



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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Director

Oil Conservation Division

Field Inspection Program

"Preserving the Integrity of Our Environment"

04-Mar-05

MELROSE OPERATING COMPANY

PO BOX 953

MIDLAND TX 79702

NOTICE 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

STATE E 1286 No.109

L-15-18S-28E

30-015-01876-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/02/2005	Routine/Periodic	Mike Bratcher	Yes	No	4/4/2005	iMLB0506144794
Violations						
Surface Leaks/Spills						

Comments on Inspection: C-141 rec'd for release of produced fluids at tank battery located North of this well. Cause of release was a faulty check valve on Holly Energy's gathering line causing tank to overflow. Recovery and clean up operations have commenced. At time of inspection a valve on the fiberglass tank at tank battery is leaking what appears to be produced water. Valve appears to have been leaking for some time. This is a violation of Rule 13 for Melrose Operating and requires repair and remediation of Chlorides or other contaminants released.

DUNN B FEDERAL No.046

G-10-18S-28E

30-015-28247-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/02/2005	Routine/Periodic	Mike Bratcher	Yes	No	4/4/2005	iMLB0506148245
Violations						
Surface Leaks/Spills						

Comments on Inspection: Release of produced fluids has occurred at well head area. Oil has run from well head area West across location. Vegetation on South side of pumping unit is covered with oil spray and a flow path of oil extends out into pasture on this side. Some blending has been done at well head immediate area. Well is in violation of Rule 13, Rule 116 and will require further clean-up/remediation.

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.