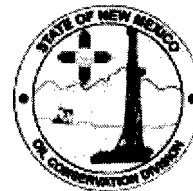


State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Tony Delfin
Acting Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



Response Required - Deadline Enclosed

12-Dec-16

MCKAY OIL CORP

One McKay Place P. O. Box 2014
Roswell NM 88202-

LETTER OF VIOLATION - Inactive Well(s)

Dear Operator:

A review of our records and recent inspection(s) indicate that the subject well(s) has been shut-in for an extended period of time. Rule 19.15.25.8 of the Rules and Regulation of the Oil Conservation Division provides that a well may be shut-in no longer than sixty days after suspension of drilling operations, upon determining that the well is no longer usable (e.g., a dry hole), or one year after last production. To comply with guidelines as established in the Rules and Regulations, corrective actions must be taken immediately and the well(s) brought into compliance.

The detail section below indicates preliminary findings and/or probable nature of the violation.

The following options are available:

1. Immediately restore the well(s) to production, injection or disposal as applicable.
2. Request 'Temporary Abandoned' status pursuant to Rule 19.15.25.13, which requires that you set a plug and conduct a mechanical integrity test.
3. Submit a proposal to 'Plug and Abandon' the well(s) pursuant to Rule 19.15.25.9, proceed with plugging procedures on a timely basis after the proposal has been evaluated, amended and/or approved.

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.

IDLE WELL INSPECTION DETAIL SECTION

INEXCO FEDERAL 004	E-30-5S-22E	30-005-62382-00-00	Inspection No. iGC1634744945
Inspection Date:	12/12/2016 12:29:04 PM	Corrective Action Due by: 3/17/2017	
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic	Gilbert Cordero	Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8. LAST REPORTED PRODUCTION 4-1-12		
INEXCO FEDERAL 002	J-25-5S-21E	30-005-62389-00-00	Inspection No. iGC1634743881
Inspection Date:	12/12/2016 12:11:20 PM	Corrective Action Due by: 3/17/2017	
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic	Gilbert Cordero	Yes	No
Comments on Inspection:	Violation of rule 19.15.25.8. LAST REPORTED PRODUCTION 3-1-09		
INEXCO FEDERAL 005	A-25-5S-21E	30-005-63601-00-00	Inspection No. iGC1634744395

Inspection Date: 12/12/2016 12:19:53 PM

Corrective Action Due by: 3/17/2017

Type Inspection

Inspector

Violation?

***Significant Non-Compliance?**

Routine/Periodic

Gilbert Cordero

Yes

No

Comments on Inspection:

Violation of rule 19.15.25.8. LAST REPORTED PRODUCTION 5-1-12. NO WELL SIGN RULE 19.15.16.8

INEXCO FEDERAL 006

4-19-5S-22E

30-005-63740-00-00

Inspection No. iGC1634745195

Inspection Date: 12/12/2016 12:33:13 PM

Corrective Action Due by: 3/17/2017

Type Inspection

Inspector

Violation?

***Significant Non-Compliance?**

Routine/Periodic

Gilbert Cordero

Yes

No

Comments on Inspection:

Violation of rule 19.15.25.8. LAST REPORTED PRODUCTION 5-1-09

MCKAY B FEDERAL 004

H-33-5S-21E

30-005-64082-00-00

Inspection No. iGC1634737168

Inspection Date: 12/12/2016 10:19:26 AM

Corrective Action Due by: 3/17/2017

Type Inspection

Inspector

Violation?

***Significant Non-Compliance?**

Routine/Periodic

Gilbert Cordero

Yes

No

Comments on Inspection:

Violation of rule 19.15.25.8. LAST REPORTED PRODUCTION 4-1-12

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,


Compliance Officer

Artesia OCD District Office

* Significant Non-Compliance events are reported directly to the U.S. Environmental Protection Agency, Region VI, Dallas, Texas.