

NEW MEXICO ENERGY, MINERALS 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 Ow Environment"

09-Jan-08

PIA'S OK TO RELEASE.

1/31/2008 MUB (checked Loc.

YATES PETROLEUM CORPORATION

105 S 4TH ST

ARTESIA NM 88210

Dear Operator:

reminder notice per Morley **LETTER OF VIOLATION - Inspection**

not a LOV well PA'd 4-16-07

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

TEX-GULF AEN STATE No.001Y

P-2-17S-33E

30-025-29889-00-00

Inspection Date

Type Inspection

Inspector

*Significant

Corrective

Inspection No.

01/08/2008

Plugged Well Surface Restor Maxey Brown

Violation? Yes

Non-Compliance?

Action Due By:

No

4/12/2008

iMGB0800858469

Comments on Inspection:

DO NOT RELEASE. NEED TO REMOVE 2 TANKS AND PIPING FROM LOCATION. ALSO REMOVE PUMPING UNIT P/A MARKER NEEDS TO HAVE TOP CAPPED WITH

WELDED PLATE OR CMT. RULE 202. THIS IS 1ST LETTER OF NON-COMPLIANCE.

Completed 2-1-08

RECEIVED

FEB - 6 2008

HOBBS OCD

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 Divison 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,

Hobbs OCD District Office

COMPLIANCE OFFICER

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.