



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Field Inspection Program
"Preserving the Integrity of Our Environment"

11-Dec-09

CHI OPERATING INC
P. O. BOX 1799
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.

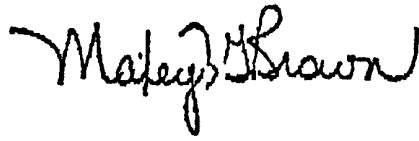
Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

Table with 7 columns: Inspection Date, Type Inspection, Inspector, Violation?, \*Significant Non-Compliance?, Corrective Action Due By, Inspection No. Row 1: 12/11/2009, Plugged Well Surface Restor, Maxey Brown, Yes, No, 3/16/2010, iMGB0934523999. Includes a comments section: DO NOT RELEASE. (RULE 19.15.25.8). P/A MARKER LACKS REQUIRED INFORMATION. NEEDS API#, NEEDS LEGAL DESCRIPTION INCLUDING UNIT LETTER. ALSO MARKER IS LOOSE, NEEDS TO BE SECURED TO CASING. THIS IS 2ND LETTER OF NON-COMPLIANCE.

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 Divison 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,

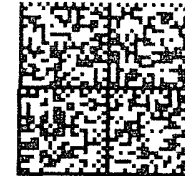


Hobbs OCD District Office

**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



HASLER  
017H15554612  
**\$0.44**  
12/11/2009  
Mailed From 88240

US POSTAGE

CHI OPERATING INC  
P.O. BOX 1799  
MIDLAND TX 79702