



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"

20-May-10

MELROSE OPERATING COMPANY
20333 STATE HIGHWAY 249 SUITE 310
HOUSTON TX 77070

MELROSE OPERATING CO.
P.O. BOX 953
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

JALMAT FIELD YATES SAND UNIT No.121				N-11-22S-35E	30-025-08588-00-00		
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.	
05/19/2010	Bradenhead	Sylvia Dickey	Yes	No	8/22/2010	iSAD1013946041	
Comments on Inspection:		Injection Pressure Over Limit. (Rule 703/704 B.) ***OPERATOR SHOWS 1640# APRVD FOR 770#****					

JALMAT FIELD YATES SAND UNIT No.113				K-11-22S-35E	30-025-08589-00-00		
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.	
05/19/2010	Bradenhead	Sylvia Dickey	Yes	No	8/22/2010	iSAD1013952702	
Comments on Inspection:		Injection Pressure Over Limit. (Rule 703/704 B.) ****OPERATOR SHOWING 875# APRVD FOR 779#***					

JALMAT FIELD YATES SAND UNIT No.109				G-11-22S-35E	30-025-08594-00-00		
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.	
05/19/2010	Pressure Test	Sylvia Dickey	Yes	No	8/22/2010	iSAD1013950409	
Comments on Inspection:		Injection Pressure Over Limit. (Rule 703/704 B.) ***OPERATOR SHOWS 1700# APRVD FOR 775#*****					

JALMAT FIELD YATES SAND UNIT No.106

C-11-22S-35E 30-025-08595-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
05/19/2010	Bradenhead	Sylvia Dickey	Yes	No	8/22/2010	iSAD1013953044
Comments on Inspection: Injection Pressure Over Limit. (Rule 703/704 B.) ***1750# APRVD 775#****						

CONE JALMAT YATES POOL UNIT No.202

B-24-22S-35E 30-025-08644-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
05/19/2010	Bradenhead	Sylvia Dickey	Yes	No	8/22/2010	iSAD1013938322
Comments on Inspection: No Well Sign (Rule 103). OPERATOR REP. SAID SIGN IS ON ORDER. VIOLATION FOR COMPLIANCE MANAGEMENT;						

JALMAT FIELD YATES SAND UNIT No.220

L-11-22S-35E 30-025-37174-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
05/19/2010	Bradenhead	Sylvia Dickey	Yes	No	8/22/2010	iSAD1013947644
Comments on Inspection: Injection Pressure Over Limit. (Rule 703/704 B.) ***OPERATOR SHOWS 1500# APRVD FOR 756#****						

JALMAT FIELD YATES SAND UNIT No.221

I-10-22S-35E 30-025-37240-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
05/19/2010	Bradenhead	Sylvia Dickey	Yes	No	8/22/2010	iSAD1013946828
Comments on Inspection: INJECTION LINE LEAK; HAD R/CREW.FIX IMMEDIATELY; OKAY; INJECTION PRESSURE VIOLATION NMOCD 703/704B; ***OPERATOR SHOWS 1600# APRVD FOR 778#****						

JALMAT FIELD YATES SAND UNIT No.159

F-13-22S-35E 30-025-38868-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
05/19/2010	Bradenhead	Sylvia Dickey	Yes	No	8/22/2010	iSAD1013944188
Comments on Inspection: Injection Pressure Over Limit. (Rule 703/704 B.) ***OPERATOR SHOWS 1200# APRVD FOR 754#****						

JALMAT FIELD YATES SAND UNIT No.182

A-14-22S-35E 30-025-38871-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
05/19/2010	Bradenhead	Sylvia Dickey	Yes	No	8/22/2010	iSAD1013944536
Comments on Inspection: Injection Pressure Over Limit. (Rule 703/704 B.) ***OPERATOR SHOWS 1700# APRVD FOR 761# ****						

JALMAT FIELD YATES SAND UNIT No.195

H-14-22S-35E 30-025-38874-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
05/19/2010	Pressure Test	Sylvia Dickey	Yes	No	8/22/2010	iSAD1013943244
Comments on Inspection: Injection Pressure Over Limit. (Rule 703/704 B.) ***OPERATOR SHOWS 1500# APRVD FOR 1100# ****						

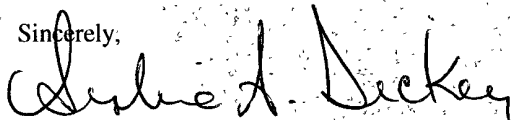
JALMAT FIELD YATES SAND UNIT No.222

B-14-22S-35E 30-025-38875-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
05/19/2010	Pressure Test	Sylvia Dickey	Yes	No	8/22/2010	iSAD1013945740
Comments on Inspection: Injection Pressure Over Limit. (Rule 703/704 B.) ***OPERATOR SHOWS 1500# APRVD FOR 1400#***						

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,

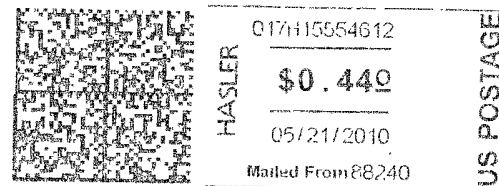


Hobbs OCD District Office
COMPLIANCE OFFICER

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data.

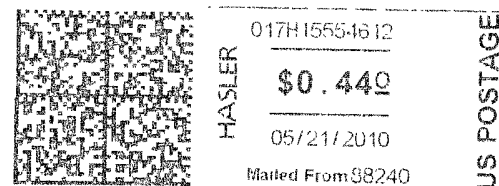
*Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



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