

NEW MEXICO ENERGY, MINERALS NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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25-Mar-05

THUNDERBOLT PETROLEUM, LLC

PO BOX 10523 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

CAL-MON No.001

03/16/2005

Inspection Date

Type Inspection Routine/Periodic

Inspector Mike Bratcher Violation?

Yes

*Significant Non-Compliance? Yes

L-16-18S-29E

30-015-25635-00-00 Corrective Action Due By: 6/19/2005

Inspection No. iMLB05075530929

Violations

Surface Leaks/Spills

Exceeded Allowable Inj. Pressures

Comments on Inspection:

Well is injecting. Tubing pressure guage is at 1220 psi. Guage on Murphy switch at pump is also at 1220 psi. Max allowable injection pressure for this well is 1100 psi. Netted fiberglass tank on West end of tank battery has been allowed to overflow. Produced fluids exited location on South side and traveled downhill in multiple flowpaths going South to Southwest in direction. Staining is evident in numerous areas over 100 yards away from location. Released volume is estimated to be over 25 bbls. Well is in violation of injection permit. Produced fluids release is in violation of Rule

13 and Rule 116. Company rep Robert Lee was notified by phone call on this date.

CAL-MON No.002

Date

03/16/2005

Inspection Type Inspection

Inspector

Mike Bratcher

Violation? Yes

*Significant Non-Compliance? No

L-16-18S-29E

30-015-25693-00-00 Corrective Action Due By: 4/25/2005

Inspection No. iMLB0507554149

Violations

Surface Leaks/Spills

Routine/Periodic

Comments on Inspection:

Equipment and location needs attention. Some staining at wellhead area from produced fluids releases and around pumpiack from what appears to be gear box oil leaks. This leak appears to be ongoing with a substantial amount of oil released. Well site is in violation of Rule 13.

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

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 Divison 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

Mike Benther

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.



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Thunderbolt Petroleum, LLC PO Box 10523 Midland TX 79702 Attn: Mr. Robert Lee March 25, 2005

Reference: CAL-MON 001

L-16-18s-29e

API: 30-015-25635

Mr. Lee,

As per our phone conversation on 3/16/2005, an inspection of the above referenced well site revealed the well to be injecting over allowable pressure limits.

I requested the well to be shut-in and remain so until well is brought into compliance with NMOCD Rules and Regulations.

The inspection on that day also revealed an unreported release of produced fluids. This release was also discussed during our phone conversation, at which time you indicated you were aware of the release but were unaware of the volume of the release. Please submit a Form C-141 Initial Report to the Artesia NMOCD District 2 office upon receipt of this letter. Reporting requirements for releases are covered under Rule 116 in the NMOCD Rules and Regulations.

You will also be required to formulate and submit to the District 2 office, a Remediation Workplan addressing proposed remediation of the produced fluids release that occurred at this well site.

Please use the 1993 publication "Guidelines For Remediation Of Leaks, Spills and Releases" as a guide in formulating this workplan. This publication may be found on the NMOCD website (www.emnrd.state.nm.us/ocd) under Publications / Environmental Handbook/ Miscellaneous Guidelines / Spill Prevention Clean Up.

Please have the workplan submitted to this office prior to April 25, 2005 to avoid further enforcement actions. The workplan will be reviewed by the NMOCD. Approval of the workplan by the NMOCD is required prior to commencement of activivities.

Be advised that 24 hour notice to this office is required prior to any remediation actions performed or samples obtained.

Thank you for your cooperation in this matter and if I can be of assistance, my contact information is listed below.

Mike Bratcher

NMOCD District 2 1301 W. Grand Ave. Artesia, NM 88210 (505) 748-1283 Ext.108

Mike Benthic

mbratcher@state.nm.us