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

01-Apr-10

MELROSE OPERATING COMPANY

20333 STATE HIGHWAY 249 SUITE 310 HOUSTON,TX 77070-

LETTER OF VIOLATION Delinquent Regulatory Filings

Dear Operator:

Oil Conservation Division ("OCD") records indicate that you failed to file the required reports identified below, or that your filings were incomplete or inaccurate.

NON-COMPLIANT WELL DETAIL SECTION

JALMAT FIELD YATES SAND UNIT No.179

Determination or Violation Date: 4/1/2010

Location: 13-22S-35E

30-025-38869-00-00

Original Well Type: Oil (Producing)

Well Status: Active

Delinquent Report or Filing(s): - Other Monitoring and Reporting

Violation

Comments: OCD Hobbs has received C103 and original chart for converting this well to injection. Also required is form C-105 completion report for the injection status. If you have any questions on this matter, please call Donna Mull (575) 393-6161 ext 115. -

CORRECTIVE ACTION ON THIS WELL DUE BY: 5/1/2010

Please file or correct the reports identified above by the corrective action due date indicated. If you fail to file or correct the reports by that date, the OCD will take enforcement action that may include but is not limited to applying for an order assessing civil penalties and/or requiring you to plug and abandon the wells associated with those reports.

Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infrastructure of the oil and gas industry.

Sincerely,

Hobbs OCD District Office

EMNRD - DISTRICT I OIL CONSERVATION DIVISION 1625 N FRENCH DRIVE HOBBS NM 88240



Melrose Operating Co ATT Peter Evtimov 20333 State Hwy 249, Suite 310 Houston TX 77077