

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

*Field Inspection Program
"Preserving the Integrity of Our Environment"*

3/19/2004

**Chesapeake Operating Co
5014 Carlsbad Hwy
Hobbs, NM 88240**

Dear Operator:

The following inspection(s) indicate one or more violations as described in the detail section below. The inspection(s) indicates that the well, equipment, location or operational status failed to meet standards of the New Mexico Oil Conservation Division. 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 below 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.

Please notify the proper district office of the Division in writing, of the date corrective actions are completed so that arrangements can be made to reinspect the well and/or facility.

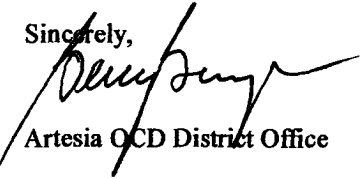
INSPECTION DETAIL SECTION

BENSON SHUGART WATERFLOOD UNIT		K-30-18S-31E	30-015-10369-00-0			
No.034				Inspection Non-Compliance?	*Significant Action Due By:	Corrective Inspection No.
Date	Type Inspection	Inspector	Violation?			
03/18/2004	MIT Witnessed -	Gerry Guye	Yes	No	6/21/2004	iGEG0402042493
Comments on Inspection: No Well Sign (Rule 103). Shut-in						

BENSON SHUGART WATERFLOOD UNIT		I-26-18S-30E	30-015-27546-00-0			
No.007				Inspection Non-Compliance?	*Significant Action Due By:	Corrective Inspection No.
Date	Type Inspection	Inspector	Violation?			
03/18/2004	MIT Witnessed -	Gerry Guye	Yes	No	6/21/2004	iGEG0402042470
Comments on Inspection: No Well Sign (Rule 103).						

Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infra-structure of the oil and gas industry.

Sincerely,


Artesia OCD District Office