

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

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David Catanach, Division Director
Oil Conservation Division



Response Required - Deadline Enclosed

30-Mar-16

CHI OPERATING INC
P. O. BOX 1799
MIDLAND, TX 79702

LETTER OF VIOLATION
Delinquent Regulatory Filings

Dear Operator:

Oil Conservation Division ("OCD") records indicate that you failed to file the required reports identified below, or that your filings were incomplete or inaccurate.

NON-COMPLIANT WELL DETAIL SECTION

BENSON DELAWARE UNIT No.010

Location: 11-19S-30E

30-015-35085-00-00

Original Well Type: Oil (Producing)

Well Status: Active

Determination or Violation Date: 3/30/2016

Delinquent Report or Filing(s):

**- Other Monitoring and
Reporting Violation**

Comments: 19.15.7.14 SUNDRY NOTICES AND REPORTS ON WELLS (Form C-103):G. Report of remedial work. The operator shall file a report of remedial work performed on a well within 30 days following the work's completion. The operator shall file the report on form C-103 and present a detailed account of the work done and....

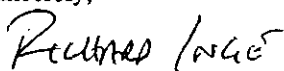
No paperwork has been received on conversion from Oil well to Injection well. Submit c103 or copy of BLM 3160-3 submitted to the BLM. Report must also include position of packer, tubing information, date of first injection, tubing pressure and injection volume.

CORRECTIVE ACTION ON THIS WELL DUE BY: 4/29/2016

Please file or correct the reports identified above by the corrective action due date indicated. If you fail to file or correct the reports by that date, the OCD will take enforcement action that may include but is not limited to applying for an order assessing civil penalties and/or requiring you to plug and abandon the wells associated with those reports.

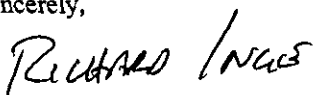
Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infrastructure of the oil and gas industry.

Sincerely,


Artesia OCD District Office

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,



Artesia 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.