



CERTIFIED MAIL

JUL - 6 2007
OCD-ARTESIA

July 2, 2007

Mr. Ron Harvey
State of New Mexico
Oil Conservation Division – District II
1301 W. Grand Avenue
Artesia, NM. 88210

**RE: RIO STATE #4
EDDY CO., NM.**

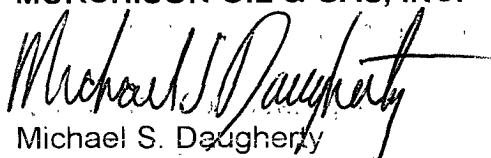
Dear Mr. Harvey:

As a follow up to Letter of Violation dated April 3, 2007, LOV No. 029107 (copy attached), Murchison's contractors have completed about 75% of the work necessary to close the reserve pit in compliance with OCD Guidelines. I will provide you with another update of our progress within 30 days.

If you have any questions feel free to call.

Very truly yours,

MURCHISON OIL & GAS, INC.


Michael S. Daugherty
Vice President Operations

MSD/ct/RioSt#4-OCDLettofViol-#029107-3rdFolwUpResp

Encl.



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 Program

"Preserving the Integrity of Our Environment"

03-Apr-07

MURCHISON OIL & GAS INC

1100 MIRA VISTA BLVD

PLANO TX 75093-4698

LOV NO. 029107

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

RIO STATE No.004

A-36-18S-24E

30-015-34653-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/03/2007	Routine/Periodic	Ron Harvey	Yes	No	5/3/2007	iREH0709344888
Violations						
Emergency/Temporary Pits						
Comments on Inspection:		Well producing since 7/1/2006. Drilling pit still open and full, liner ok. Violation of Rule 50. Photos 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,


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.