

State of New Mexico

Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

David Catanach
Division Director

Response Required - Deadline Enclosed

Field Inspection
"Preserving the Integrity of Our Environment"

21-Apr-17

ENERGYQUEST II, LLC
4526 RESEARCH FOREST DR. SUITE 200
THE WOODLANDS TX 77396

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 re inspect the well and/or facility.

INSPECTION DETAIL SECTION

GRAYBURG JACKSON PSU AD No.008				B-34-17S-30E	30-015-10611-00-00	
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/20/2017	Routine/Periodic	Tony Morales	Yes	No	7/24/2017	iTM1711038533
Violations						
0i RP		Absent Well Identification Signs (Rule 103)				
Comments on Inspection:		OK. All Equipment and Location in Good Shape.		WRONG LOCATION NAME ARNOLD FEDERAL #8? RULE 19.15.16.8		
MADDREN B FEDERAL No.015				P-27-17S-30E	30-015-30024-00-00	
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/20/2017	Routine/Periodic	Tony Morales	Yes	No	7/24/2017	iTM1711037648
Violations						
0i RP		Absent Well Identification Signs (Rule 103)				
Comments on Inspection:		OK. All Equipment and Location in Good Shape.		PJ STAINING AROUND WELL HEAD. LOCATION SIGN INDICATES GRAYBURG JACKSON WFU TRACT MB #15 RULE 19.15.16.8		

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.

Sincerely,

A handwritten signature in black ink, appearing to read "Tony Morales", is written over the typed name.

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.