



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

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Cabinet Secretary

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Director

Oil Conservation Division

Field Inspection Program

"Preserving the Integrity of Our Environment"

18-Aug-04

MERIT ENERGY CO

13727 NOEL RD STE. 500

Dallas TX 75241

NOTICE 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

J L KEEL A No.025				M-7-17S-31E	30-015-28234-00-00	
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
08/12/2004	Routine/Periodic	Mike Bratcher	Yes	No	9/16/2004	iMLB0422953146
Comments on Inspection:		Leak at wellhead has allowed oil and produced fluids to run across location. Leak has been repaired, location requires some clean-up. Area just East of well site has had flowline leak. Flowline repaired. Impacted area has had some soils placed over fluids but will require further remediation action. Area is in violation of Rule 13 and Rule 116.				

H E WEST A No.029				H-4-17S-31E	30-015-28467-00-00	
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
08/12/2004	Routine/Periodic	Mike Bratcher	Yes	No	11/15/2004	iMLB0423036656
Comments on Inspection:		C-141 received. Reported 50 - 70 bbls oil and water release due to leak in flowline.				

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,

A handwritten signature in black ink that reads "Mike Bentler". The signature is written in a cursive, slightly slanted style.

Artesia 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.