



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Response Required – Deadline Enclosed

Field Inspection Program

"Preserving the Integrity of Our Environment"

18-Mar-08

CHI OPERATING INC

P. O. BOX 1799

MIDLAND TX 79702

LETTER OF VIOLATION - Inspection

Dear Operator:

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

Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

ELKAN No.002Y				H-11-14S-34E	30-025-38186-00-00	
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/18/2008	Routine/Periodic	Mark Whitaker	Yes	No	4/25/2008	iMAW0807853678
Violations						
Surface Damage/Restoration						
Comments on Inspection:		IMMEDIATE ACTION REQUIRED! As per Rule 202, location should be leveled and contoured to the surrounding area within one year after completion of plugging operations. Dry hole marker does not include UL. LOCATION SHOULD BE LEVELED AND DRY HOLE MARKER CORRECTED. 1st letter on non-compliance. MW				

ELKAN No.002				H-11-14S-34E	30-025-38525-00-00	
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/18/2008	Routine/Periodic	Mark Whitaker	Yes	No	4/25/2008	iMAW0807854374
Violations						
Surface Damage/Restoration						
Comments on Inspection:		Well plugged. No dry hole marker erected. (see Rule 202). Location has not been leveled and contoured. DRY HOLE MARKER NEEDS TO BE ERECTED AT THE EXACT LOCATION OF THE PLUGGED WELL AND LOCATION NEEDS TO BE LEVELED. 1st letter of non-compliance. MW				

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown
above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order
summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently
plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,



COMPLIANCE OFFICER

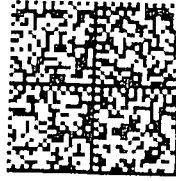
Hobbs OCD District Office

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.

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240

CHI OPERATING INC
PO BOX 1799
MIDLAND, TX 79702



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03/18/2008

Mailed From 88240

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