

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop Cabinet Secretary Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Field Inspection Pragram "Prosection the Innocent" of the Europeanomet

27-Jul-06

TIPTON OIL & GAS ACQUISITIONS, INC.

P.O. BOX 1597 LOVINGTON NM 88260

Dear Operator:

LETTER OF VIOLATION - Inspection Low NO. 0206 27

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.

		INSPECTIO	N DETAIL	SECTION		
TWIN LAK Inspection Date	Type Inspection	ES UNIT No.045 Inspector	Violation?	N-36-8S-28E *Significant Non-Compliance?	30-005-00342-00- Corrective Action Due By:	00 Inspection No.
07/14/2006	Routine/Period	ic Phil Hawkins	Yes	No	8/31/2006	iPCH0619539604
Comments	on Inspection:	Release around pumping unit and fl	low line.grour	nd contaminatedRule	116	
TWIN LAK	ES SAN ANDR	ES UNIT No.016		D-36-8S-28E	30-005-60470-00-	00
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
07/19/2006	Routine/Period	ic Phil Hawkins	Yes	No	8/31/2006	iPCH0620040433
Comments		Release at wellhead,packing leaking sign.Rule 103 and 116	g.pump unit p	ulled off well.current	operator not on well	i
	ES SAN ANDR	ES UNIT No.018		B-36-8S-28E	30-005-60536-00-	00
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
07/14/2006	Routine/Period	ic Phil Hawkins	Yes	No	8/31/2006	iPCH0619537452
Comments		well sign does not have current ope West of locationRule 103 and 116	rator,small pa	cking leak,small pit o	n location.flow line re	elease

SEANNA No Inspection	o.001				A-12-8S-28E *Significant	30-005-60604-00-00 Corrective	
Date Type Inspection			Inspector	Violation?	Non-Compliance?	Action Due By:	Inspection No.
06/16/2006	Routine/Perio	odic	Phil Hawkins	Yes	No	8/31/2006 iI	PCH061674151
Comments	n Inspection:	No Well Sign (I	Rule 103).Location	Needs Major	Attention(Contaminat	ion) Rule #116	
IINIKONI ITA	DDV No 002				J-1-8S-28E	30-005-60622-00-00	
UNION HAD Inspection	FF1 NO.002				*Significant	Corrective	
Date	Type Inspection	n	Inspector	Violation?	Non-Compliance?	Action Due By:	Inspection No.
06/16/2006	Routine/Perio	odic	Phil Hawkins	Yes	No	8/31/2006 il	PCH061674026
Comments	n Inspection:	No Well Sign (I	Rule 103).Packing 1	eak soil conta	minated Violation of	Rule 116	
SEANNA N	n.002				H-12-8S-28E	30-005-60623-00-00	i
Inspection	0.002				*Significant	Corrective	
Date	Type Inspection	n	Inspector	Violation?	Non-Compliance?	Action Due By:	Inspection No.
06/19/2006	Routine/Perio	odic	Phil Hawkins	Yes	No	8/31/2006 il	PCH061703931
Comments	n Inspection:	· ·	Rule 103). Dead bir over release.Rule 11		d.Fluid releas at well i	run into pasture about	
O'BRIEN D	EMING 6 No	.001			M-6-8S-29E	30-005-60634-00-00	
Inspection Date	Type Inspection	7	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
06/16/2006	Routine/Perio		Phil Hawkins	Yes	No	:	PCH061674521
	n Inspection:			• • • •	• • •	Old Production Pit with	
		tires and sluge I				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	•
TWIN LAKES SAN ANDRES UNIT No.002					K-25-8S-28E	30-005-60648-00-00	t
Inspection Date	Type Inspection	n	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
07/21/2006	Routine/Perio		Phil Hawkins	Yes	No.		PCH062024360:
	n Inspection:			perator not on	well sign .Rule 116 a	1	
0.100 TEXT E					77 05 0G 00E		
	EE 25 No.005				H-25-8S-28E *Significant	30-005-60655-00-00	
O'BRIEN F Inspection Date	EE 25 No.005 Type Inspection	n	Inspector	Violation?	H-25-8S-28E *Significant Non-Compliance?	30-005-60655-00-00 Corrective Action Due By:	Inspection No.
Inspection Date			Inspector Phil Hawkins	Violation? Yes	*Significant	Corrective Action Due By:	Inspection No.
Inspection Date 07/11/2006	Type Inspection	odic	Phil Hawkins	Yes	*Significant Non-Compliance? No	Corrective Action Due By:	Inspection No.
Inspection Date 07/11/2006 Comments of	Type Inspection	odic	Phil Hawkins	Yes	*Significant Non-Compliance? No unning into pit from l	Corrective Action Due By: 8/31/2006 il eaking CSG valve Rule	Inspection No. PCH0619238839
Inspection Date 07/11/2006 Comments of	Type Inspection Routine/Perion Inspection: EE 19 No.005	odic No Well Sign (I	Phil Hawkins Rule 103).Unlined p	Yes pit with fluid r	*Significant Non-Compliance? No	Corrective Action Due By: 8/31/2006 il	Inspection No. PCH0619238839
Inspection Date 07/11/2006 Comments o O'BRIEN FI Inspection Date	Type Inspection Routine/Perion Inspection: EE 19 No.005 Type Inspection	odic No Well Sign (I	Phil Hawkins Rule 103).Unlined p	Yes oit with fluid r Violation?	*Significant Non-Compliance? No unning into pit from l K-19-8S-29E *Significant Non-Compliance?	Corrective Action Due By: 8/31/2006 il eaking CSG valve Rule 30-005-60716-00-00 Corrective Action Due By:	Inspection No. PCH061923883
Inspection Date 07/11/2006 Comments of O'BRIEN FI Inspection Date 06/19/2006	Type Inspection Routine/Perion Inspection: EE 19 No.005 Type Inspection Routine/Perion	odic No Well Sign (I n odic	Phil Hawkins Rule 103).Unlined p Inspector Phil Hawkins	Yes oit with fluid r Violation? Yes	*Significant Non-Compliance? No unning into pit from le K-19-8S-29E *Significant Non-Compliance?	Corrective Action Due By: 8/31/2006 il eaking CSG valve Rule 30-005-60716-00-00 Corrective Action Due By:	Inspection No. PCH061923883 50 Inspection No.
Inspection Date 07/11/2006 Comments of O'BRIEN FI Inspection Date 06/19/2006	Type Inspection Routine/Perion Inspection: EE 19 No.005 Type Inspection	odic No Well Sign (I n odic	Phil Hawkins Rule 103).Unlined p	Yes oit with fluid r Violation? Yes	*Significant Non-Compliance? No unning into pit from le K-19-8S-29E *Significant Non-Compliance?	Corrective Action Due By: 8/31/2006 il eaking CSG valve Rule 30-005-60716-00-00 Corrective Action Due By:	Inspection No. PCH061923883
Inspection Date 07/11/2006 Comments of O'BRIEN FI Inspection Date 06/19/2006 Comments of	Type Inspection Routine/Perion Inspection: EE 19 No.005 Type Inspection Routine/Perion	n No Well Sign (I	Phil Hawkins Rule 103).Unlined p Inspector Phil Hawkins	Yes oit with fluid r Violation? Yes	*Significant Non-Compliance? No unning into pit from le K-19-8S-29E *Significant Non-Compliance?	Corrective Action Due By: 8/31/2006 il eaking CSG valve Rule 30-005-60716-00-00 Corrective Action Due By:	Inspection No. PCH061923883 50 Inspection No. PCH061704631
Inspection Date 07/11/2006 Comments of O'BRIEN FI Inspection Date 06/19/2006 Comments of	Type Inspection Routine/Perion Inspection: EE 19 No.005 Type Inspection Routine/Perion Inspection: EMING 6 No.	No Well Sign (In No Wel	Phil Hawkins Rule 103).Unlined p Inspector Phil Hawkins e release NW of Lo	Yes pit with fluid r Violation? Yes ocation Rule 1	*Significant Non-Compliance? No unning into pit from l K-19-8S-29E *Significant Non-Compliance? No	Corrective Action Due By: 8/31/2006 il eaking CSG valve Rule: 30-005-60716-00-00 Corrective Action Due By: 8/31/2006 il	Inspection No. PCH061923883 50 Inspection No. PCH061704631
Inspection Date 07/11/2006 Comments of O'BRIEN FI Inspection Date 06/19/2006 Comments of O'BRIEN DI Inspection Date	Type Inspection Routine/Perion Inspection: EE 19 No.005 Type Inspection Routine/Perion Inspection: EMING 6 No.	No Well Sign (In Manager Flow Line) 1.002	Phil Hawkins Rule 103).Unlined p Inspector Phil Hawkins e release NW of Lo	Yes pit with fluid r Violation? Yes pocation Rule 1 Violation?	*Significant Non-Compliance? No unning into pit from l K-19-8S-29E *Significant Non-Compliance? No 16 N-6-8S-29E *Significant Non-Compliance?	Corrective Action Due By: 8/31/2006 il eaking CSG valve Rule 30-005-60716-00-00 Corrective Action Due By: 8/31/2006 il 30-005-60730-00-00 Corrective Action Due By:	Inspection No. PCH0619238839 50 Inspection No. PCH061704631
Inspection Date 07/11/2006 Comments of O'BRIEN FI Inspection Date 06/19/2006 Comments of O'BRIEN D Inspection Date 06/19/2006	Type Inspection Routine/Period In Inspection: EE 19 No.005 Type Inspection Routine/Period Inspection: EMING 6 No. Type Inspection Routine/Period	No Well Sign (In No Wel	Phil Hawkins Rule 103).Unlined p Inspector Phil Hawkins e release NW of Lo Inspector Phil Hawkins	Yes bit with fluid r Violation? Yes becation Rule 1 Violation? Yes	*Significant Non-Compliance? No unning into pit from I K-19-8S-29E *Significant Non-Compliance? No 16 N-6-8S-29E *Significant Non-Compliance? Non-Compliance?	Corrective Action Due By: 8/31/2006 il eaking CSG valve Rule 30-005-60716-00-00 Corrective Action Due By: 8/31/2006 il 30-005-60730-00-00 Corrective Action Due By: 8/31/2006 il	Inspection No. PCH0619238839 Inspection No. PCH0617046317 Inspection No. PCH0617038717
Inspection Date 07/11/2006 Comments of O'BRIEN FI Inspection Date 06/19/2006 Comments of O'BRIEN D Inspection Date 06/19/2006	Type Inspection Routine/Perion Inspection: EE 19 No.005 Type Inspection Routine/Perion Inspection: EMING 6 No.	No Well Sign (In No Wel	Phil Hawkins Rule 103).Unlined p Inspector Phil Hawkins e release NW of Lo Inspector Phil Hawkins	Yes pit with fluid r Violation? Yes pocation Rule 1 Violation? Yes ell. Grass and	*Significant Non-Compliance? No unning into pit from I K-19-8S-29E *Significant Non-Compliance? No 16 N-6-8S-29E *Significant Non-Compliance? Non-Compliance?	Corrective Action Due By: 8/31/2006 il eaking CSG valve Rule 30-005-60716-00-00 Corrective Action Due By: 8/31/2006 il 30-005-60730-00-00 Corrective Action Due By:	Inspection No. PCH061923883 Inspection No. PCH061704631 Inspection No. PCH061703871
Inspection Date 07/11/2006 Comments of O'BRIEN FI Inspection Date 06/19/2006 Comments of O'BRIEN D Inspection Date 06/19/2006 Comments of	Type Inspection Routine/Perion Inspection: EE 19 No.005 Type Inspection Routine/Perion Inspection: EMING 6 No. Type Inspection Routine/Perion Routine/Perion Inspection:	No Well Sign (In No Wel	Phil Hawkins Rule 103). Unlined p Inspector Phil Hawkins e release NW of Lo Inspector Phil Hawkins aprox. 75' S/w of w	Yes pit with fluid r Violation? Yes pocation Rule 1 Violation? Yes ell. Grass and	*Significant Non-Compliance? No unning into pit from I K-19-8S-29E *Significant Non-Compliance? No 16 N-6-8S-29E *Significant Non-Compliance? No brush dead,Packing Is	Corrective Action Due By: 8/31/2006 il eaking CSG valve Rule 30-005-60716-00-00 Corrective Action Due By: 8/31/2006 il 30-005-60730-00-00 Corrective Action Due By: 8/31/2006 il eak at well run off pad al	Inspection No. PCH061923883 50 Inspection No. PCH061704631 Inspection No. PCH061703871
Inspection Date 07/11/2006 Comments of O'BRIEN FI Inspection Date 06/19/2006 Comments of O'BRIEN D Inspection Date 06/19/2006 Comments of Comments of ELIZABETI Inspection	Type Inspection Routine/Perion Inspection: EE 19 No.005 Type Inspection Routine/Perion Inspection: EMING 6 No. Type Inspection Routine/Perion Routine/Perion Inspection:	n odic Large Flow Line .002 n odic Flow line leak : 50'.Rule #116.N	Phil Hawkins Rule 103).Unlined p Inspector Phil Hawkins e release NW of Lo Inspector Phil Hawkins aprox. 75' S/w of w Io well siga Rule #1	Yes violation? Yes cation Rule 1 Violation? Yes ell. Grass and	*Significant Non-Compliance? No unning into pit from I K-19-8S-29E *Significant Non-Compliance? No 16 N-6-8S-29E *Significant Non-Compliance? No brush dead,Packing Is C-7-8S-29E *Significant	Corrective Action Due By: 8/31/2006 il eaking CSG valve Rule: 30-005-60716-00-00 Corrective Action Due By: 8/31/2006 il 30-005-60730-00-00 Corrective Action Due By: 8/31/2006 il eak at well run off pad at 30-005-60744-00-00 Corrective	Inspection No. PCH061923883 Inspection No. PCH061704631 Inspection No. PCH061703871
Inspection Date 07/11/2006 Comments of O'BRIEN FI Inspection Date 06/19/2006 Comments of O'BRIEN D Inspection Date 06/19/2006 Comments of	Type Inspection Routine/Perion Inspection: EE 19 No.005 Type Inspection Routine/Perion Inspection: EMING 6 No. Type Inspection Routine/Perion Routine/Perion Inspection:	n odic Large Flow Line .002 n odic Flow line leak: 50'.Rule #116.N	Phil Hawkins Rule 103). Unlined p Inspector Phil Hawkins e release NW of Lo Inspector Phil Hawkins aprox. 75' S/w of w	Yes pit with fluid r Violation? Yes pocation Rule 1 Violation? Yes ell. Grass and	*Significant Non-Compliance? No unning into pit from I K-19-8S-29E *Significant Non-Compliance? No 16 N-6-8S-29E *Significant Non-Compliance? No brush dead,Packing Is	Corrective Action Due By: 8/31/2006 il eaking CSG valve Rule 30-005-60716-00-00 Corrective Action Due By: 8/31/2006 il 30-005-60730-00-00 Corrective Action Due By: 8/31/2006 il eak at well run off pad al 30-005-60744-00-00 Corrective Action Due By:	Inspection No. PCH061923883 50 Inspection No. PCH061704631 Inspection No. PCH061703871

O'BRIEN FEE 24 No.001 I-24-8S-28E 30-005-60803-00-00 *Significant Corrective Inspection Inspection No. Violation? Type Inspection Inspector Non-Compliance? Action Due By: Date Yes 8/31/2006 iPCH0619236416 07/11/2006 Routine/Periodic Phil Hawkins Comments on Inspection: Well sign does not have current operator. Packing leaking onto ground. Ground contamination well sign Rule 103, Release Rule 116 TWIN LAKES SAN ANDRES UNIT No.037 J-36-8S-28E 30-005-60973-00-00 *Significant Corrective Inspection Inspection No. Violation? Type Inspection Inspector Non-Compliance? Action Due By: Date iPCH0619538601 07/14/2006 Routine/Periodic Phil Hawkins Yes No 8/31/2006 Well sign does not have current operator. Flow line release North of location Rule 103 and Rule 116 Comments on Inspection: G-7-9S-29E TWIN LAKES SAN ANDRES UNIT No.103 30-005-61075-00-00 *Significant Corrective Inspection Type Inspection Inspector Violation? Inspection No. Date Non-Compliance? Action Due By: 8/31/2006 iPCH0619845271 07/17/2006 Routine/Periodic Phil Hawkins Yes No Comments on Inspection: flow line release NE of well location in pasture Rule 116 TWIN LAKES SAN ANDRES UNIT No.094 B-7-9S-29E 30-005-61106-00-00 Inspection *Significant Corrective Type Inspection Inspector Violation? Inspection No. Non-Compliance? Action Due By: Date Routine/Periodic Phil Hawkins Yes iPCH0619845795 07/17/2006 No 8/31/2006 Comments on Inspection: flow line NW of location.operator not current on well signRule 116 and 103 O'BRIEN FEE 18 No.006 J-18-8S-29E 30-005-61246-00-00 Inspection *Significant Corrective Type Inspection Inspector Violation? Inspection No. Date Non-Compliance? Action Due By: 06/19/2006 Routine/Periodic Phil Hawkins iPCH0617044167 Yes No 8/31/2006 Comments on Inspection: No Well Sign (Rule 103). Packing leaking oil run off.needs attention Rule 116 NANCY No.001 P-1-8S-28E 30-005-61267-00-00 *Significant Inspection Corrective Type Inspection Inspector Violation? Inspection No. Date Non-Compliance? Action Due By: 06/16/2006 Routine/Periodic Phil Hawkins Yes 8/31/2006 iPCH0616743432 Comments on Inspection: No Well Sign (Rule 103). Soil contaminted at well and tankRule 116 TWIN LAKES SAN ANDRES UNIT No.106 L-7-9S-29E 30-005-61332-00-00 Inspection *Significant Corrective Type Inspection Inspector Violation? Inspection No. Date Non-Compliance? Action Due By: 07/17/2006 Routine/Periodic Phil Hawkins Yes No 8/31/2006 iPCH0619844423 Comments on Inspection: flow line release SW of location next to road Rule 116 O'BRIEN R No.001 O-21-8S-29E 30-005-62190-00-00 Inspection *Significant Corrective Type Inspection Inspector Violation? Date Non-Compliance? Inspection No. Action Due By: 07/11/2006 Routine/Periodic Phil Hawkins Yes iPCH0619240720 current opereator is not on well sign at well tank battery has large of contamination, large pile of Comments on Inspection: contaninated dirt on location Rule 103 and 116 TWIN LAKES SAN ANDRES UNIT No.080 G-6-9S-29E 30-005-62213-00-00 Inspection *Significant Corrective Type Inspection Inspector Violation? Date Inspection No. Non-Compliance? Action Due By: 07/18/2006 Routine/Periodic Phil Hawkins Yes No 8/31/2006 iPCH0619940260 Comments on Inspection: current operator not on well sign releases on flow lines around location and on location .Rule 116 and 103

E-28-8S-29E 30-005-62267-00-00 O'BRIEN P No.003 *Significant Corrective Inspection Inspector Violation? Inspection No. Type Inspection Non-Compliance? Action Due By: Date iPCH0619242405 No 8/31/2006 07/11/2006 Routine/Periodic Phil Hawkins Yes Packing and CSG valves leaking on ground.current operator is not on well sign Rule 103 Well Sign Comments on Inspection: and Rule 116 D-7-8S-29E 30-005-62861-00-00 ELIZABETH C No.005 Inspection *Significant Corrective Inspection No. Inspector Violation? Type Inspection Non-Compliance? Action Due By: Date 06/16/2006 Routine/Periodic Phil Hawkins Yes No 8/31/2006 iPCH0616744610 Comments on Inspection: No Well Sign (Rule 103), Production Pit Rule 50, Oil in Pits I-12-9S-28E 30-005-63138-00-00 TWIN LAKES SAN ANDRES UNIT No.200 *Significant Corrective Inspection Violation? Inspection No. Inspector Type Inspection Action Due By: Date Non-Compliance? 07/17/2006 Routine/Periodic Phil Hawkins Yes No 8/31/2006 iPCH0619841678 Comments on Inspection: release around wellhead and off location Rule 116 3-6-9S-29E 30-005-63190-00-00 TWIN LAKES SAN ANDRES UNIT No.329 *Significant Inspection Corrective Type Inspection Violation? Inspection No. Inspector Non-Compliance? Date Action Due By: 07/17/2006 Routine/Periodic Phil Hawkins Yes No 8/31/2006 iPCH0619837801

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.

large area of release around wellhead and off location, current not on well sign. Rule 103 and 116

Sincerely,

Artesia OCD District Office

Hankins

Comments on Inspection:

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.