



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

28 July 2003

Topat Oil Corp.
505 N. Big Spring Suite 204
Midland, Texas 79701

RE: Jackie Federal # 1	J-20-11-27	API 30-005-62365	Violation of Rule 103: Well Identification.
Patricia Federal # 2	L-20-11-27	API 30-005-62948	Violation of Rule 103: Well Identification.
Patricia Federal # 3	N-20-11-27	API 30-005-63041	Violation of Rule 103: Well Identification.

Dear Sirs:

This second directive is to notify you that these wells are still in violation of Rule 103.

On 11 April, 2003 a letter was sent notifying you on the violation of Rule 103. An inspection of the wells on 21 July, 2003 found no action had been taken.

Rule 103 of the New Mexico Oil Conservation Division provides as follows:

103 SIGN ON WELLS

All wells and related facilities by the Division shall be identified by a sign, which sign shall remain in place until the well is plugged and abandoned and the related facilities are closed. For drilling wells, the sign shall be posted on the derrick or not more than 20 feet from the well. The sign shall be of durable construction and the lettering shall be legible and large enough to be read under normal conditions at a distance of 50 feet. The wells on each lease or property shall be numbered in non-repetitive, logical and distinctive sequence. An operator will have 90 days from the effective date of an operator name change to change the operator name on the well sign unless an extension of time, for good cause shown along with a schedule for making the changes, is granted. Each sign shall show the:

1. number of well;
2. name of property;
3. name of operator;
4. location by footage, quarter-quarter section, township and range (or Unit Letter can be substituted for the quarter-quarter section), and
5. API number.

In the event that a satisfactory response is not received to this letter of direction by 11 August, 2003, 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,


Van Burton

Field Rep. II