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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Response Required – Deadline Enclosed

23-May-08

MELROSE OPERATING COMPANY

PO BOX 953

MIDLAND TX 79702

LOV NO. 2-8-104

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

STATE E 1286 No.109

L-15-18S-28E

30-015-01876-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/03/2008	Routine/Periodic	Richard Inge	Yes	No	6/6/2008	iREI0809453014

Comments on Inspection: Violations of OCD rules 19.15.1.13 and 19.15.3.116. The Tank battery has fresh oil standing. Gravel in the bermed area is stained. Looks like a new caliche berm. There have been problems reported with this site before.

Please submit a C-141 Spill report and clean up report by Corrective Action Due By date.

HUMBLE STATE No.004

G-16-18S-28E

30-015-01889-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
05/13/2008	Routine/Periodic	Richard Inge	Yes	No	6/6/2008	iREI0813449570

Comments on Inspection: Violations of OCD rules 19.15.1.13 and 19.15.3.116. The Tank Battery for this well has contamination within the bermed area. Some contamination is fresh and looks like the water and oil tanks have overflowed. No spill report has been received by the OCD.

Please submit a C-141 Spill report and clean up report by Corrective Action Due By date.

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,

A handwritten signature in black ink that reads "Richard Ingle". The signature is written in a cursive, slightly slanted style.

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.