

State Of New Mexico

Energy, Minerals and Natural Resources Department

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"Response Required - Deadline Enclosed"

Field Inspection Program

"Preserving the Integrity of Our Environment"

09-Nov-20

MULLOY OPERATING, INC.

415 W Wall

Suite 200

Midland, TX 79701

LETTER OF VIOLATION - Field Inspection

Dear Operator:

The following inspection indicates that the well, equipment, location or operational status of the well 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 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

[30-025-20668] SHIPP #002

OGRID: 225942

G-33-16S-37E 2055 FNL 1980 FEL

Inspection Date	Type Inspection	Inspector	Corrective Action Due By	Inspection No.
10/19/2020	Routine Inspection	[EZB] Eugene Bolton	2/12/2021	iEZB2029332051

Violations:

Rule

19.15.16.12 Blowout Prevention

Violation

Detection of Deficient Mechanical Integrity

Comment:

Visual evidence of blowout.

19.15.16.8 Sign on Wells

Inaccurate Information

Comment:

Current sign shows API 30-025-20667, which is an adjacent 1964 plugged well. Sign appears to have been changed from Shipp #1 to Shipp #2. Active well is API 30-025-20668, Shipp #2, per ARCGIS map. Needs a simple change of 20667 to 20668.

19.15.29 Releases

Unauthorized Release

Comment:

Excess contamination at wellsite covered with caliche and dirt. Distant TB separator has moderate staining, needs cleanup.

19.15.10.8 Safety Procedures for Drilling and Production

Substandard Equipment and/or Needs Repair

Comment:

INCOMING NAT GAS LINE BENT WITH CRACKING, FOUND AT SITE API # 30-025-20251.

19.15.16.18 Well and Lease Equipment

Substandard

Comment:

Blowout and release possibly separate malfunctions. TB berm has no fence.

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.

Sincerely,

Hobbs OCD District Office

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

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