

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

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

Jami Bailey
Division Director
Oil Conservation Division



February 13, 2013

HOBBS OCD

FEB 13 2013

RECEIVED

Everquest Energy Corp.
ATT: Terry Duffey
10 Desta Drive, Suite 300-E
Midland, TX 79705

RE: O'Neill State #1, L-16-8s-36e, API # 30-041-10177

Dear Operator:

The form C-103 that was received February 11, 2013 in the OCD Hobbs office, asking for Intent to extend the TA status for this well has been Denied. This well has been shut-in with a TA status since May 2003.

The injection permit for this well has expired due to lack of reported injection. Per Rule 19.15.26.12.C. whenever there is a continuous one year period of not-injection into all wells into and injection of storage project or into a salt water disposal well or special purpose injection well. The division shall consider the project or well abandoned and the authority for injection shall automatically terminate ipso facto.

The operator shall properly plug and abandon a well if for a period of one year in which the well has been continuously inactive per rule 19.15.25.8.B.3.

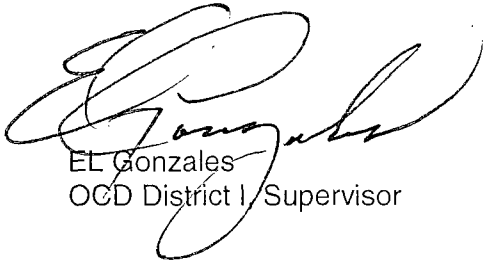
With the denied TA extension, this matter has now gone to the attention of Daniel Sanchez, OCD Compliance & Enforcement Manager. You can reach Daniel at the OCD Santa Fe office (505) 476-3493 or Daniel.sanchez@state.nm.us to discuss enforcement action.

If Daniel Sanchez does not hear from you by March 4, 2013 the OCD will file applications for hearing to seek plugging orders for state or fee wells out of compliance with 19.15.25.8 NMAC that have been inactive for excessive periods of time. The OCD will seek an order requiring the operator to plug the well by a certain date, or authorizing the OCD to plug the well and the operator will forfeit any available financial assurance if the operator fails to comply.

If the well is not covered by a financial assurance or if the financial assurance is not sufficient to cover the OCD's plugging costs, the OCD may bring suit against the operator for indemnification. See NMSA 1978, Section 70-2-14 (E).

If you have any questions concerning this issue, please contact EL Gonzales (575) 393-6161 ex 102.

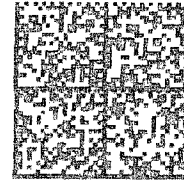
OIL CONSERVATION DIVISION



EL Gonzales
OCD District I Supervisor

CC: OCD Santa Fe

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



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