

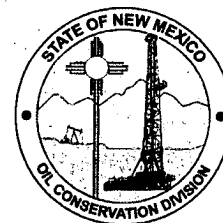


New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jim Noel
Cabinet Secretary
Karen W. Garcia
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Response Required – Deadline Enclosed

Field Inspection
"Preserving the Integrity of Our Environment"

02-Dec-10

YATES PETROLEUM CORPORATION
105 S 4TH ST
ARTESIA NM 88210

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

SHOOTING STAR STATE SWD No.001

J-11-18S-35E

30-025-29805-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
12/01/2010	Bradenhead	Sylvia Dickey	Yes	No	3/6/2011	iSAD1033534091

Comments on Inspection: TOP FLANGE ON WELLHEAD HAS LEAK; NEEDS TO BE REPLACED OR TIGHTENED
****OPERATOR IN VIOLATION OF NMOC Rule 19.15.26.10****OPERATION AND
MAINTENANCE*****.

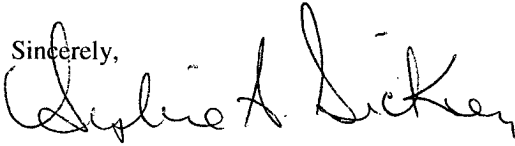


December 2, 2010

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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,

A handwritten signature in black ink, appearing to read "Daphne A. Dickey", written over the word "Sincerely,".

COMPLIANCE OFFICER

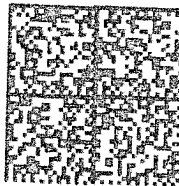
Hobbs OCD District Office

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

YATES PETROLEUM CORP.
105 S. 4TH STREET
ARTESIA, NM 88210



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12/02/10

Mailed From 88240

US POSTAGE