

State of New Mexico

Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

Heather Riley
Division Director



Response Required - Deadline Enclosed

Field Inspection Program
"Preserving the Integrity of Our Environment"

30-May-18

TANDEM ENERGY CORPORATION

2700 Post Oak Blvd Suite 1000
Houston TX 77056-7056

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

| SQUARE LAKE 12 UNIT No.118 | | | | O-12-17S-29E | 30-015-02954-00-00 | | |
|-----------------------------------|------------------|--|------------|------------------------------|---------------------------|----------------|--|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. | |
| 05/30/2018 | Routine/Periodic | Tony Morales | Yes | No | 9/2/2018 | iTM1815045351 | |
| Comments on Inspection: | | OK. All Equipment and Location in Good Shape. PJ LOCATION SIGN NOT VISIBLE 19.15.16.8 | | | | | |
| SQUARE LAKE 12 UNIT No.107 | | | | E-12-17S-29E | 30-015-02969-00-00 | | |
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. | |
| 05/30/2018 | Routine/Periodic | Tony Morales | Yes | No | 9/2/2018 | iTM1815043745 | |
| Comments on Inspection: | | Idle Well (Rule 19.15.25.8) 48MO OK. All Equipment and Location in Good Shape. PJ. STAINING AROUND WELLHEAD 19.15.29 | | | | | |

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,

A handwritten signature in black ink that reads "Tony Morales CO". The signature is fluid and cursive.

Artesia 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.