

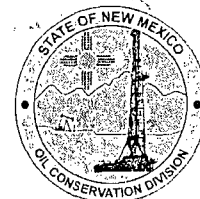
State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

David Catanach, Director
Oil Conservation Division



Response Required - Deadline Enclosed

08-Jul-15

SPENCE ENERGY CO

1404 S ROOSEVELT ROAD AP
ELIDA NM 88116-

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 201 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 203, 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 202, 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.

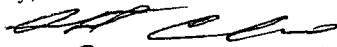
IDLE WELL INSPECTION DETAIL SECTION

KELLAHIN 14 STATE 002	P-14-9S-32E	30-025-29969-00-00	Inspection No. iGC1518943580
Inspection Date:	7/8/2015 12:06:17 PM	Corrective Action Due by: 8/6/2015	
Type Inspection	Inspector	Violation?	*Significant Non-Compliance?
Routine/Periodic	Gilbert Cordero	Yes	No
Comments on Inspection:	Idle well (Rule 19.15.25.8). No production recorded in over 292 months. Leak at wellhead and on south side of east tank. NEED TO SUBMIT C103 TO PLUG & ABANDON WELL. NEED TO FILE C141 PERTAINING TO LEAK ON WELLHEAD AND MANWAY LEAK ON TANK WITH KELLIE JONES IN THE HOBBS DISTRICT OFFICE. FIRST NOTICE.		

JUL 08 2015

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Sincerely,

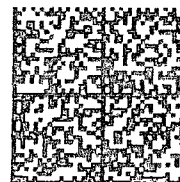

Compliance Officer

Hobbs 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.

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



HASLER 015H14150977
\$0.48
07/08/15
Mailed From 88240

US POSTAGE

SPENCE ENERGY CO
1404 S ROOSEVELT ROAD AP
ELIDA, NM 88116