



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

April 22, 2004

Chi Operating, Inc.
P.O. Box 1799
Midland, TX 79702

VIA CERTIFIED MAIL

**Re: NMOCD Order No. R-11934
Yates State Well No. 1 (API No. 30-015-20838)
Eddy County, New Mexico**

Ladies and Gentlemen:

On May 14, 2003, this Division entered Order No. R-11934 in Case No. 12811.

As pertains to Chi Operating, Inc., that order directed Chi to bring the referenced well into compliance with OCD Rule 201, by restoring the well to production, plugging the well in accordance with Rule 202, or securing approved temporary abandonment thereof pursuant to Rule 203.

The order allowed Chi 120 days to bring the well into compliance. That time period expired on September 11, 2003. According to our records, the Yates State Well No. 1 has still not been brought into compliance.

In addition, the referenced order assessed a civil penalty of \$1,000 for Chi's failure to bring the well into compliance pursuant to the Division's previous demands. The order directed payment of the penalty thirty (30) days after expiration of the compliance deadline. As pertains to Chi, that date was October 11, 2003. According to our records the penalty has not been paid.

At this time we must insist that Chi immediately comply with Order No. R-11934 by both restoring the Yates State Well No. 1 to compliance with OCD rules and paying the civil penalty assessed for past non-compliance.

Unless Chi pays the civil penalty and restores the well to compliance by May 7, 2004, the Division will request the Attorney General to file a civil action in district court to enforce compliance, pursuant to NMSA 1978 Section 70-2-31, as amended.

Should you have questions, please feel free to call the undersigned at (505)-476-3450.

Very truly yours,

David K. Brooks
Assistant General Counsel

cc. Tim Gum, OCD Artesia
Chris Williams, OCD Hobbs
Frank Chavez, OCD Aztec