

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"*

12-Mar-03

SHACKELFORD OIL CO
PO BOX 10665
MIDLAND, TX 79702-

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 of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

Please be advised that failure to comply with this directive will result in an application for an order to Show Cause why the Bond should not be forfeited, the well plugged and civil penalties assessed.

INSPECTION DETAIL SECTION

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|--------------------------------|--|------------------|---------------------------|-----------------------|
| HADSON FEDERAL 002 | | J-11-19S-31E | 30-015-26604-00-00 | |
| Inspection | | | *Significant | Corrective |
| Date | Type Inspection | Inspector | Non-Compliance? | Action Due By: |
| 03/10/2003 | Routine/Periodic | Mike Bratcher | Yes | 6/13/2003 |
| Inspection No. | | | | |
| iMLB0306941302 | | | | |
| Comments on Inspection: | No production equipment. No well sign. Violation Rule 103. Records indicate production in 10/02. | | | |
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| YATES FEDERAL 003 | | M-11-19S-31E | 30-015-26642-00-00 | |
| Inspection | | | *Significant | Corrective |
| Date | Type Inspection | Inspector | Non-Compliance? | Action Due By: |
| 03/10/2003 | Routine/Periodic | Mike Bratcher | Yes | 6/13/2003 |
| Inspection No. | | | | |
| iMLB0306943471 | | | | |
| Comments on Inspection: | No well sign. Violation Rule 103. | | | |
| | | | | |
| YATES FEDERAL 004 | | L-11-19S-31E | 30-015-26643-00-00 | |
| Inspection | | | *Significant | Corrective |
| Date | Type Inspection | Inspector | Non-Compliance? | Action Due By: |
| 03/10/2003 | Routine/Periodic | Mike Bratcher | Yes | 6/13/2003 |
| Inspection No. | | | | |
| iMLB0306943794 | | | | |
| Comments on Inspection: | No well sign. Violation Rule 103. Pumpjack is dismantled. Records indicate production 11/02 | | | |

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,

A handwritten signature in black ink that reads "Mike Beall". The signature is written in a cursive, slightly slanted style.

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.