

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor Joanna Prukop Cabinet Secretary Mark E. Fesmire, P.E. Director Oil Conservation Division

th Benergen Bregensen Persongen Langels of the Community

23-Sep-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.

			INSPECTIC)N DETAIL	SECTION		
GUAJALOTE A STATE No.001 Inspection Date Type Inspection Inspector			Inspector	Violation?	K-5-19S-29E *Significant Non-Compliance?	30-015-22422-00- Corrective Action Due By:	00 Inspection No.
Vio Tar Sur	rface Damage/	odic Chris Beadle Yes No 10/21/2005 iCLB0526 auipment (Rules 114, 115) e/Restoration					
Surface Leaks/ Comments on Inspection:		 Tank battery has heavily saturated soils on south side of tanks at drain valves. Heavy hydrocarbon and chlroide contamination has run from the tanks south into pasture for approximately 150 feet in at least two distinct flow paths. Heavily saturated soils thorughout this contamination path. Wellhead contamination is running off across location to the south. Contamination at gunbarrel is running off onto location east and south. Contamination on north side of tanks is migrating east then south across location. Heavily contaminated soils piled near power pole north of wellhead. Remediaiton is required. Submit C-141 for tank battery release. Contact NMOCD District 2 Environmental Compliance Officer with site ranking and remediation work plan. Notify NMOCD District 2 Office 48 hours prior to any remediation work or prior to taking sample 					feet in arrel is east read.

CONOCO 7 Inspection	STATE No.0	03			E-7-19S-29E *Significant	30-015-23694-00- Corrective	00		
Date	Type Inspection	1	Inspector	Violation?	Non-Compliance?	Action Due By:	Inspection No.		
09/22/2005	Routine/Perio Violations Surface Leaks/Sr		Chris Beadle	Yes	No	10/21/2005	iCLB052654714		
Surface Leaks/Spills Comments on Inspection: Wellhead contamination is runnin; feet and south approximately 25 fe				g off the the north approximately 15 feet, east approximately 40 eet.					
			is required. Contact N remediation work plan		ct 2 Environmental C	Compliance Officer wi	th site		
			CD District 2 Office 4 s of the samples may b			rk or prior to taking s	amples		
CONOCO 7	STATE No.0	04			D-7-19S-29E	30-015-23919-00-	00		
Inspection Date	Type Inspection	1	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.		
09/22/2005	Routine/Perio Violations		Chris Beadle	Yes	No	10/21/2005	iCLB052654741		
	Surface Leaks/Sp	oills							
Comments of	on Inspection:	Wellhead co approximate	ntamination, heavily hy ly 15 feet.	ydrocarbon an	d chloride saturated s	oils running south			
			is required. Contact N remediation work plan		ct 2 Environmental C	Compliance Officer wi	ith site		
			CD District 2 Office 4 s of the samples may b			ork or prior to taking s	samples		
CONOCO 7	STATE No.0	05			F-7-19S-29E	30-015-23920-00-	00		
Inspection Date	Type Inspection	1	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.		
09/22/2005	Routine/Peric	dic	Chris Beadle	Yes	No	10/21/2005	iCLB052663005		
	Violations Tank Battery Equ Surface Leaks/St		114, 115)						
		Tank batter a	area heavily contamina at and north sides.	ted with hydro	carbons and chloride	s. Chlorides outside o	of berm		
			is required. Contact free remediation work plan		ict 2 Environmental (Compliance Officer w	ith site		
			CD District 2 Office 4 s of the samples may b			ork or prior to taking s	samples		
	STATE No.0	08			B-7-19S-29E	30-015-23931-00-	.00		
Inspection Date	Type Inspection	n	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.		
09/22/2005	Routine/Peric Violations	odic	Chris Beadle	Yes	No	10/21/2005	iCLB052654482		
Commente	Surface Leaks/S				h	6			
Comments on Inspection:		Heavily saturated soils along, noad at flow line leak approximately 100 feet east of well location. Saturated soils and pooled fluids cover approximately 30 square feet.							
			Remediaiton is required. Submit C-141. Contact NMOCD District 2 Environmental Compliance Officer with site ranking and remediation work plan.						
			Notify NMOCD District 2 Office 48 hours prior to any remediation work or prior to taking samples where results of the samples may be submitted to OCD.						

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	7 STATE No.0	09			A-7-19S-29E	30-015-23932-00-	.00		
Inspection Date	Type Inspectio	n	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.		
09/22/2005	Routine/Peric Violations Surface Leaks/S		Chris Beadle	Yes	No	10/21/2005	iCLB0526545281		
Comments of	on Inspection:	Wellhead area heavily contaminated, runoff to the east approximately 25 feet, to the south approximately 15 feet and to the north approximately 20 feet.							
			is required. Contact 1 emediation work plan		ict 2 Environmental (Compliance Officer w	ith site		
			CD District 2 Office 4 of the samples may b			ork or prior to taking s	samples		
GUAJALO Inspection Date	TE STATE No Type Inspectio		Inspector	Violation?	J-5-19S-29E *Significant Non-Compliance?	30-015-24806-00 - Corrective Action Due By:	-00 Inspection No.		
09/22/2005	Routine/Peric Violations Surface Leaks/S	odic	Chris Beadle	Yes	Non-Compliance. No	10/21/2005	iCLB0526540765		
Comments on Inspection: Tank batte									
Comments of	on Inspection:		has been removed. C s on southern side of			igrating east across lo	cation.		
Comments of	on Inspection:	Saturated soils Remediaiton i	s on southern side of	location where	tanks were located.	igrating east across lo Compliance Officer w			
Comments o	on Inspection:	Saturated soil: Remediaiton i ranking and re Notify NMOC	s on southern side of is required. Contact 1 emediation work plan	location where NMOCD Distri 8 hours prior t	e tanks were located. ict 2 Environmental (o any remediation we		ith site		
	TE STATE NO	Saturated soil: Remediaiton i ranking and re Notify NMOC where results 0.002	s on southern side of is required. Contact I emediation work plan CD District 2 Office 4 of the samples may b	location where NMOCD Distri 8 hours prior t e submitted to	e tanks were located. ict 2 Environmental (o any remediation we	Compliance Officer w	ith site samples •00		
GUAJALO Inspection Date	TE STATE No Type Inspectio	Saturated soil: Remediaiton i ranking and re Notify NMOC where results 0.002	s on southern side of is required. Contact I emediation work plan CD District 2 Office 4 of the samples may b Inspector	location where NMOCD Distri 8 hours prior t e submitted to Violation?	e tanks were located. ict 2 Environmental (o any remediation we OCD. O-5-19S-29E *Significant Non-Compliance?	Compliance Officer w ork or prior to taking s 30-015-24930-00- Corrective Action Due By:	ith site samples •00 Inspection No.		
GUAJALO Inspection	TE STATE No Type Inspection Routine/Perio Violations Surface Damage Surface Leaks/S	Saturated soil: Remediaiton i ranking and re Notify NMOC where results 0.002 n odic	s on southern side of is required. Contact I emediation work plan CD District 2 Office 4 of the samples may b Inspector Chris Beadle	location where NMOCD Distri 8 hours prior t e submitted to	e tanks were located. ict 2 Environmental (o any remediation we OCD. 0-5-19S-29E *Significant	Compliance Officer w ork or prior to taking : 30-015-24930-00- Corrective	ith site samples •00		
GUAJALO Inspection Date 09/22/2005	TE STATE No Type Inspection Routine/Perio Violations Surface Damage Surface Leaks/S	Saturated soil: Remediaiton i ranking and re Notify NMOC where results 0.002 n odic /Restoration bills eeping (Rule 114) Workover pit to surface of f	s on southern side of is required. Contact I emediation work plan CD District 2 Office 4 of the samples may b Inspector Chris Beadle	location where NMOCD Distri 8 hours prior t e submitted to Violation? Yes	e tanks were located. ict 2 Environmental (o any remediation we OCD. 0-5-19S-29E *Significant Non-Compliance? No	Compliance Officer w ork or prior to taking s 30-015-24930-00- Corrective Action Due By:	ith site samples •00 Inspection No. iCLB0526543273 of pit		
GUAJALO Inspection Date 09/22/2005	TE STATE No Type Inspection Routine/Perio Violations Surface Damage Surface Leaks/S General Houseko	Saturated soil: Remediaiton i ranking and re Notify NMOC where results 0.002 n odic (Restoration bills eeping (Rule 114) Workover pit to surface of f trench into wo	s on southern side of is required. Contact I emediation work plan CD District 2 Office 4 of the samples may b Inspector Chris Beadle has heavy layer of oi fluids. Casing valve of	location where NMOCD Distri 8 hours prior t e submitted to Violation? Yes l on top of fluion m well is open	e tanks were located. ict 2 Environmental (o any remediation we OCD. 0-5-19S-29E *Significant Non-Compliance? No	Compliance Officer w ork or prior to taking s 30-015-24930-00- Corrective Action Due By: 10/21/2005 ely 8 inches from top rom valve into drainag	ith site samples •00 Inspection No. iCLB0526543273 of pit		
GUAJALO Inspection Date 09/22/2005	TE STATE No Type Inspection Routine/Perio Violations Surface Damage Surface Leaks/S General Houseko	Saturated soil: Remediaiton i ranking and re Notify NMOC where results 0.002 n odic (Restoration bills eeping (Rule 114) Workover pit to surface of f trench into wo Entire location Remediaiton i	s on southern side of is required. Contact I emediation work plan CD District 2 Office 4 of the samples may b Inspector Chris Beadle) has heavy layer of oi fluids. Casing valve of orkover pit. n heavily contaminate	location where NMOCD Distri 8 hours prior t e submitted to Violation? Yes l on top of fluio n well is open ed with hydroc 2-141. Contact	e tanks were located. ict 2 Environmental (o any remediation we OCD. O-5-19S-29E *Significant Non-Compliance? No ds. Pit is approximat , fluids are flowing fi arbons and chloride of NMOCD District 2	Compliance Officer w ork or prior to taking s 30-015-24930-00- Corrective Action Due By: 10/21/2005 ely 8 inches from top rom valve into drainag	ith site samples •00 Inspection No. iCLB0526543273 of pit		

GUAJALO Inspection	TE STATE N	o.004			I-5-19S-29E *Significant	30-015-25292-00- Corrective	00			
Date	Type Inspectio	n	Inspector	Violation?	Non-Compliance?	Action Due By:	Inspection No.			
09/22/2005	Routine/Peri Violations Surface Leaks/S General Housek		Chris Beadle	Yes	No	10/21/2005	iCLB0526541405			
Comments	on Inspection:	No visible liner on open workover pit which is being used as a trash dump for old tires, used oil and chemical product containers, saturated gloves and other oilfield debris.								
						d gunbarrel and tank p in from a flow line lea				
			Remediaiton is required. Contact NMOCD District 2 Environmental Compliance Officer with site ranking and remediation work plan.							
			District 2 Office 4 the samples may be			ork or prior to taking s	amples			
HY STATE	No.001				H-6-19S-29E	30-015-27749-00-	00			
Inspection	Type Inspectio		Inspector	Violation?	*Significant	Corrective	Inspection No.			
Date 09/22/2005			Chris Beadle		Non-Compliance?	Action Due By:	Inspection No.			
09/22/2003	Routine/Periodic Violations		Chris Beadle	Yes	No	10/21/2005	iCLB0526544351			
	Tank Battery Ec Surface Damage Surface Release		, 115)							
Comments	on Inspection:	Heavy choride and hydrocarbon contamination on south side of water tank over area approximately 30 feet by 15 feet. Drain plumbing from the Water tank ends in this contaminated area.								
			required. Submit C ranking and remed			Environmental Comp	liance			
			District 2 Office 4 the samples may be			ork or prior to taking s	samples			
CONOCO 7	STATE No.(17			G-7-19S-29E	30-015-29199-00-	00			
Inspection Date	Type Inspectio	n	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.			
09/22/2005	Routine/Peri		Chris Beadle	Yes	No	10/21/2005	TCLB0526545806			
	Violations Surface Leaks/S			¥ 00	110	10/21/2003	10110020040G00			
Comments	on Inspection:	Wellhead area heavily contaminated, runoff to the north and east approximately 25 feet and to west approximately 20 feet.								
		Remediaiton is required. Contact NMOCD District 2 Environmental Compliance Officer with site ranking and remediation work plan.								
			y NMOCD District 2 Office 48 hours prior to any remediation work or prior to taking samples e results of the samples may be submitted to OCD.							

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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

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.