

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

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"

18-Aug-14

NADEL AND GUSSMAN PERMIAN, LLC
601 N MARIENFELD SUITE 508
MIDLAND TX 79701

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

| TONTO 14 STATE No.003 | | | | E-14-18S-34E | 30-025-29766-00-00 | | |
|-------------------------|----------------------------|---|------------|------------------------------|---------------------------|----------------|--|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. | |
| 08/18/2014 | Routine/Periodic | Mark Whitaker | Yes | No | 9/23/2014 | iMAW1423055945 | |
| | Violations | | | | | | |
| | Surface Damage/Restoration | | | | | | |
| Comments on Inspection: | | DO NOT RELEASE BONDS. Conduit, pallets, wellhead, battery, pipe racks, and trash on all sides of location. Also 2 polylines from north side of location run to the Tonto 14 State #2 and dry hole marker has wrong API number. NEED TO REMOVE WELLHEAD, PIPE RACKS, PALLETS, CONDUIT, TRASH AND ANY OTHER DEBRIS. NEED TO CORRECT DRY HOLE MARKER. ALSO NEED TO REMOVE THE TWO 2" POLYLINES THAT DEADEND ON THIS LOCATION. 1st notice. ##### WHEN WORK HAS BEEN COMPLETED, CONTACT THE DISTRICT I OFFICE SO AN RE-INSPECTION CAN BE SCHEDULED ##### | | | | | |

AUG 19 2014

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,

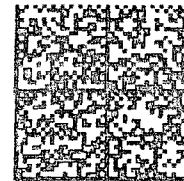

COMPLIANCE OFFICER

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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\$0.69
08/18/14
Mailed From 88240
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NADEL AND GUSSMAN PERMIAN, LLC
601 N MARIENFELD
SUITE 508
MIDLAND, TX 79701