



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

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Director

Oil Conservation Division

Field Inspection Program

"Preserving the Integrity of Our Environment"

04-Aug-06

LOTHIAN OIL TEXAS I, INC.

PO BOX 450 ATTN: KIRK FARIES, PROD FRMN

ARTESIA NM 88211

LETTER OF VIOLATION - Inspection

LOVNO.020641

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

TURKEY TRACK SEC 3 UNIT No.018

G-3-19S-29E

30-015-21990-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
08/03/2006	Routine/Periodic	Richard Inge	Yes	No	8/17/2006	iREI0621545817

Comments on Inspection: Water leaking from water tank valve. Washing oil down the hill into the field. Operator was notified by phone of the active leak.

There is a pool of oil soaked soil between the water tank and the oil tank. There are also releases on the ground at the transport valves.

These are all violations of rule 116. Please submit a c141 covering all releases on this site and stating any immediate remediation action taken.

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,

RICHARD INEE

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.