

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

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

Jami Bailey, Division Director
Oil Conservation Division



Letter of Violation
IMMEDIATE DIRECTIVE

March 28, 2013

Quantum Resources Management, LLC.
1401 McKinney Street
Ste. 2400
Houston, TX 77010

Attn: Regulatory Department

RE: CONE JALMAT YATES (CJYPU) #111, S13-T22S-R35E UNIT P
JALMAT YATES SAND UNIT (JYSU) # 102, S3-T22S-R35E UNIT P

Dear Operator:

After conducting the Annual UIC Testing, it has come to our attention that the above referenced wells presently are out of compliance with OCD Rules and Regulations.

According to records, the OCD District I office has not yet received a Subsequent Report C103 stating a workover attempt, performed in February of 2012 on the CJYPU #111. According to field information, clean out work and tubing construction was/has been modified to well #111 and the packer has been set above the allowed depth.

In order to bring CJYPU #111 into compliance with OCD Injection Rules 19.15.26.10; 19.15.26.11 and the EPA UIC requirements, please do the following:

- Submit a Subsequent Report C103 stating in detail work performed February 2012.
- A packer setting depth must be submitted and approval from Santa Fe must be obtained, if the packer is set more than 100' above the top perforation.
- Please note that wells out of compliance with NMOCD Rule 19.15.5.9 will be listed on the Inactive Well List.

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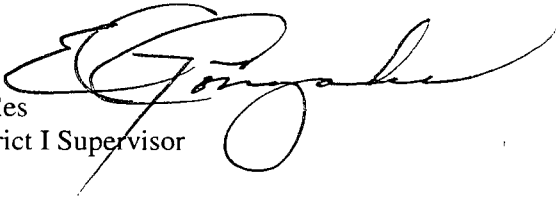
In reference to JYSU #102 the Temporarily Abandonment status has expired. According to OCD Rule 19.15.25.13; 19.15.25.14 Operator must do the following:

- Submit NOI C103 and wellbore schematic requesting an extension of TA Status for 1 year only.
- After approval of NOI, perform a mechanical integrity test on JYSU #102. (500#/30 mins)
- Submit Subsequent Report C103 with detailed information and pressure test chart for approval.

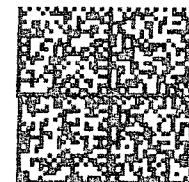
If you have any questions, please contact EL Gonzales, at 575-393-6161 x102.

Sincerely,

EL Gonzales
OCD District I Supervisor

A handwritten signature in black ink, appearing to read 'EL Gonzales', is written over the typed name and title.

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



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