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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

30 OIS 05411

23-May-08

FOREST OIL CORPORATION

3504 W. County Rd.

Hobbs NM 88240

LOV NO. 2-8-102

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

SKELLY UNIT No.019

F-15-17S-31E

30-015-05155-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|-----------------|--------------|------------|------------------------------|---------------------------|----------------|
| 05/19/2008 | Bradenhead | Richard Inge | Yes | No | 6/6/2008 | iREI0812757108 |

Comments on Inspection: Violation of OCD rule 19.15.2.50.A - Unregistered pit on location.

Violation of OCD rule 19.15.2.50.F.1 - Pit still open. The lining is down in the pit. A subsequent report of work done was submitted 3/12/07. Pit should have been closed within 6 months of use.

Please submit a C-144 pit closure form by Corrective Action Due By Date.

SKELLY UNIT No.025

I-15-17S-31E

30-015-05160-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|-----------------|--------------|------------|------------------------------|---------------------------|----------------|
| 05/19/2008 | Bradenhead | Richard Inge | Yes | No | 6/6/2008 | iREI0812757112 |

Comments on Inspection: Violation of OCD rule 19.15.2.50.A - Unregistered pit on location.

Violation of OCD rule 19.15.2.50.F.1 - Pit still open. The liner torn and down. There is some staining on side of pit. Pit should have been closed within 6 months of use.

Please submit a C-144 pit closure form by Corrective Action Due By Date.

SKELLY UNIT No.072

K-23-17S-31E

30-015-05372-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|-----------------|--------------|------------|------------------------------|---------------------------|----------------|
| 05/20/2008 | Bradenhead | Richard Inge | Yes | No | 6/6/2008 | iREI0812757175 |

Comments on Inspection: Violation of OCD rule 19.15.2.50.A - Unregistered pit on location.

Violation of OCD rule 19.15.2.50.F.1 - Pit still open. Subsequent report of workover submitted 08/21/07. Pit should have been closed within 6 months of use.

Please submit a C-144 pit closure form by Corrective Action Due By Date.

LEA D No.001

B-26-17S-31E

30-015-05411-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|-----------------|--------------|------------|------------------------------|---------------------------|----------------|
| 05/20/2008 | Bradenhead | Richard Inge | Yes | No | 6/6/2008 | iREI0812757184 |

Comments on Inspection: Violation of OCD rule 19.15.2.50.A - Unregistered pit on location.

Violation of OCD rule 19.15.2.50.F.1 - Pit still open. Subsequent report of workover submitted 10/11/06. Pit should have been closed within 6 months of use.

Please submit a C-144 pit closure form by Corrective Action Due By Date.

LEA D No.002

A-26-17S-31E

30-015-05412-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|-----------------|--------------|------------|------------------------------|---------------------------|----------------|
| 05/20/2008 | Bradenhead | Richard Inge | Yes | No | 6/6/2008 | iREI0812757183 |

Comments on Inspection: Violation of OCD rule 19.15.2.50.F.1 - Pit still open. Subsequent report of workover submitted 05/04/07. Pit should have been closed within 6 months of use.

Please submit a C-144 pit closure form by Corrective Action Due By Date.

SKELLY UNIT No.083

D-26-17S-31E

30-015-05418-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|-----------------|--------------|------------|------------------------------|---------------------------|----------------|
| 05/20/2008 | Bradenhead | Richard Inge | Yes | No | 6/6/2008 | iREI0812757188 |

Comments on Inspection: Violation of OCD rule 19.15.2.50.A - Unregistered pit on location.

Violation of OCD rule 19.15.2.50.F.1 - Pit still open. Subsequent report of workover submitted 3/14/07. Pit should have been closed within 6 months of use.

Please submit a C-144 pit closure form by Corrective Action Due By Date.

SKELLY UNIT No.084

A-27-17S-31E

30-015-05423-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|-----------------|--------------|------------|------------------------------|---------------------------|----------------|
| 05/19/2008 | Bradenhead | Richard Inge | Yes | No | 6/6/2008 | iREI0812757198 |

Comments on Inspection: Violation of OCD rule 19.15.2.50.F.1 - Pit still open. Subsequent report of work completed submitted 04/10/07. Pit should have been closed within 6 months of use.

Please submit a C-144 pit closure form by Corrective Action Due By Date.

SKELLY UNIT No.096

W-27-17S-31E

30-015-05424-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|-----------------|--------------|------------|------------------------------|---------------------------|----------------|
| 05/19/2008 | Bradenhead | Richard Inge | Yes | No | 6/6/2008 | iREI0812757204 |

Comments on Inspection: Violation of OCD rule 19.15.2.50.A - Unregistered pit on location.

Violation of OCD rule 19.15.2.50.F.1 - Pit still open. Subsequent report of work completed submitted 10/11/06. Pit should have been closed within 6 months of use.

Please submit a C-144 pit closure form by Corrective Action Due By Date.

SKELLY UNIT No.090

C-28-17S-31E

30-015-05428-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|-----------------|--------------|------------|------------------------------|---------------------------|----------------|
| 05/19/2008 | Bradenhead | Richard Inge | Yes | No | 6/6/2008 | iREI0812757208 |

Comments on Inspection: Violation of OCD rule 19.15.2.50.A - Unregistered pit on location.

Violation of OCD rule 19.15.2.50.F.1 - Pit still open. The liner is down in the pit. Subsequent report of work completed submitted 10/11/06. Pit should have been closed within 6 months of use.

Please submit a C-144 pit closure form by Corrective Action Due By Date.

SKELLY UNIT No.089

B-28-17S-31E

30-015-05429-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|-----------------|--------------|------------|------------------------------|---------------------------|----------------|
| 05/19/2008 | Bradenhead | Richard Inge | Yes | No | 6/6/2008 | iREI0812757207 |

Comments on Inspection: Violation of OCD rule 19.15.2.50.A - Unregistered pit on location.

Violation of OCD rule 19.15.2.50.F.1 - Pit still open. There is a hole in the liner. Subsequent report of work completed submitted 8/22/07. Pit should have been closed within 6 months of use.

Please submit a C-144 pit closure form by Corrective Action Due By Date.

SKELLY UNIT No.106

C-15-17S-31E

30-015-20366-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|-----------------|--------------|------------|------------------------------|---------------------------|----------------|
| 05/19/2008 | Bradenhead | Richard Inge | Yes | No | 6/6/2008 | iREI0812757103 |

Comments on Inspection: Violation of OCD rule 19.15.2.50.A - Unregistered pit on location.

Violation of OCD rule 19.15.2.50.F.1 - Pit still open. The lining is down in the pit. A subsequent report of work done was submitted 3/12/07. Pit should have been closed within 6 months of use.

Please submit a C-144 pit closure form by Corrective Action Due By Date.

SKELLY UNIT No.110

G-14-17S-31E

30-015-20469-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|-----------------|--------------|------------|------------------------------|---------------------------|----------------|
| 05/19/2008 | Bradenhead | Richard Inge | Yes | No | 6/6/2008 | iREI0812757092 |

Comments on Inspection: Violation of OCD rule 19.15.2.50.F.1 - Pit still open. Pit was registered 3/15/07 and subsequent report of work done submitted 4/20/07. Pit should have been closed within 6 months of use.

Please submit a C-144 pit closure form by Corrective Action Due By Date.

SKELLY UNIT No.300

J-23-17S-31E

30-015-29452-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|-----------------|--------------|------------|------------------------------|---------------------------|----------------|
| 05/20/2008 | Bradenhead | Richard Inge | Yes | No | 6/6/2008 | iREI0812757173 |

Comments on Inspection: Violation of OCD rule 19.15.2.50.A - Unregistered pit on location.

Violation of OCD rule 19.15.2.50.F.1 - Pit still open. Subsequent report of workover submitted 10/11/06. Pit should have been closed within 6 months of use.

Please submit a C-144 pit closure form by Corrective Action Due By Date.

SKELLY UNIT No.301

E-28-17S-31E

30-015-29496-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|------------------|--------------|------------|------------------------------|---------------------------|----------------|
| 05/19/2008 | Routine/Periodic | Richard Inge | Yes | No | 6/6/2008 | iREI0814047428 |

Comments on Inspection: Violation of OCD rule 19.15.2.50.A - Unregistered pit on location.

Violation of OCD rule 19.15.2.50.F.1 - Pit still open. Pit should have been closed within 6 months of use.

Please submit a C-144 pit closure form 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,



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