

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

Jami Bailey, Division Director
Oil Conservation Division



Response Required - Deadline Enclosed

Field Inspection Program
"Preserving the Integrity of Our Environment"

HOBBS OCD

JUL 31 2013

RECEIVED

31-Jul-13

SMITH & MARRS INC
P.O. BOX 863
KERMIT TX 79745

LETTER OF VIOLATION - Inspection

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.

INSPECTION DETAIL SECTION

SANMAL QUEEN UNIT No.003

K-1-17S-33E

30-025-29851-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|-----------------|------------------|-------------|------------|------------------------------|---------------------------|----------------|
| 07/25/2013 | Routine/Periodic | Maxey Brown | Yes | No | 10/28/2013 | iMGB1320640270 |

Violations


Absent Well Identification Signs (Rule 103)

Comments on Inspection: RULE 19.15.16.8. NEED TO INSTALL WELL SIGN. NEED TO SUBMIT C-141 FOR LEAK FROM WELL HEAD ONTO GROUND AND SPRAY THAT WENT WEST OF WELL INTO PASTURE. QUESTIONS CONCERNING CLEANUP CAN BE DIRECTED TO GEOFFREY LEKING HOBBS DISTRICT 1 OFFICE. 575-393-6161 EXT 113. THIS IS 1ST LETTER OF NON-COMPLIANCE. MGB.

JUL 31 2013

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,



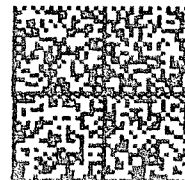
COMPLIANCE OFFICER

Hobbs OCD District Office

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



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