



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-Sep-08

MELROSE OPERATING COMPANY

1000 W. WILSHIRE BLVD. SUITE 223

OKLAHOMA CITY OK 73116

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.110				F-11-22S-35E	30-025-08593-00-00		
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.	
09/03/2008	Routine/Periodic	Mark Whitaker	Yes	No	10/17/2008	iMAW0824748023	
Violations							
Absent Well Identification Signs (Rule 103)							
Comments on Inspection: No well Sign (Rule 103). NEED TO INSTALL WELL SIGN. 1st letter on non-compliance. MW							
JALMAT FIELD YATES SAND UNIT No.235				A-11-22S-35E	30-025-38928-00-00		
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.	
09/03/2008	Routine/Periodic	Mark Whitaker	Yes	No	9/19/2008	iMAW0824745678	
Violations							
Absent Well Identification Signs (Rule 103)							
Emergency/Temporary Pits							
Comments on Inspection: United Drilling Rig 34 on well. No well sign (Rule 103). No inspection logs on pit (Rule 17). AS PER RULE 103, WELL SIGNS ARE TO BE INSTALLED WHEN DRILLING OPERATIONS BEGIN. NEED TO POST WELL SIGN IMMEDIATELY. AS PER PIT RULE 17, DAILY INSPECTION LOGS FOR BELOW GROUND LINED PITS ARE TO BE MAINTAINED. NEED TO MAINTAIN INSPECTION LOGS ON DRILLING RIGS. 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,

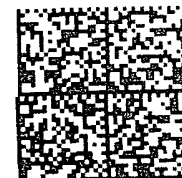

COMPLIANCE OFFICER

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

**FIRST
CLASS**



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09/04/2008

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US POSTAGE

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OKLAHOMA CITY, OK 73116