



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Response Required – Deadline Enclosed

05-May-08

WALTER EXPLORATION INC

6116 N CENTRAL EXP #313

DALLAS TX 75206

LOV NO. 02-08-075

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

J G O'BRIEN No.003

F-31-7S-29E

30-005-60907-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|----------------------------|--------------|------------|------------------------------|---------------------------|----------------|
| 05/05/2008 | Pre-Operation (MIT Schedul | Richard Inge | Yes | No | 5/16/2008 | iREI0812653595 |

Comments on Inspection: On February 18, 2008 a notification letter was sent to you stating that this well had to be tested, by what date and the type of test to be conducted. You were asked to contact the OCD to schedule this test. By failing to contact the OCD, you are in violation of NMOCD Rule 19.15.9.704.A (5), which states in part "...The injection well operator shall advise the division of the date and time any initial, five-year or special tests are to be commenced in order that such tests may be witnessed."

Failure to contact the OCD by compliance due date to schedule the required inspection on this well will require that the well be shut-in on the compliance due date.

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,

RICHARD INGE

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.