

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Tony Delfin
Deputy Cabinet Secretary

June 30, 2016

David R. Catanach, Division Director
Oil Conservation Division



Petro Mex LLC
P.O. Box 6724
Farmington, NM 87499

Notice of Violation

Dear Petro Mex LLC,

The Oil Conservation Division ("OCD") now reviews all operators out of compliance with the OCD's financial assurance requirements. Pursuant to 19.15.8.9 NMAC, an operator is required to furnish financial assurance acceptable to the OCD in the form of an irrevocable letter of credit, plugging insurance policy, or cash or surety bond running to the state of New Mexico conditioned that the well be plugged and abandoned and the location restored and remediated in compliance with division rules. According to OCD records, Petro Mex LLC is the operator of record of the attached list of wells that require additional financial assurance.

Failure to provide the OCD with acceptable financial assurance is a violation of OCD rules and the Oil and Gas Act, NMSA 1978 § 70-2 *et. seq.*, and could be punishable by a fine of not more than one thousand dollars (\$1,000) per day for each violation. NMSA 1978, § 70-2-31.

Please review 19.15.8 NMAC to determine the types and amounts of financial assurance that the OCD accepts. Immediate action is now required. If no response is received within 30 days, the OCD will take further compliance action against Petro Mex LLC, including, but not limited to, seeking a formal order to require Petro Mex LLC to provide acceptable financial assurance for the its wells at an OCD hearing and pursuing other legal available remedies to obtain compliance.

If you have any questions regarding the contents of this letter, please contact the OCD Bond Administrator, Denise Gallegos at (505) 476-3453 to schedule a compliance conference to discuss the outstanding compliance issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel Sanchez", is written over a horizontal line.

Daniel Sanchez
OCD Compliance and Enforcement Manager, UIC Program Director
Daniel.Sanchez@state.nm.us

OCD Case # 15684
Exhibit 2: Notice of Violation
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EC: Keith Herrmann, ENMRD Assistant General Counsel
Encl: Additional Financial Assurance Report

Inactive Well Additional Financial Assurance Report

236452 PETRO MEX LLC

Total Well Count: 6

Printed On: Tuesday, June 28 2016

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Covered By Blanket TA Bond	Bond In Place	In Violation
301640	BOB BLANCHE #001	P	L-12-29N-15W	L	30-045-24743	O	07/2010	08/01/2012	4670	9670	Y		0	Y
301641	DOROTHY #001	P	I-11-29N-15W	I	30-045-24262	O	11/2010	12/01/2012	4670	9670	Y		0	Y
301643	KIRTLAND #006	P	C-13-29N-15W	C	30-045-24448	O	07/2002	08/01/2004	4700	9700	Y		0	Y
301644	KIRTLAND 14 #001	P	A-14-29N-15W	A	30-045-25922	O	08/2011	09/01/2013	4827	9627	Y		0	Y
301645	KIRTLAND 18 #001	P	I-18-29N-14W	A	30-045-26203	O	12/2012	01/01/2015	4710	9710	Y		0	Y
301647	TRS-EVI #001	P	H-11-29N-15W	H	30-045-24833	O	01/2012	02/01/2014	4700	9700	Y		0	Y

WHERE Ogrid:236452

OCD Case # 15684

Exhibit 2: Notice of Violation

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SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
☐ Complete Items 1, 2, and 3. ☐ 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.		A. Signature X <i>[Signature]</i> ☐ Agent ☐ Addressee B. Received by (Printed Name) <i>[Signature]</i> C. Date of Delivery 7-7-16 D. Is delivery address different from Item 1? ☐ Yes ☐ No If YES, enter delivery address below:	
1. Article Addressed to: Petro Mex LLC P.O. Box 6724 Farmington, NM 87499			
2. A. 9590 9402 1626 6053 2544 04 PS F			
		3. Service Type ☐ Adult Signature ☐ Adult Signature Restricted Delivery ☒ Certified Mail ☐ Certified Mail Restricted Delivery ☐ Collect on Delivery ☐ Collect on Delivery Restricted Delivery ☐ Priority Mail Express® ☐ Registered Mail™ ☐ Registered Mail Restricted Delivery ☒ Return Receipt for Merchandise ☐ Signature Confirmation™ ☐ Signature Confirmation Restricted Delivery ☐ Return Receipt	

USPS TRACKING #		First-Class Mail® Postage & Fees Paid USPS Permit No. G-10	
9590 9402 1626 6053 2544 04 07 JUL 2016			
United States Postal Service		* Sender: Please print your name, address, and ZIP+4® in this box * OIL CONSERVATION DIVISION 1220 SOUTH ST. FRANCIS DRIVE SANTA FE, NEW MEXICO 87505 <i>Attn: Denise</i>	
			