



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

"Oil is the lifeblood of the state"
"Preserving the legacy of the future"

23-Sep-05

MELROSE OPERATING COMPANY

PO BOX 953

MIDLAND TX 79702

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

GUAJALOTE A STATE No.001

K-5-19S-29E

30-015-22422-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
09/22/2005	Routine/Periodic	Chris Beadle	Yes	No	10/21/2005	iCLB0526542396
Violations						
Tank Battery Equipment (Rules 114, 115)						
Surface Damage/Restoration						
Surface Leaks/Spills						

Comments on Inspection: Tank battery has heavily saturated soils on south side of tanks at drain valves. Heavy hydrocarbon and chloride contamination has run from the tanks south into pasture for approximately 150 feet in at least two distinct flow paths. Heavily saturated soils throughout this contamination path.

Wellhead contamination is running off across location to the south. Contamination at gunbarrel is running off onto location east and south. Contamination on north side of tanks is migrating east then south across location. Heavily contaminated soils piled near power pole north of wellhead.

Remediation is required. Submit C-141 for tank battery release. Contact NMOCD District 2 Environmental Compliance Officer with site ranking and remediation work plan.

Notify NMOCD District 2 Office 48 hours prior to any remediation work or prior to taking samples where results of the samples may be submitted to OCD.

CONOCO 7 STATE No.003

E-7-19S-29E

30-015-23694-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
09/22/2005	Routine/Periodic	Chris Beadle	Yes	No	10/21/2005	iCLB0526547147
Violations						
Surface Leaks/Spills						

Comments on Inspection: Wellhead contamination is running off the the north approximately 15 feet, east approximately 40 feet and south approximately 25 feet.

Remediaton is required. Contact NMOCD District 2 Environmental Compliance Officer with site ranking and remediation work plan.

Notify NMOCD District 2 Office 48 hours prior to any remediation work or prior to taking samples where results of the samples may be submitted to OCD.

CONOCO 7 STATE No.004

D-7-19S-29E

30-015-23919-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
09/22/2005	Routine/Periodic	Chris Beadle	Yes	No	10/21/2005	iCLB0526547418
Violations						
Surface Leaks/Spills						

Comments on Inspection: Wellhead contamination, heavily hydrocarbon and chloride saturated soils running south approximately 15 feet.

Remediaton is required. Contact NMOCD District 2 Environmental Compliance Officer with site ranking and remediation work plan.

Notify NMOCD District 2 Office 48 hours prior to any remediation work or prior to taking samples where results of the samples may be submitted to OCD.

CONOCO 7 STATE No.005

F-7-19S-29E

30-015-23920-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
09/22/2005	Routine/Periodic	Chris Beadle	Yes	No	10/21/2005	iCLB0526630056
Violations						
Tank Battery Equipment (Rules 114, 115)						
Surface Leaks/Spills						

Comments on Inspection: Tank batter area heavily contaminated with hydrocarbons and chlorides. Chlorides outside of berm on south, east and north sides.

Remediaton is required. Contact NMOCD District 2 Environmental Compliance Officer with site ranking and remediation work plan.

Notify NMOCD District 2 Office 48 hours prior to any remediation work or prior to taking samples where results of the samples may be submitted to OCD.

CONOCO 7 STATE No.008

B-7-19S-29E

30-015-23931-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
09/22/2005	Routine/Periodic	Chris Beadle	Yes	No	10/21/2005	iCLB0526544825
Violations						
Surface Leaks/Spills						

Comments on Inspection: Heavily saturated soils along road at flow line leak approximately 100 feet east of well location. Saturated soils and pooled fluids cover approximately 30 square feet.

Remediaton is required. Submit C-141. Contact NMOCD District 2 Environmental Compliance Officer with site ranking and remediation work plan.

Notify NMOCD District 2 Office 48 hours prior to any remediation work or prior to taking samples where results of the samples may be submitted to OCD.

CONOCO 7 STATE No.009

A-7-19S-29E

30-015-23932-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
09/22/2005	Routine/Periodic	Chris Beadle	Yes	No	10/21/2005	iCLB0526545281
Violations						
Surface Leaks/Spills						

Comments on Inspection: Wellhead area heavily contaminated, runoff to the east approximately 25 feet, to the south approximately 15 feet and to the north approximately 20 feet.

Remediation is required. Contact NMOCD District 2 Environmental Compliance Officer with site ranking and remediation work plan.

Notify NMOCD District 2 Office 48 hours prior to any remediation work or prior to taking samples where results of the samples may be submitted to OCD.

GUAJALOTE STATE No.001

J-5-19S-29E

30-015-24806-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
09/22/2005	Routine/Periodic	Chris Beadle	Yes	No	10/21/2005	iCLB0526540765
Violations						
Surface Leaks/Spills						

Comments on Inspection: Tank battery has been removed. Contamination from gunbarrel pad migrating east across location. Saturated soils on southern side of location where tanks were located.

Remediation is required. Contact NMOCD District 2 Environmental Compliance Officer with site ranking and remediation work plan.

Notify NMOCD District 2 Office 48 hours prior to any remediation work or prior to taking samples where results of the samples may be submitted to OCD.

GUAJALOTE STATE No.002

O-5-19S-29E

30-015-24930-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
09/22/2005	Routine/Periodic	Chris Beadle	Yes	No	10/21/2005	iCLB0526543273
Violations						
Surface Damage/Restoration						
Surface Leaks/Spills						
General Housekeeping (Rule 114)						

Comments on Inspection: Workover pit has heavy layer of oil on top of fluids. Pit is approximately 8 inches from top of pit to surface of fluids. Casing valve on well is open, fluids are flowing from valve into drainage trench into workover pit.

Entire location heavily contaminated with hydrocarbons and chloride deposits.

Remediation is required. Submit C-141. Contact NMOCD District 2 Environmental Compliance Officer with site ranking and remediation work plan.

Notify NMOCD District 2 Office 48 hours prior to any remediation work or prior to taking samples where results of the samples may be submitted to OCD.

GUAJALOTE STATE No.004

I-5-19S-29E

30-015-25292-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
09/22/2005	Routine/Periodic	Chris Beadle	Yes	No	10/21/2005	iCLB0526541405
Violations						
Surface Leaks/Spills						
General Housekeeping (Rule 114)						

Comments on Inspection: No visible liner on open workover pit which is being used as a trash dump for old tires, used oil and chemical product containers, saturated gloves and other oilfield debris.

Tank battery has been removed. Contamination impacting soils around gunbarrel and tank pads. Contaminated soils on northeast corner of location appears to have been from a flow line leak.

Remediation is required. Contact NMOCD District 2 Environmental Compliance Officer with site ranking and remediation work plan.

Notify NMOCD District 2 Office 48 hours prior to any remediation work or prior to taking samples where results of the samples may be submitted to OCD.

HY STATE No.001

H-6-19S-29E

30-015-27749-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
09/22/2005	Routine/Periodic	Chris Beadle	Yes	No	10/21/2005	iCLB0526544351
Violations						
Tank Battery Equipment (Rules 114, 115)						
Surface Damage/Restoration						
Surface Release						

Comments on Inspection: Heavy chloride and hydrocarbon contamination on south side of water tank over area approximately 30 feet by 15 feet. Drain plumbing from the Water tank ends in this contaminated area.

Remediation is required. Submit C-141. Contact NMOCD District 2 Environmental Compliance Officer with site ranking and remediation work plan.

Notify NMOCD District 2 Office 48 hours prior to any remediation work or prior to taking samples where results of the samples may be submitted to OCD.

CONOCO 7 STATE No.017

G-7-19S-29E

30-015-29199-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
09/22/2005	Routine/Periodic	Chris Beadle	Yes	No	10/21/2005	iCLB0526545806
Violations						
Surface Leaks/Spills						

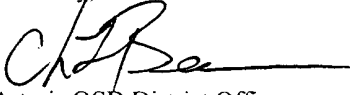
Comments on Inspection: Wellhead area heavily contaminated, runoff to the north and east approximately 25 feet and to west approximately 20 feet.

Remediation is required. Contact NMOCD District 2 Environmental Compliance Officer with site ranking and remediation work plan.

Notify NMOCD District 2 Office 48 hours prior to any remediation work or prior to taking samples where results of the samples may be submitted to OCD.

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.