

20-Aug-14

## Well Inspection History

API Number: **30-045-08185-00-00**

Well Name & No.: **HARE**

Operator: **DESERT ROSE RESORT LLC DBA KOA KA** District: **AZTEC**

County Name: **SAN JUAN**

Field: **HARE**

Legal: **S: 14 T: 29N R: 11W**

Well Type: **OIL (PRODUCING)**

**Exhibit A**

Insp. Dt.	Insp. Type	Insp. Purpose	Insp. No.	RmdyRqDt	Insp. By	Viol. SNC	Failed Codes
8/14/2014	Compliance Verification	Status Check	iBP142324210		315		
	Onsite to meet with A+ to get a plugging bid. While onsite Mr. Bagwell came over and stated they still planned on plugging the well but did not have a loan yet. He also stated they needed to work with the gas company to move to their line for gas instead of using the gas from the well. While onsite you could hear gas moving through the regulator they have set up.						
8/7/2014	Compliance Verification	Status Check	iBP142324236		315		
	Onsite with Daniel Sanchez. This well is set for hearing on August 21.						
7/21/2014	Routine/Periodic	Normal Routine Activity	iJDD14202559		323		
	Checked on this well to see if there was a work over or plugging rig on location. There was no rig or rig equipment on location and fences and other equipment were still up. Pictures took.						
7/1/2014	Routine/Periodic	Normal Routine Activity	iJDD14182297		323		
	Checked on this well. There is no plugging, remediation or work over equipment on this well. Took pictures.						
4/1/2014	Routine/Periodic	Normal Routine Activity	iCTP14101292		310		
	BY Cory Smith. On Tuesday April 1st, Approximately 0800 Brandon and I went to investigate the complaint on the Hare #1 in the Desert Rose Camp Ground. On arrival we talked to a gentleman named Jeff Bagwell, who insisted that he has not seen the remedial letter sent back in October 2013. We discussed the letter and we asked that he send Brandon an email so he may receive a copy. Mr. Bagwell divulged that they were still working on getting funds available for the owner of the well to fix/plug the Hare #1. During our inspection we found that the well head was still leaking a clear water like fluid from around the base of the well head, and the BGT was out of compliance.						
10/25/2013	Routine/Periodic	Normal Routine Activity	iMPK1329856		312		
	met with Nick Herman (possible new owner) - stated to Mr. Herman that the well has problems that will need to be addressed as soon as possible. This well is not running yet. Closing has not happened between Mr. Herman and the owner of date.						
10/23/2013	Routine/Periodic	Normal Routine Activity	iMPK1329642		312		
	talked with new asst. manager Judy - there is a new owner Nick Herman - well is still leaking - water standing in cellar - water runs through pipe to its own septic system						
5/10/2013	Routine/Periodic	Normal Routine Activity	iMPK1313049		312		
	dug cellar from april 9 is full of water - nothing else seems to be different						
4/9/2013	Routine/Periodic	Status Check	iMPK1309956		312		
	on site with david yazzie to witness the digging out of wellhead - found hole in outside casing about 2 feet down from surface - no bradenhead valve was found -						
4/2/2013	Routine/Periodic	Normal Routine Activity	iMPK1309528		312		
	on site with daniel/manager waiting on gentleman to show up to dig out bh						
3/28/2013	Routine/Periodic	Normal Routine Activity	iMPK1308756		312		
	water still running - talked with Daniel (park manager) - stated that they use the well 2 to 3 times a week to heat buildings for park						
3/22/2013	Routine/Periodic	Normal Routine Activity	iMPK1308144		312		
	talked with managers Daniel and Kathleen Lang - then daniel and I went to well where water was running from top mound around wellhead - called adele who then had her brother tom (owners) call me back - explained to tom that they needed to identify where the water is coming from and that we needed to be on location when they started to dig.						
3/18/2013	Routine/Periodic	Normal Routine Activity	iJK130774611		325		
	Onsite to check on well after meeting with neighboring concerned citizen. Well has active leak from around base of well head. Met with Daniel Lang, Desert Rose Resort acting manager, mentioned that the leak will need to be addressed and that the office will be in contact with the Owner. Mr. Lang inquired about what the source could be, I mentioned that it could either be through the Bradenhead (did not appear to be to surface) or a leak in the casing. Mr. Lang mentioned that the Campground and well are currently in the process of being sold to new owner, he also inquired as to who might be able to assess and repair the leak, gave him the names of Soulder Miller and Associates, Animas Environmental, and EnviroTech. Well has fiberglass BGT.						
3/11/2010	Routine/Periodic	Normal Routine Activity	iMPK1007034		312		
	no well Sign (Rule 103). Below grade tank is close to full - looks like recent stuffing box leak - lock on gate not locked (this well sets inside a camping area)						
7/8/2008	Routine/Periodic	Normal Routine Activity	iJJC08190515		319		
	On location to check for below grade tank cover and progress of clean up. Below grade tank has not yet been emptied, and there is some oil staining around location. There are rocks holding down the fence covering. Will discuss with Kelly regarding issues with location.						
6/10/2008	Routine/Periodic	Normal Routine Activity	iJJC08162361		319		
	Spoke with Tom with Desert Rose Resort. They will maintain the location, put up fencing where there is a opening, put a net over open top tank/pit, and clean up oil staining around location.						
6/3/2008	Routine/Periodic	Normal Routine Activity	iJJC08155517		319		
	Back to location to take pictures. Location needs major attention. Oil staining around location, well head, below grade tank. Netting over tank is pulled out. Sub grade tank filled with oil. Location in populated area and doesn't have a fence to keep children or animals out of area or out of below grade tank. Will report. Took pictures.						
4/22/2008	Routine/Periodic	Normal Routine Activity	iJJC08113517		319		
	Location needs attention. Below grade tank has oil in tank, tank not covered. Well head has staining. Large amount of junk on location. Sign on production tank						

7/11/2005 Routine/Periodic

Normal Routine Activity

iDRD0519244

311

no well sign (Rule 103). Talked with bill eckert and he will put a well sign on this well asap. Owners name is Tom Sikorski. Also no bradenhead connection visable

**Total Inspections Performed: 19**

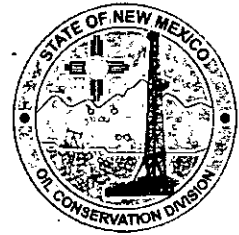
State of New Mexico  
Energy, Minerals and Natural Resources Department

Susana Martinez  
Governor

David Martin  
Cabinet Secretary

Brett F. Woods, Ph.D.  
Deputy Cabinet Secretary

Jami Bailey, Division Director  
Oil Conservation Division



**LETTER OF VIOLATION**  
**(3-14-01)**

April 2, 2014

**Certified Mail**

**Return Receipt #: 7006 3450 0000 0451 8742**

Thomas Sikorski, President  
Desert Rose Resort LLC,  
DBA KOA Kampground  
1900 E Blanco Blvd.  
Bloomfield, NM 87413

**Re: Desert Rose Resort LLC, DBA KOA Kampground, OGRID 215351**

**Well: Hare #1, API 30-045-08185, UL O, Section 14, Township 29N, Range 11W  
San Juan County, New Mexico**

Violation of OCD Rules:  
**19.15.16.11NMAC**

Dear Mr. Sikorski:

On March 18, 2013, the Oil Conservation Division (hereinafter OCD) responded to a public concern about fluid around the Hare #1 (API# 30-045-08185) well. The OCD found water coming from the wellhead area and notified Desert Rose Resort LLC (hereinafter Desert Rose) of the leak.

A subsequent OCD investigation found the following:

1. On April 9, 2013, Desert Rose scheduled to excavate around the wellhead to identify the source of the leak. As a result of the excavation, a hole was discovered in the casing. Compliance Officer Monica Kuehling informed Desert Rose's onsite representative that a plan needed to be submitted to repair the casing.

2. On October 29, 2013, Inspection and Enforcement Supervisor Brandon Powell issued a compliance letter directing Desert Rose to submit a plan within 30 days and initiate remedial activity before December 29, 2013.
3. On April 1, 2014, the OCD responded to a public concern about a leak from the Hare #1 well. The OCD found water still leaking from the wellhead area.
4. As of April 1, 2014, the OCD has not received an official plan and Desert Rose has not initiated remedial activity to repair the Hare #1 well.

**OCD Rule 19.15.16.11 NMAC DEFECTIVE CASING OR CEMENTING:** If a well appears to have a defective casing program or faultily cemented or corroded casing that will permit or may create underground waste or contamination of fresh waters, the operator shall give written notice to the division within five working days and proceed with diligence to use the appropriate method and means to eliminate the hazard. If the hazard of waste or contamination of fresh water cannot be eliminated, the operator shall properly plug and abandon the well.

**Violation 1:** Desert Rose violated **OCD Rule 19.15.16.11 NMAC** by not proceeding with diligence to repair the casing or plug the Hare #1 well site. It has been 357 days since the casing leak was first verified.

The OCD is opting **NOT** to issue a **NOTICE OF VIOLATION** at this time for the failure to comply with OCD Rule 19.15.16.11 NMAC. However, Desert Rose is admonished that any future activities that are not in compliance with OCD Rules may be subject to formal enforcement action.

Please be advised formal action under NMSA 1978 Section 70-2-31(A) provides in relevant part, "[a]ny person who knowingly and willfully violates any provision of the Oil and Gas Act or any provision of any rule or order issued pursuant to that act shall be subject to a civil penalty of not more than one thousand dollars (\$1,000) for each violation."

As an Operator in the State of New Mexico, it is Desert Rose's responsibility to comply with OCD's rules. Desert Rose is advised to review **all** of the OCD rules with additional emphasis on **Rule 19.15.16.11 NMAC "DEFECTIVE CASING OR CEMENTING"**.

To come into compliance and avoid further enforcement action, Desert Rose is required to perform the following actions:

Submit a sundry by May 1, 2014, detailing how Desert Rose will either repair the casing or plug the Hare #1.

**Desert Rose is required to initiate the remedial activity by July 1, 2014.**

**Review Desert Rose's compliance with OCD Rule 19.15.17 NMAC PITS, CLOSED-LOOP SYSTEMS, BELOW-GRADE TANKS AND SUMPS to ensure the below-grade tank Desert Rose has on location is in compliance. If it is found out of compliance, perform all necessary work to bring the below grade tank into compliance by July 1, 2014.**

**All documents should be submitted and addressed to the OCD's Aztec district office.**

If I can be of assistance, please contact me at (505) 334-6178 extension 111.

Sincerely,



Charlie T. Perrin  
District III Supervisor  
[charlie.perrin@state.nm.us](mailto:charlie.perrin@state.nm.us)

cc: LOV file

ec: Daniel Sanchez, OCD Compliance Manager  
Gabriel Wade, OCD Assistant General Counsel  
John Bagwell, Desert Rose Acting Assistant Manager

State of New Mexico  
Energy, Minerals and Natural Resources Department

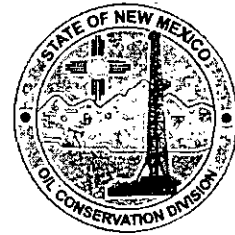
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Susana Martinez  
Governor

David Martin  
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.  
Deputy Cabinet Secretary

Jami Bailey, Division Director  
Oil Conservation Division



October 29, 2013

**Certified Mail**

**Return Receipt #: 7006 3450 0000 0451 8650**

Thomas Sikorski, President  
Desert Rose Resort, LLS  
DBA KOA Kampground  
1900 E Blanco Blvd.  
Bloomfield, NM 87413

**Re: Hare #1, Unit Letter O, Section 14, Township 29N, Range 11W,  
API # 30-045-08185, San Juan County, New Mexico**

Dear Mr. Sikorski:

On March 18, 2013, the Oil Conservation Division (hereinafter OCD) responded to a public concern about fluid around the Hare #1 well. The OCD found water coming from the wellhead area and notified Desert Rose Resorts LLS (hereinafter Desert Rose) of the leak. On April 9, 2013, Desert Rose scheduled to excavate around the wellhead to identify the source of the leak. As a result of the excavation, a hole was discovered in the casing. Compliance Officer Monica Kuehling informed Desert Rose's onsite representative that a plan needed to be submitted to repair the casing.

To date no plan has been submitted and no repairs have been made. **This well is currently in violation with OCD Rule 19.15.16.11 DEFECTIVE CASING OR CEMENTING.**

**19.15.16.11 DEFECTIVE CASING OR CEMENTING:** If a well appears to have a defective casing program or faultily cemented or corroded casing that will permit or may create underground waste or contamination of fresh waters, the operator shall give written notice to the division within five working days and proceed with diligence to use the appropriate method and means to eliminate the hazard. If the hazard of waste or contamination of fresh water cannot be eliminated, the operator shall properly plug and abandon the well. [19.15.16.11 NMAC - Rp, 19.15.3.108 NMAC, 12/1/08]

**In order to protect fresh water, you are hereby directed to submit a remediation plan within 30 days and initiate remedial activity before December 29, 2013.**

Desert Rose Resort LLS

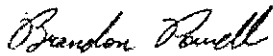
Hare #1

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Notify the Aztec OCD 24 hours before work is initiated to arrange for the well work to be witnessed by an OCD Compliance Officer.

If you have any questions, please call me at 505-334-6178, ext. 116.

Sincerely yours,

A handwritten signature in cursive script that reads "Brandon Powell".

Brandon Powell  
Inspection and Enforcement Supervisor  
OCD District III - Aztec

CC: Well File



**Powell, Brandon, EMNRD**

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**From:** Powell, Brandon, EMNRD  
**Sent:** Tuesday, June 10, 2014 8:42 AM  
**To:** 'Jl Bagwell'  
**Subject:** RE: contact note

Mr. Bagwell

This is a reminder of the upcoming deadline. Remedial activity is required to commence by July 1st on the Hare #1 well.

Thank You  
Brandon Powell  
I & E Supervisor  
New Mexico Oil Conservation  
Office: (505) 334-6178 ext. 116

*"He who wishes to gain knowledge is wiser than he who thinks he has knowledge (unknown)"*

**From:** Jl Bagwell [mailto:jlbagwell24@gmail.com]  
**Sent:** Tuesday, April 01, 2014 11:00 AM  
**To:** Powell, Brandon, EMNRD  
**Subject:** contact note

Brandon,

Hello its John Bagwell here at Desert Rose at Four Corners Contact Nubers are as follows Office (505)632-8339, Mobile (505)350-7832.

Thank You John B.

**Powell, Brandon, EMNRD**

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**From:** John Thompson <john@walsheng.net>  
**Sent:** Friday, June 13, 2014 1:41 PM  
**To:** Nick Herman; nbh@lancapadvisors.com  
**Cc:** Powell, Brandon, EMNRD  
**Subject:** Hare #1 P&A obligations

Nick,

Brandon Powell w/ the NMOCD called today to remind me that the work to P&A the Hare #1 needs to be started by July 1<sup>st</sup>.

Thanks,

**John C. Thompson**

Walsh Engineering & Production Corp.  
O 505.327.4892  
C 505.320.1748  
E [john@walsheng.net](mailto:john@walsheng.net)