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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

18-Aug-08

FOSSIL OPERATING INC.

PO BOX 181688

DALLAS TX 75218

LOV NO. 2-8-146

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

FOSSIL OPERATING FED COM No.002

G-27-14S-29E

30-005-00441-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
06/03/2008	Routine/Periodic	Richard Inge	Yes	No	9/5/2008	iREI0815626862

Comments on Inspection: Temporary, unlined pit is on location. No production equipment on location.

Violation of OCD rule 19.15.17.13.a.3. Please submit OCD form C-144 Pit Closure Plan by Completion Action Due By date with the pit to be closed by 9/16/2008.

Violation of OCD rule 201 Wells to be properly abandoned. There is no production equipment on location. Casing sticking out of ground. No production has been reported for this well. A re-entry was filed with the BLM on 1/13/2005 with an extension granted til 10/7/2005.

Please contact the BLM to arrange to produce this well or work out a P&A procedure by Completion Action Due By 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