



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"

23-Jan-08

SOUTHERN BAY OPERATING, L.L.C.

110 CYPRESS STATION DR., #220

HOUSTON TX 77090

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

SHAHARA STATE UNIT No.008

M-16-17S-33E

30-025-01438-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
01/22/2008	Routine/Periodic	Mark Whitaker	Yes	No	4/11/2008	iMAW0802244835
Violations						
Absent Well Identification Signs (Rule 103)						
General Housekeeping (Rule 114)						
Comments on Inspection: Well sign not legible (see Rule 103). Need to replace well sign. Valve on tbq/csg annulus open, dripping fluid onto ground. Need to close valve. Also location needs to be cleared of debris. COMMENTS: Well signs need to be replaced on Well Nos. 2,3,4,6,7,9,10,11,13,14,15,100 & 101. Need to close drilling pits and cellars on Well No. 12 & 16. 1st letter of non-compliance. MW						

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.

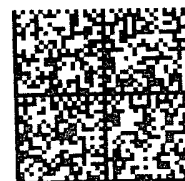
Sincerely,


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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SOUTHERN BAY OPERATING, LLC
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HOUSTON, TX 77090