

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary

Mark E. Fesmire, P.E. Director Oil Conservation Division

22-Oct-04

OXY USA INC PO BOX 50250 MIDLAND TX 79710

Dear Operator:

NOTICE OF VIOLATION - Inspection

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

OXY PRONGHORN STATE No.002

15-2-21S-28E

30-015-29931-00-0

Inspection Date

Type Inspection

Inspector

*Significant

Corrective

10/22/2004 Routine/Periodic Gerry Guye

Violation? Non-Compliance? Action Due By:

iGEG0429635691

Yes

No

11/8/2004

Inspection No

Comments on Inspection:

Unlined, undeclared Drilling Pit Open, shows indications of truck dumping. Contains hydrocarbons and BS&W(Rule 116). Pit must be remediated and closed in accordance

with Rule 50.

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 Divison 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.

Artesia OCD District Office