



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

File
Copy

26 July 2002

Slayton Resources Inc.
P.O. Box 2035
Roswell, New Mexico 88202-2035

RE: Diablo State # 1 P-16-10-27 30-005-00246

Dear Sirs:

An inspection of this well on 7-22-02 found the flow line went to tanks, which would not hold fluid. It appears that this well is in violation of Rule 201. There was production reported for May of 2002, if you are producing this well by other than conventional methods please contact me. If not, this well must be brought into compliance.

Rule 201 of the New Mexico Oil Conservation Division provides as follows:

201 WELLS TO BE PROPERLY ABANDONED

201.A. The operator of any well drilled for oil, gas or injection; for seismic, core or other exploration, or for a service well, whether cased or uncased, shall be responsible for the plugging thereof. [7-12-90...2-1-96]

201.B. A well shall be either properly plugged and abandoned or temporarily abandoned in accordance with these rules within ninety (90) days after:

- (1) A sixty (60) day period following suspension of drilling operations, or
- (2) A determination that a well is no longer usable for beneficial purposes, or
- (3) A period of one (1) year in which a well has been continuously inactive.

This well must be brought into compliance on or before 15 August, 2002.

To bring the well into compliance you have 3 options:

1. Put the well into production.
2. T.A. the well.
3. P. A. the well.

In the event that a satisfactory response is not received to this letter of direction by 15 August, 2002, 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,

Van Barton
Field Rep. II