



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

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Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Field Inspection Program

"Preserving the Integrity of Our Environment"

10-Jan-08

PHOENIX HYDROCARBONS OPERATING CORP

PO BOX 3638

MIDLAND TX 79702

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.

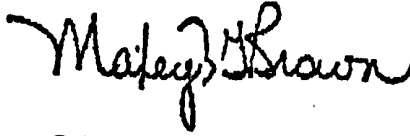
Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

LULU No.001		N-4-11S-33E		30-025-22256-00-00		
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
01/09/2008	Routine/Periodic	Maxey Brown	Yes	No	2/13/2008	iMGB0800944691
Violations						
Surface Leaks/Spills						
Comments on Inspection: NORTH TANK IS LEAKING SALTWATER FROM BOTTOM CHIME. MUST STOP LEAK AND REMOVE CONTAMINATED SOIL ASAP! RULE 116. C-141 WITH CLEANUP PLAN NEEDS TO BE SUBMIT FOR APPROVAL TO LARRY JOHNSON-HOBBS OCD. 575-393-6161 EXT 111. (NO PROD REPORTED IN 17 MONTHS. ELEC TURNED OFF ON PUMPING UNIT). THIS IS 1ST LETTER OF NON-COMPLIANCE. MGB.						

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,



COMPLIANCE OFFICER

Hobbs 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.

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



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MIDLAND TX 79702