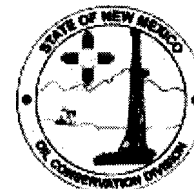


State of New Mexico  
Energy, Minerals and Natural Resources Department

Susana Martinez  
Governor

Tony Delfin  
Acting Cabinet Secretary

David R. Catanach, Division Director  
Oil Conservation Division



**\*Response Required - Deadline Enclosed\***

14-Dec-16

**MCKAY OIL CORP**

One McKay Place P. O. Box 2014  
Roswell NM 88202-

**LETTER OF VIOLATION - Inactive Well(s)**

Dear Operator:

A review of our records and recent inspection(s) indicate that the subject well(s) has been shut-in for an extended period of time. Rule 19.15.25.8 of the Rules and Regulation of the Oil Conservation Division provides that a well may be shut-in no longer than sixty days after suspension of drilling operations, upon determining that the well is no longer usable (e.g., a dry hole), or one year after last production. To comply with guidelines as established in the Rules and Regulations, corrective actions must be taken immediately and the well(s) brought into compliance.

The detail section below indicates preliminary findings and/or probable nature of the violation.

The following options are available:

1. Immediately restore the well(s) to production, injection or disposal as applicable.
2. Request 'Temporary Abandoned' status pursuant to Rule 19.15.25.13, which requires that you set a plug and conduct a mechanical integrity test.
3. Submit a proposal to 'Plug and Abandon' the well(s) pursuant to Rule 19.15.25.9, proceed with plugging procedures on a timely basis after the proposal has been evaluated, amended and/or approved.

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.

***IDLE WELL INSPECTION DETAIL SECTION***

<b>CAMP STATE 001</b>	J-25-5S-22E	<b>30-005-61446-00-00</b>	Inspection No. iGC1634932416	
Inspection Date:	12/14/2016 9:00:15 AM		Corrective Action Due by: <b>3/19/2017</b>	
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	
Routine/Periodic	Gilbert Cordero	Yes	No	
Comments on Inspection:	Violation of rule 19.15.25.8. NO PRODUCTION REPORTS			
<b>ANTELOPE FEDERAL 001</b>	E-29-4S-22E	<b>30-005-61661-00-00</b>	Inspection No. iGC1634944516	
Inspection Date:	12/14/2016 12:21:55 PM		Corrective Action Due by: <b>3/19/2017</b>	
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	
Routine/Periodic	Gilbert Cordero	Yes	No	
Comments on Inspection:	Violation of rule 19.15.25.8. LAST REPORTED PRODUCTION 2-1-15			
<b>ANTELOPE FEDERAL 002</b>	J-29-4S-22E	<b>30-005-61766-00-00</b>	Inspection No. iGC1634944233	

<b>Inspection Date:</b>	12/14/2016 12:17:12 PM	<b>Corrective Action Due by:</b>	3/19/2017
<b>Type Inspection</b>	<b>Inspector</b>	<b>Violation?</b>	<b>*Significant Non-Compliance?</b>
Routine/Periodic	Gilbert Cordero	Yes	No
<b>Comments on Inspection:</b>	Violation of rule 19.15.25.8. LAST REPORTED PRODUCTION 2-1-15		
<b>ANTELOPE FEDERAL 003</b>	M-29-4S-22E	<b>30-005-61774-00-00</b>	<b>Inspection No. iGC1634943903</b>
<b>Inspection Date:</b>	12/14/2016 12:11:42 PM	<b>Corrective Action Due by:</b>	3/19/2017
<b>Type Inspection</b>	<b>Inspector</b>	<b>Violation?</b>	<b>*Significant Non-Compliance?</b>
Routine/Periodic	Gilbert Cordero	Yes	No
<b>Comments on Inspection:</b>	Violation of rule 19.15.25.8. LAST REPORTED PRODUCTION 2-1-15		
<b>PRONGHORN FEDERAL 001</b>	A-30-4S-22E	<b>30-005-62204-00-00</b>	<b>Inspection No. iGC1634944872</b>
<b>Inspection Date:</b>	12/14/2016 12:27:51 PM	<b>Corrective Action Due by:</b>	3/19/2017
<b>Type Inspection</b>	<b>Inspector</b>	<b>Violation?</b>	<b>*Significant Non-Compliance?</b>
Routine/Periodic	Gilbert Cordero	Yes	No
<b>Comments on Inspection:</b>	Violation of rule 19.15.25.8. LAST REPORTED PRODUCTION 4-1-11		
<b>WEST FORK UNIT 002</b>	M-7-5S-22E	<b>30-005-62482-00-00</b>	<b>Inspection No. iGC1634939207</b>
<b>Inspection Date:</b>	12/14/2016 10:53:26 AM	<b>Corrective Action Due by:</b>	3/19/2017
<b>Type Inspection</b>	<b>Inspector</b>	<b>Violation?</b>	<b>*Significant Non-Compliance?</b>
Routine/Periodic	Gilbert Cordero	Yes	No
<b>Comments on Inspection:</b>	Violation of rule 19.15.25.8. LAST REPORTED PRODUCTION 3-1-09		
<b>WEST FORK UNIT 001</b>	C-32-4S-22E	<b>30-005-62625-00-00</b>	<b>Inspection No. iGC1634943633</b>
<b>Inspection Date:</b>	12/14/2016 12:07:12 PM	<b>Corrective Action Due by:</b>	3/19/2017
<b>Type Inspection</b>	<b>Inspector</b>	<b>Violation?</b>	<b>*Significant Non-Compliance?</b>
Routine/Periodic	Gilbert Cordero	Yes	No
<b>Comments on Inspection:</b>	Violation of rule 19.15.25.8. LAST REPORTED PRODUCTION 11-1-03		
<b>WEST FORK UNIT 004</b>	K-32-4S-22E	<b>30-005-62821-00-00</b>	<b>Inspection No. iGC1634941243</b>
<b>Inspection Date:</b>	12/14/2016 11:27:22 AM	<b>Corrective Action Due by:</b>	3/19/2017
<b>Type Inspection</b>	<b>Inspector</b>	<b>Violation?</b>	<b>*Significant Non-Compliance?</b>
Routine/Periodic	Gilbert Cordero	Yes	No
<b>Comments on Inspection:</b>	Violation of rule 19.15.25.8. LAST REPORTED PRODUCTION 7-1-12		

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,

*Gilbert Cordero*  
Compliance Officer

Artesia OCD District Office

\* Significant Non-Compliance events are reported directly to the U.S. Environmental Protection Agency, Region VI, Dallas, Texas.