



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"

25-Aug-09

BEC CORP

PO BOX 1392

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

| J W GRIZZEL A No.002 | | | | K-5-22S-37E | 30-025-10065-00-00 | | | | |
|-------------------------|------------------|---|------------|------------------------------|---------------------------|----------------|--|--|--|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. | | | |
| 08/24/2009 | Routine/Periodic | Mark Whitaker | Yes | No | 11/27/2009 | iMAW0923644099 | | | |
| | | Violations | | | | | | | |
| | | Surface Leaks/Spills | | | | | | | |
| Comments on Inspection: | | Location needs attention. Equipment OK. Heavy oil staining around wellhead. NEED TO REMOVE AND PROPERLY DISPOSE OF CONTAMINATED SOIL. 1st notice. MW | | | | | | | |
| GRIZZELL DEEP No.001 | | | | N-5-22S-37E | 30-025-10074-00-00 | | | | |
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. | | | |
| 08/24/2009 | Routine/Periodic | Mark Whitaker | Yes | No | 11/27/2009 | iMAW0923643828 | | | |
| | | Violations | | | | | | | |
| | | Absent Well Identification Signs (Rule 103) | | | | | | | |
| | | Surface Release | | | | | | | |
| Comments on Inspection: | | Well sign not legible. Stuffing box has leaked. NEED TO REPLACE WELL SIGN. (PLEASE REFER TO RULES FOR INFORMATION REQUIRED ON SIGN.) NEED TO REMOVE AND PROPERLY DISPOSE OF CONTAMINATED SOIL AROUND WELLHEAD. 1st notice. MW | | | | | | | |

GRIZZELL DEEP No.002

L-5-22S-37E

30-025-26149-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|--------------------|------------------|---------------|------------|---------------------------------|------------------------------|----------------|
| 08/24/2009 | Routine/Periodic | Mark Whitaker | Yes | No | 11/27/2009 | iMAW0923644280 |

Violations

Absent Well Identification Signs (Rule 103)

Surface Release

Comments on Inspection: Well sign incorrect. Wrong API #. Location needs attention. Heavy oil staining around wellhead. Indications of recent leak on south side of well. NEED TO CORRECT WELL SIGN. NEED TO REMOVE AND PROPERLY DISPOSE OF CONTAMINATED SOIL. 1st notice. 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
\$0.440
08/25/2009
Mailed From 88240

US POSTAGE

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MIDLAND, TX 79702