



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

Field Inspection Program

"Preserving the Integrity of Our Environment"

04-Mar-08

MELROSE OPERATING COMPANY

PO BOX 953

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

JALMAT FIELD YATES SAND UNIT No.121				N-11-22S-35E	30-025-08588-00-00	
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
02/26/2008	Compliance Verification	Buddy Hill	Yes	No	2/27/2008	iLWH0805743935
Violations						
EPA Permit Violation						
Comments on Inspection: WELL IS ACTIVE,,NO RECORD OF REPAIRS..TBG. PRESSURE @ 2100#,,PL IS 770#..OVER PRESSURE LIMIT..FIRST NOTICE						
JALMAT FIELD YATES SAND UNIT No.122				M-11-22S-35E	30-025-08592-00-00	
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
02/26/2008	Routine/Periodic	Buddy Hill	Yes	No	2/27/2008	iLWH0805745095
Violations						
Exceeded Allowable Inj Pressures						
Comments on Inspection: TBG. PRESSURE @ 1990#..INJECTION PRESSURE OVER LIMIT..FIRST NOTICE						

JALMAT FIELD YATES SAND UNIT No.126

C-14-22S-35E

30-025-08615-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
02/26/2008	Routine/Periodic	Buddy Hill	Yes	No	2/27/2008	iLWH0805747995
Violations Exceeded Allowable Inj. Pressures						
Comments on Inspection: INJECTION PRESSURE OVER LIMIT..TBG. @ 1960#..						

CONE JALMAT YATES POOL UNIT No.503

N-24-22S-35E

30-025-08641-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
02/26/2008	Routine/Periodic	Buddy Hill	Yes	No	3/19/2008	iLWH0805750140
Violations Surface Release						
Comments on Inspection: REMEDIATION OF CONTAMINATED AREA UNCHANGED SINCE 11-7-07..SOME OF AREA UNTOUCHED..NEEDS SITE REMEDIATION COMPLETED..SECOND NOTICE						

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.

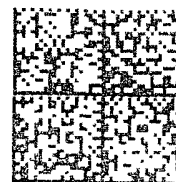
Sincerely,

**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



HASLER
014H15215335
\$0.410
03/04/2008
Mailed From 88240
US POSTAGE

MELROSE OPERATING COMPANY
1000 W. WILSHIRE SUITE 223
OKLAHOMA CITY, OK 73116