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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

*Oil Conservation Program
"Protecting the Interests of Our Environment"*

11-May-09

LOV NO. 02-09-019

CORKRAN ENERGY LP
300 BEARDSLEY LANE C-204
AUSTIN TX 78746

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

MONTE CARLO FEDERAL COM No.001

H-1-18S-26E

30-015-34372-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/27/2009	Routine/Periodic	Kimberly Wilson	Yes	No	5/26/2009	iKMW090913036

Comments on Inspection: A physical inspection of this site by a NMOCD representative has resulted in the discovery of visible contamination, from what appears to be a leak at or around well head area causing oil to fill the 5'x5'x5' cellar.

Fluid/oil is now overflowing out south side of cellar causing a visual flow path on the location, this is in violation of 19.15.2.8 [NMAC]

"..... The production or handling of oil or gas of any type or in any form or the handling of oil or gas products in a manner, under conditions or in an amount as to constitute or result in waste is prohibited....."

Well is in violation of 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.

A remediation work plan proposal may be required.

ORLEANS 25 No.001

B-25-18S-26E

30-015-35260-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/11/2009	Routine/Periodic	Kimberly Wilson	Yes	No	5/26/2009	iKMW090704498

Comments on Inspection: All Equipment and Location in Very Good Shape.

Drilling pit still open and it contains chloride contaminated solids; liner is still intact, this is in violation of 19.15.17.13 [NMAC]

".....CLOSURE REQUIREMENTS: Time requirements for closure. An operator shall close a pit, closed-loop system or below-grade tank within the time periods provided in 19.15.17.13 NMAC, or by an earlier date that the division requires because of imminent danger to fresh water, public health or the environment."

Operator must submit a C-144 pit closure 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

Oil Conservation Division * 1301 W Grand * Artesia, New Mexico 88210

Phone: 505-748-1283 * Fax: 505-748-9720 * <http://www.emnrd.state.nm.us>