



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"*

30-015-04243

01-Mar-06

SOUTHWEST ROYALTIES INC

6 DESTA DRIVE SUITE 3000

MIDLAND TX 79705

LETTER 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

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/01/2006	Routine/Periodic	Chris Beadle	Yes	No	3/20/2006	iCLB0606035130
Violations Surface Leaks/Spills						

Comments on Inspection: McIntyre G & H Federal Battery, just south of this well, has had a release of produced fluids from the water tank. Heavy chloride impact around the water tank with a flow path running southwest and pooling on the edge of the adjacent well location.

Remediation is required. Submit C-141 (Release Notification and Corrective Action). Submit a remediation work plan to OCD District 2 Office. OCD Rule 19.15.3.116.D [NMAC] requires that the responsible person for a release must complete division approved corrective action and that releases will be addressed in accordance with a remediation work plan submitted to and approved by the division. To provide you with approval for corrective actions the OCD District 2 Office must first receive a remediation work plan that addresses, at a minimum, the following:

1. Site characterization including site ranking, layout and remediation action levels;
2. Release characterization including source, cause, area and volumetric estimations of impacted area(s) and contaminant specific concerns;
3. On site method of remediation including specific procedures you will follow for moisture/nutrients/additives to enhance biodegradation of the contaminants (or other specific procedures for other remediation technologies). Please ensure that the remediation technology you propose for this release is applicable to Highly Contaminated/Saturated Soils and Unsaturated Contaminated Soils and appropriate for the contaminant (for instance, MicroBlaze® is not proven to be appropriate for chloride remediation);
4. Off site remediation including sampling procedures for removed material, disposition of materials and documentation required;
5. Notification to NMOCD of work/sampling and sampling procedures (for TPH, B-TEX, Chlorides or any other contaminants of concern and as applicable) to be used for site characterization (vertical and horizontal delineation) and final closure;
6. General schedule of work to be performed including periodicity of repeated work such as tilling/moisture, etc; and,
7. Site closure procedures (closure of excavations, reseeded, grading, etc, as applicable).

Provide NMOCD District 2 Office with the remediation work plan prior to March 20, 2006. Please use the "Guidelines For Remediation of Leaks, Spills, and Releases" as your guide. This document may be found on the NMOCD web site: www.emnrd.state.nm.us/ocd, under Publications> Environmental Handbook> Miscellaneous Guidelines> Remediation of Leaks, Spills and Releases.

OCD approved remediation must be completed on this release no later than April 15, 2006. Until a remediation work plan is received, the NMOCD District 2 Office must be notified 48 hours prior to any remediation work or prior to taking samples where results of the samples may be submitted to the OCD.

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.