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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*Field Inspection Due 09/07/2009**Please contact the District Office for more information*

30-015-29043

06-Aug-09

LOV NO. 02-09-042

STEPHENS & JOHNSON OP CO

PO BOX 2249

WICHITA FALLS TX 76307

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

| STATE 648 AC 811 No.071 | | | | G-10-19S-28E | 30-015-02203-00-00 | Inspection No. |
|--|------------------|-----------------|------------|------------------------------|---------------------------|----------------|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | |
| 08/06/2009 | Routine/Periodic | Kimberly Wilson | Yes | No | 9/7/2009 | iKMW0921848271 |
| Comments on Inspection: Idle well, last reported production was 7-06. Violation of NMAC 19.15.25.8 Operator must return well to beneficial use, TA or submit P/A procedure to OCD District II office no later than September 7, 2009 for approval. | | | | | | |
| EAST MILLMAN UNIT No.161 | | | | I-14-19S-28E | 30-015-02254-00-00 | Inspection No. |
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | |
| 08/06/2009 | Routine/Periodic | Kimberly Wilson | Yes | No | 9/7/2009 | iKMW0921847732 |
| Comments on Inspection: Idle well, expired TA, last reported production was 1-1977. Violation of NMAC 19.15.25.8 Operator must return well to beneficial use, TA or submit P/A procedure to OCD District II office no later than September 7, 2009 for approval. | | | | | | |
| EAST MILLMAN UNIT No.199 | | | | E-14-19S-28E | 30-015-27304-00-00 | Inspection No. |
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | |
| 08/06/2009 | Routine/Periodic | Kimberly Wilson | Yes | No | 9/7/2009 | iKMW0921852943 |
| Comments on Inspection: Idle well, expired TA, last reported production was 4-95. Violation of NMAC 19.15.25.8 Operator must return well to beneficial use, TA or submit P/A procedure to OCD District II office no later than September 7, 2009 for approval. | | | | | | |

Oil Conservation Division * 1301 W Grand * Artesia, New Mexico 88210

Phone: 505-748-1283 * Fax: 505-748-9720 * <http://www.emnrd.state.nm.us>

AR 22 STATE No.001

I-22-19S-28E

30-015-27780-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|---|------------------|-----------------|------------|------------------------------|---------------------------|----------------|
| 08/05/2009 | Routine/Periodic | Kimberly Wilson | Yes | No | 9/7/2009 | iKMW0921745102 |
| Comments on Inspection: Idle well, expired TA, last reported production was 3-1997. Violation of NMAC 19.15 25.8 Operator must return well to beneficial use, TA or submit P/A procedure to OCD District II office no later than September 7, 2009 for approval. | | | | | | |

MILLMAN 11 STATE No.003

J-11-19S-28E

30-015-29043-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|--|------------------|-----------------|------------|------------------------------|---------------------------|----------------|
| 08/06/2009 | Routine/Periodic | Kimberly Wilson | Yes | No | 9/7/2009 | iKMW0921853186 |
| Comments on Inspection: Idle well, expired TA, last reported production was 12-01. Violation of NMAC 19.15 25.8 Operator must return well to beneficial use, TA or submit P/A procedure to OCD District II office no later than September 7, 2009 for approval. | | | | | | |

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,


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