



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

09-Mar-07

AMERISTATE EXPLORATION, L.L.C.

401 CONGRESS AVE., STE. 2900

AUSTIN TX 78701

LOV NO. 026707
LETTER 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

STATE 648 AC 811 No.062		J-10-19S-28E		30-015-02199-00-00		
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/09/2007	Routine/Periodic	Ron Harvey	Yes	No	4/9/2007	iREH0706834531
Violations						
Absent Well Identification Signs (Rule 103)						

Comments on Inspection: Historical wellhead contamination. Well sign does not contain all required information in violation of Rule 103. Photo taken.

STATE 648 AC 811 No.063		F-10-19S-28E		30-015-02200-00-00		
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/09/2007	Routine/Periodic	Ron Harvey	Yes	No	4/9/2007	iREH0706835593
Violations						
Absent Well Identification Signs (Rule 103)						

Comments on Inspection: Historical contamination around wellhead. Well sign does not contain all required information in violation of Rule 103. Photo taken.

STATE 648 AC 811 No.071

G-10-19S-28E

30-015-02203-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/09/2007	Routine/Periodic	Ron Harvey	Yes	No	4/9/2007	iREH0706836048
Violations						
Absent Well Identification Signs (Rule 103)						

Comments on Inspection: Location needs attention, equipment ok. Well sign does not contain all required information in violation of Rule 103. Photo taken.

STATE 648 AC 811 No.072

B-10-19S-28E

30-015-02204-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/09/2007	Routine/Periodic	Ron Harvey	Yes	No	4/9/2007	iREH0706836347
Violations						
Absent Well Identification Signs (Rule 103)						

Comments on Inspection: oK. All Equipment and Location in Good Shape. Well sign does not contain all required information in violation of Rule 103. Photo taken.

EAST MILLMAN UNIT No.155

N-11-19S-28E

30-015-02215-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/09/2007	Routine/Periodic	Ron Harvey	Yes	No	4/9/2007	iREH0706838137
Violations						
Absent Well Identification Signs (Rule 103)						

Comments on Inspection: location needs attention. Equipment OK. Historical contamination around wellhead. Well sign does not contain required information in violation of Rule 103. Photo taken.

EAST MILLMAN UNIT No.153

C-14-19S-28E

30-015-02252-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/09/2007	Routine/Periodic	Ron Harvey	Yes	No	4/9/2007	iREH0706837258
Violations						
Absent Well Identification Signs (Rule 103)						

Comments on Inspection: oK. All Equipment and Location in Good Shape. Well sign does not contain all required information in violation of Rule 103. Photo taken.

EAST MILLMAN UNIT No.159

D-14-19S-28E

30-015-02253-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/09/2007	Routine/Periodic	Ron Harvey	Yes	No	4/9/2007	iREH0706836966
Violations						
Absent Well Identification Signs (Rule 103)						

Comments on Inspection: oK. All Equipment and Location in Good Shape. Well sign does not contain all required information in violation of Rule 103. Photo taken.

EAST MILLMAN UNIT No.157

H-15-19S-28E

30-015-02260-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/09/2007	Routine/Periodic	Ron Harvey	Yes	No	4/9/2007	iREH0706846840
Violations						
Absent Well Identification Signs (Rule 103)						
Surface Leaks/Spills						

Comments on Inspection: Wellhead actively leaking, Large pool of hydrocarbons around bottom of wellhead, needs cleaned up, violation Rule 13. Well sign does not contain required information in violation of Rule 103. Photos taken

WELCH FEDERAL No.001

C-22-19S-28E

30-015-02284-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/09/2007	Routine/Periodic	Ron Harvey	Yes	No	4/9/2007	iREH0706844882
Violations Absent Well Identification Signs (Rule 103) Surface Leaks/Spills						

Comments on Inspection: Wellhead leaking around stuffing box, contamination on ground around wellhead and needs to be cleaned up, Violation Rule 13. Well sign does not have the required information in violation of Rule 103. Photos taken.

EAST MILLMAN UNIT No.189

M-11-19S-28E

30-015-10110-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/09/2007	Routine/Periodic	Ron Harvey	Yes	No	4/9/2007	iREH0706838436
Violations Absent Well Identification Signs (Rule 103)						

Comments on Inspection: oK. All Equipment and Location in Good Shape. Well sign does not have all required information in violation of Rule 103. Photo taken.

STATE 648 AC 811 No.214

G-10-19S-28E

30-015-10857-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/09/2007	Routine/Periodic	Ron Harvey	Yes	No	4/9/2007	iREH0706835232
Violations Absent Well Identification Signs (Rule 103)						

Comments on Inspection: Historical contamination around wellhead. Well sign does not have all required information in violation of rule 103. Photo taken.

EAST MILLMAN UNIT No.231

C-14-19S-28E

30-015-34859-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/09/2007	Routine/Periodic	Ron Harvey	Yes	No	4/9/2007	iREH0706837759
Violations Emergency/Temporary Pits						

Comments on Inspection: Well producing since 9/1/2006. Pit still open, full of liquid in violation of Rule 50. Liner ok, photos taken

EAST MILLMAN UNIT No.232

H-15-19S-28E

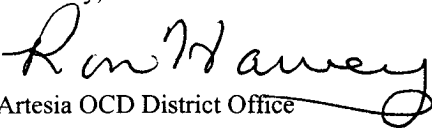
30-015-34860-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/09/2007	Routine/Periodic	Ron Harvey	Yes	No	4/9/2007	iREH0706845996
Violations Emergency/Temporary Pits						

Comments on Inspection: Well producing since 9/1/2006. Pit open and full of liquid. Hydrocarbons on surface of liquid needs to be cleaned up. Liner ok. Violation of Rule 50 photos taken.

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.