State of New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez Governor

David Martin Cabinet Secretary-Designate

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

APR 3 0 2013

RECEIVED

Jami Bailey, Division Director Oil Conservation Division



LETTER OF VIOLATION -

Response Required – Deadline Enclosed

Field Inspection Program "Preserving the Integrity of Our Environment"

30-Apr-13

RESACA OPERATING COMPANY 1331 LAMAR STREET SUITE 1450 HOUSTON TX 77010

HOUSTON IX //010

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.

SUBMITTED AND APPROVED 5/2012***

| INSPECTION DETAIL SECTION | | | | | | |
|--|-----------------|-----------------------------|------------|-------------------|-------------------|----------------|
| LANGLIE J | AL UNIT No. | 071 | | D-8-25S-37E | 30-025-23869-00- | |
| Inspection | | | | *Significant | Corrective | |
| Date | Type Inspection | Inspector | Violation? | Non-Compliance? | Action Due By: | Inspection No. |
| 04/30/2013 | Bradenhead | Sylvia Dickey | Yes | No | 8/3/2013 | |
| iSAD1312027894 | | | | | | |
| Comments on Inspection: BHT OKAY 4 | | BHT OKAY 4/9/2013; ANNUAL U | IC TESTING | G; **NOTE OPERATO | R MUST SUBMIT | |
| | | NOI TO RETEST FOR TA STATU | S, PLACE W | VELL BACK ON ACTI | VE STATUS OR PLUG | |
| WELL***TA STATUS EXPIRED 12/2/2011***NOI TO EXTEND TA STATUS | | | | | | |

INCORPORTANT OPORTANT

1625 N. French Drive • Hobbs, New Mexico 88240 Phone (575) 393-6161 • Fax (575-393-0720) • www.emnrd.state.nm.us/ocd April 30, 2013 Page 2

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.

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



RESACA OPERATING CO. ATTN: REGULATORY DEPT. 1331 LAMAR STREET STE. 1450 HOUSTON TX 77010