

State of New Mexico  
Energy, Minerals and Natural Resources Department

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**Susana Martinez**  
Governor

**David Martin**  
Cabinet Secretary

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

**Jami Bailey**  
Division Director  
Oil Conservation Division



November 26, 2014

Lodestone Operating Inc  
1605 US Highway 181  
PMB #169  
Portland, Texas 78374

Certified Mail No. 7014 1200 0002 1826 6158

RE: Shipp 10 No. 1 - API No. 30-025-30912

Rule 19.15.25.8 "Wells to be Properly Abandoned" and Rule 19.15.16.8 "Sign on Wells"

To Whom it May Concern

As operator of record of the subject well, Lodestone Operating Inc ("Lodestone") is out of compliance with division rule 19.15.25.8 NMAC, which requires the operator to return well to production or properly plug and abandon after a period of one year in which a well has been continuously inactive. No production has been reported on this well since May of 2007. In addition, no well sign was observed during a recent inspection and is therefore out of compliance with division rule 19.15.16.8 NMAC, which requires the operator to identify wells and related facilities the division regulates by a sign.

Immediate action is now required on your part to resolve these matters. Please contact Daniel Sanchez in Santa Fe at 505-476-3493 or [daniel.sanchez@state.nm.us](mailto:daniel.sanchez@state.nm.us) before December 12, 2014 to discuss this matter.

If Lodestone fails to contact the OCD by the time specified, the matter will be referred to our legal department and a compliance hearing will be scheduled. At hearing, the OCD will seek a compliance order against Lodestone, requiring compliance with OCD Rules and seeking addition sanctions.

Respectfully

A handwritten signature in black ink, appearing to read "Maxey Brown".

Maxey Brown  
District Supervisor, District I

Cc: Daniel Sanchez, Enforcement & Compliance Manager  
Keith Herrmann, Assistant General Counsel

DEC 02 2014

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 IN THE  
 UNITED STATES**

Postmark Here

LODESTONE OPERATING, INC.  
 PMB #169  
 PORTLAND TX 78374

See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

**LODESTONE OPERATING, INC.  
 1605 US HIGHWAY 181  
 PMB #169  
 PORTLAND TX 78374**

2. Article Number  
 (Transfer from service label)

7014 1200 0002 1826 6158

PS Form 3811, February 2004

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature ☐ Agent ☐ Addressee

X B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes ☐ No  
 If YES, enter delivery address below:

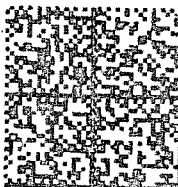
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☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

Domestic Return Receipt

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- NO INSURANCE COVERAGE IS PROVIDED with Certified Mail. For valuables, please consider Insured or Registered Mail.
- For an additional fee, a *Return Receipt* may be requested to provide proof of delivery. To obtain Return Receipt service, please complete and attach a Return Receipt (PS Form 3811) to the article and add applicable postage to cover the fee. Endorse mailpiece "Return Receipt Requested". To receive a fee waiver for a duplicate return receipt, a USPS® postmark on your Certified Mail receipt is required.
- For an additional fee, delivery may be restricted to the addressee or addressee's authorized agent. Advise the clerk or mark the mailpiece with the endorsement "*Restricted Delivery*".
- If a postmark on the Certified Mail receipt is desired, please present the article at the post office for postmarking. If a postmark on the Certified Mail receipt is not needed, detach and affix label with postage and mail.

**IMPORTANT: Save this receipt and present it when making an inquiry.**

PS Form 3800, August 2006 (Reverse) PSN 7530-02-000-9047

EMNRD  
OIL CONSERVATION DIVISION  
1625 N FRENCH DRIVE  
HOBBS NM 88240

LODESTONE OPERATING, INC.  
1605 US HIGHWAY 181  
PMB #169  
PORTLAND TX 78374