

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

David Catanach, Director
Oil Conservation Division



Response Required - Deadline Enclosed

Field Inspection Program
"Preserving the Integrity of Our Environment"

30-Dec-15

V-F PETROLEUM INC
P. O. BOX 1889
MIDLAND TX 79702

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.

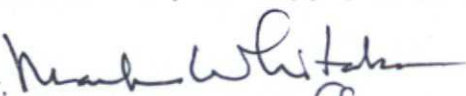
INSPECTION DETAIL SECTION

| AZTEC | | No.001 | I-15-10S-33E | | 30-025-21927-00-00 | |
|----------------------------|------------------|---|--------------|------------------------------|---------------------------|----------------|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
| 12/30/2015 | Routine/Periodic | Mark Whitaker | Yes | No | 2/29/2016 | iMAW1536433904 |
| Violations | | | | | | |
| Surface Damage/Restoration | | | | | | |
| Comments on Inspection: | | DO RELEASE BOND. Well PA'd 04/12/2014. Rule 19.15.25.10 requires remediation be completed within one year of plugging. See attached conditions for releasing PA'd well. Submit C103 for subsequent report of well plugging. | | | | |
| GROSS | | No.002 | F-15-10S-33E | | 30-025-22157-00-00 | |
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
| 12/30/2015 | Routine/Periodic | Mark Whitaker | Yes | No | 2/29/2016 | iMAW1536434554 |
| Violations | | | | | | |
| Surface Damage/Restoration | | | | | | |
| Comments on Inspection: | | DO RELEASE BOND. Well PA'd 04/16/2014. Rule 19.15.25.10 requires remediation be completed within one year of plugging. See attached conditions for releasing PA'd well. Submit C103 for subsequent report of well plugging. | | | | |

DEC 31 2015 11/4/16

In the event that a satisfactory response is not received to this letter of direction by the "Repair Due:" date shown above, or if the well(s) are not immediately shut-in, 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: Pressure Tests are performed prior to initial injection, after repairs and otherwise, every 5 years; Bradenhead Tests are performed annually. Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data. "Failure Type" and "Failure Cause" and any Comments are not to be interpreted as a diagnosis of the condition of the wellbore. Additional testing should be conducted by the operator to accurately determine the nature of the actual failure. * Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.

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Oil Conservation Division



Rule 19.15.25.10 requires that no later than one year after completion of plugging operations, a location should be restored. This includes leveling the location, removing deadmen anchors, portable concrete bases, and any other debris found on the well site. Concrete bases that were poured in place do not have to be removed, however any metal bolts or rods protruding from the concrete must be cut off flush with base. Transformers, meter bases, and conduit on power poles should also be removed. Gas purchasers should be notified that the well has been plugged and request that their equipment be removed. If this is the last well on the lease all power poles, flowlines, batteries, gas meters will need to be removed in addition to any necessary remediation that may need to be completed. A copy of any correspondence requesting removal of power poles or gas meter equipment should accompany the C103 check list sent in for final inspection.

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



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FIRST-CLASS MAIL
\$000.48⁵
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US POSTAGE

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