

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Governor

Joanna Prukop

Cabinet Secretary

7001 1940 0001 9971 5499

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Field to pertum 2 regions "Pressiving the backets" (na Frishe unio 1"

13-Nov-07

FAIRWAY RESOURCES OPERATING, LLC 538 SILICON DRIVE, SUITE 101 SOUTHLAKE TX 76092

LOV NO. 02-07-216

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.

116. Please submit a C-141.

INSPECTION DETAIL SECTION						
SOUTH RE	D LAKE II UI	IIT No.013		E-36-17S-27E	30-015-00658-00-00	
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
11/02/2007	Routine/Perio	dic Kimberly Wilson	Yes	No	11/26/2007	iKMW0730647412
Comments on Inspection:		Release of oil and water at central tank battery. Containination inside unlined firewall with overflow to the NE. Violation of Rule 13. Operator failed to notify Division, Violation of Rule				

INCRECTION DETAIL CECTION

Oil Conservation Division * 1301 W. Grand * Artesia, New Mexico 88210 Phone: 505-748-1283 * Fax: 505-748-9720 * http://www.emnrd.state.nm.us

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.

Sinceroly, / Siniberly M. Wilson

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