



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"

12-Mar-09

MILLER OIL & GAS ASSETS III, LLC

16 INVERNESS PLACE EAST BUILDING B

ENGLEWOOD CO 80112

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

STATE AE No.001

M-36-16S-36E

30-025-03773-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|---|------------------|---------------|------------|------------------------------|---------------------------|----------------|
| 03/11/2009 | Routine/Periodic | Mark Whitaker | Yes | No | 6/14/2009 | iMAW0907033905 |
| Violations Detection of Deficient MI (Rules 106,107,1 | | | | | | |

Comments on Inspection: T/A status expired. NEED TO RETEST AND APPLY FOR T/A STATUS, RETURN TO PRODUCTION, OR PLUG AND ABANDON WELL. 1st notice of non-compliance. MW

C S CAYLOR No.004

F-6-17S-37E

30-025-05425-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|---|------------------|---------------|------------|------------------------------|---------------------------|----------------|
| 03/11/2009 | Routine/Periodic | Mark Whitaker | Yes | No | 6/14/2009 | iMAW0907036973 |
| Violations Idle well (Rule 201) | | | | | | |

Comments on Inspection: Well idle. No record of T/A status check. NEED TO RETURN WELL TO PRODUCTION, TEST AND APPLY FOR T/A STATUS, OR PLUG AND ABANDON WELL. Final notice of non-compliance. MW

STATE E No.023

D-1-17S-36E

30-025-24357-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|--------------------------------------|--------------------------------|---------------|------------|---------------------------------|------------------------------|----------------|
| 03/11/2009 | Routine/Periodic Violations | Mark Whitaker | Yes | No | 6/14/2009 | iMAW0907035652 |
| Operating W/O MI (Rules 106,107,108) | | | | | | |

Comments on Inspection: Chemical drums on west side of location with unknown substances, leaking onto surface. No record of MIT or C103 showing when well was put on active status. NEED TO REMOVE CHEMICAL DRUMS AND DISPOSE OF CONTENTS PROPERLY. NEED TO SCHEDULE A MIT IMMEDIATELY AND SUBMIT PROPER PAPER WORK. 1st notice 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.

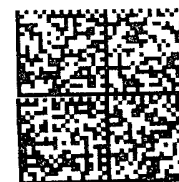
Sincerely,


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



| | | |
|--------|-------------------|------------|
| HASLER | 017H15554612 | US POSTAGE |
| | \$0.420 | |
| | 03/12/2009 | |
| | Mailed From 88240 | |

MILLER OIL & GAS ASSETS III, LLC
16 INVERNESS PLACE EAST BLDG B
ENGLEWOOD, CO 80112