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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

Field Inspection Program

"Preserving the Integrity of Our Environment"

11-May-09

SHACKELFORD OIL CO

PO BOX 10665

MIDLAND TX 79702

LOV NO. 22-09-020

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

STOVALL WOOD No.001

C-20-20S-30E

30-015-04700-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
05/08/2009	Routine/Periodic	Kimberly Wilson	Yes	No	5/26/2009	iKMW0912836435

Comments on Inspection: Tank Battery SW of this well (houses the injection pump and related equipment of the State 002 SWD) has had an unreported release of produced fluids. Oil is pooled around the tank east of the injection pump. The liner in that batter does not cover up to the bottom of this tank.

This is in violation of 19.15.2.8 and 19.15.29.8 [NMAC]

Please submit a C-141 reporting the release at this basttery to the OCD District 2 office no later than May 26, 2009.

A remediation work plan proposal may be required.

STOVALL WOOD No.003

F-20-20S-30E

30-015-04703-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
05/08/2009	Routine/Periodic	Kimberly Wilson	Yes	No	5/26/2009	iKMW0912834989

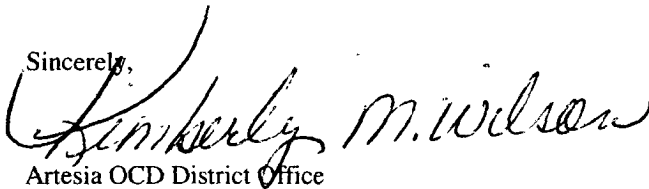
Comments on Inspection: A physical inspection of this site by a NMOCD representative has resulted in the discovery of the following:

A leak at the well head causing oil to pool which is violation of 19.15.2.8 and 19.15.29.8 [NMAC]
"..... The person operating or controlling either the release or the location of the release shall notify the division of unauthorized release occurring during the drilling, producing, storing, disposing, injecting, transporting, servicing or processing of oil, gases, produced water, condensate or oil field waste including regulated NORM, or other oil field related chemicals, contaminants or mixture of the chemicals or contaminants....."

Operator must submit a C-141 to NMOCD District 2 office no later than May 26, 2009.

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.