate ipso facto. (rule 19.15.9.705 C 1)

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.

Your failure to respond to OCD directives and failure to bring this well into compliance is a serious violation of the Rules and merit a severe sanction, up to and including abandonment and plugging.

In the event that a satisfactory response is not received to this **N.O.V.** by 18 March, 2002, this office will apply to the Division for an order showing cause why an appropriate Order permanently abandoning the above-referenced well and for appropriate penalties to be issued.

Respectfully yours,

Tim Gum, District Supervisor, District II
cc: OCD Legal