



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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Director

Oil Conservation Division

*Field Inspection Program
"Preserving the Integrity of Our Environment"*

03-Aug-05

YATES PETROLEUM CORPORATION

105 S 4TH ST

ARTESIA NM 88210

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

PENNZOIL MZ FEDERAL No.001

D-11-18S-30E

30-015-23188-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
08/02/2005	Routine/Periodic	Chris Beadle	Yes	No	9/2/2005	iCLB0521449851
Violations						
Tank Battery Equipment (Rules 114, 115)						
Surface Damage/Restoration						
Surface Leaks/Spills						

Comments on Inspection: Large area of pasture impacted by partially remediated spill from tank battery. Chloride residues inside fence and berm area of tank battery. Southern wall of tank battery has new material on slope above excavated area between road and tank battery. Contamination extends across road to fence line approximately 75-100 yards south east of tank battery. Center tank of tank battery actively leaking from flange, this area heavily saturated.

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
08/02/2005	Routine/Periodic	Chris Beadle	Yes	No	9/2/2005	iCLB0521449012
Violations						
Surface Damage/Restoration						
Surface Leaks/Spills						

Comments on Inspection: Spill event in April 2002 reportedly 8bb1 near separator without remediation actions. Slope behind separator contaminated to old road, approximately 45 feet. Heavy smell of hydrocarbons from old road into fenced area. The area inside the berm contaminated. Wellhead contaminated with produced fluids which have run off to the east (approximately 15 feet) and south (approximately 25 feet). Remediation is required on all areas showing visible contamination. Contact NMOCD District 2 Environmental Compliance Officer to discuss remediation requirements.

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,



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.