

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 Program
"Preserving the Integrity of Our Environment"

01-Nov-17

CHI OPERATING INC

P. O. Box 1799
Midland TX 79702-9702

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

| BENSON DELAWARE UNIT No.005 | | | | F-12-19S-30E | 30-015-33725-00-00 | |
|---------------------------------|------------------|---|------------|------------------------------|---------------------------|----------------|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
| 11/01/2017 | Routine/Periodic | Tony Morales | Yes | No | 2/4/2018 | iTM1730542027 |
| Violations | | | | | | |
| General Housekeeping (Rule 114) | | | | | | |
| Comments on Inspection: | | OK. All Equipment and Location in Good Shape. | | PJO. STAINING AROUND WELL | | |
| | | HEAD 19.15.10.8 | | | | |

| WIZARD FEDERAL COM No.005H | | | | A-1-19S-30E | 30-015-38315-00-00 | |
|----------------------------|------------------|--|------------|--------------------------------|---------------------------|----------------|
| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
| 11/01/2017 | Routine/Periodic | Tony Morales | Yes | No | 2/4/2018 | iTM1730545631 |
| Violations | | | | | | |
| Surface Leaks/Spills | | | | | | |
| Comments on Inspection: | | OK. All Equipment and Location in Good Shape. | | PJO. STAINING AROUND WELL HEAD | | |
| | | / LOCATION NEXT TO POWER BOXES STAINED AREA APPROX 25' X 85' TANK | | | | |
| | | BATTERIES NO PLACARDS / WINDSOCK NEEDS REPLACING FLARE OK 19.15.10.8 | | | | |

WIZARD FEDERAL COM No.006H

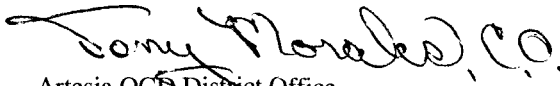
B-1-19S-30E

30-015-38543-00-00

| Inspection Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. |
|--------------------------------|---|--|------------|---------------------------------|------------------------------|----------------|
| 11/01/2017 | Routine/Periodic Violations General Housekeeping (Rule 114) | Tony Morales | Yes | No | 2/4/2018 | iTM1730546626 |
| Comments on Inspection: | | OK. All Equipment and Location in GoodShape. 19.15.10.8 | | PJO. STAINING AROUND WELL HEAD | | |

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,


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.