



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"

27-Nov-07

7001 1940 0001 9971 5550

AMERISTATE EXPLORATION, L.L.C.

401 CONGRESS AVE., STE. 2900

AUSTIN TX 78701

LOV NO. 02-07-224

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

EAST MILLMAN UNIT No.161

I-14-19S-28E

30-015-02254-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
11/27/2007	Routine/Periodic	Kimberly Wilson	Yes	No	1/10/2008	iKMW0733140243
Comments on Inspection: The TA status of this well expired 10-22-07. The well has not been plugged or returned to production. Violation of rule 201						

EAST MILLMAN UNIT No.218

O-14-19S-28E

30-015-22089-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
11/27/2007	Routine/Periodic	Kimberly Wilson	Yes	No	12/10/2007	iKMW0733140840
Comments on Inspection: Flowline release north of location. Fluid traveled approximately 300 yards by-way of an wash-out. This is a violation of rule 13, and failure to notify OCD of release is a violation of rule 116. Operator must submit c-141 to district office.						

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