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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Response Required – Deadline Enclosed

27-Mar-08

SDX RESOURCES INC

PO BOX 5061

MIDLAND TX 79704

LOV NO. 02-08-051

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

NORTHWEST ARTESIA UNIT No.009

L-32-17S-28E

30-015-10795-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/27/2008	Pressure Test	Richard Inge	Yes	No	4/27/2008	iREI0808739541

Comments on Inspection: TA status test, The Final TA extension expired 1/25/08. The well was to have been either returned to production or a P&A plan submitted to the OCD by 1/25/2008. The well must be put back into production or plugged by 4/27/08.

EXXON B STATE COM No.001

G-29-19S-28E

30-015-22402-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/27/2008	Pressure Test	Richard Inge	Yes	No	6/30/2008	iREI0808732689

Comments on Inspection: Attempted to Pressure test this well for TA extension. Test failed. Date of last production report was 3/1/1992. Well must be repaired and put back into production or P&A'd by 6/30/2008.

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. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Inge".

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.