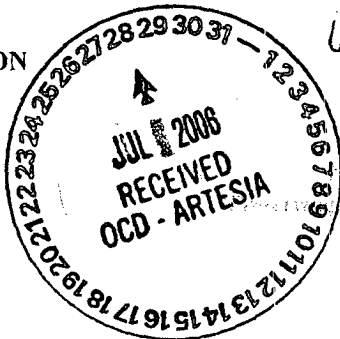


NEW MEXICO ENERGY, MINERALS
NATURAL RESOURCES DEPARTMENT

Recorded
and

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary



6-30-06 RB Roby Z.
DA
SM
Jec C.

Mark E. Fesmire, P. E.
Director
Oil Conservation Division

16-Jun-06

YATES PETROLEUM CORPORATION
105 S 4TH ST
ARTESIA, NM 88210

Completed
MAILED
JUL 2 2006

RECEIVED
JUN 29 2006
MAIL ROOM

LETTER OF VIOLATION - Inspection
LOV No. 2-06-3

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.

TR 32A #8
W L H 4S UNIT No.008

INSPECTION DETAIL SECTION

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
06/16/2006	Routine/Periodic	Gerry Guye	Yes	No	7/31/2006	iGEG0616751392
Violations						
Li R Absent Well Identification Signs (Rule 103)						
Comments on Inspection: Well sign illegible (Rule 103).						

Well sign installed on location of said TR 32A #8
Note - 7-20-06
JUN 30 2006
PRODUCTION DEPARTMENT
RECEIVED

By Pumpen
Roby Zimmelt

Oil Conservation Division * 1301 W. Grand * Artesia, New Mexico 88210
Phone: 505-748-1283 * Fax: 505-748-9720 * <http://www.emnrd.state.nm.us>

AUG 2 2006
Accepted for record
NMOCB

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.