

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

05-May-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.207

Location: 14-22S-35E

30-025-36972-00-00

Original Well Type: Oil (Producing)

Well Status: Active

Determination or Violation Date: 5/5/2010

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

Comments: OCD Hobbs office has received C-103 converting well to Injection. Also required is the C-105 completion form. Please send C-105 to the Hobbs OCD Office. If you have questions on this matter, please call Donna Mull (575) 393-6161 ext 115. -

CORRECTIVE ACTION ON THIS WELL DUE BY: 6/4/2010

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