

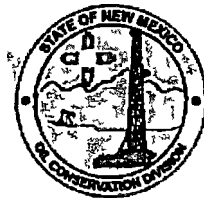
State of New Mexico  
Energy, Minerals and Natural Resources Department

Susana Martinez  
Governor

David Martin  
Cabinet Secretary

Tony Delfin  
Deputy Cabinet Secretary  
June 16, 2016

David R. Catanach, Division Director  
Oil Conservation Division



Kersey and Company  
808 W. Grand  
Artesia, NM 88210

**Notice of Violation**

Dear Kersey and Company,

The Oil Conservation Division ("OCD") now reviews all operators out of compliance with the OCD's financial assurance requirements. Pursuant to 19 15 8 9 NMAC, an operator is required to furnish financial assurance acceptable to the OCD in the form of an irrevocable letter of credit, plugging insurance policy, or cash or surety bond running to the state of New Mexico conditioned that the well be plugged and abandoned and the location restored and remediated in compliance with division rules. According to OCD records, Kersey and Company is the operator of record of the attached list of wells that require additional financial assurance.

Failure to provide the OCD with acceptable financial assurance is a violation of OCD rules and the Oil and Gas Act, NMSA 1978 § 70-2 *et seq.*, and could be punishable by a fine of not more than one thousand dollars (\$1,000) per day for each violation. NMSA 1978, § 70-2-31.

Please review 19 15 8 NMAC to determine the types and amounts of financial assurance that the OCD accepts. Immediate action is now required. If no response is received within 30 days, the OCD will take further compliance action against Kersey and Company, including but not limited to, seeking a formal order to require Kersey and Company to provide acceptable financial assurance for its wells at an OCD hearing and pursuing other legal available remedies to obtain compliance.

If you have any questions regarding the contents of this letter, please contact the OCD Bond Administrator Denise Gallegos at (505) 476-3453 to schedule a compliance conference to discuss the outstanding compliance issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel Sanchez", is written over a horizontal line.

Daniel Sanchez  
OCD Compliance and Enforcement Manager, UIC Program Director  
Daniel.Sanchez@state.nm.us

EC Keith Herrmann, ENMRD Assistant General Counsel  
Encl Additional Financial Assurance Report

## Inactive Well Additional Financial Assurance Report

12576 KERSEY &amp; COMPANY

Total Well Count: 15

Printed On: Friday, June 03 2016

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Covered By Statutory TA Bond	Bond In Place	In Violation
5574	A S U #001	F	A-10-17S-28E	A	30-015-01337	G	01/2015		Unknown				0	
5576	BOLING #001	S	G-31-17S-28E	G	30-015-01652	O	04/2016	05/01/2018	1938	6938			0	
5578	DUNN #001	F	F-12-18S-28E	F	30-015-01829	O	04/2016		Unknown				0	
	DUNN #002	F	L-12-18S-28E	L	30-015-02652	O	04/2016		Unknown				0	
	DUNN #003	F	K-12-18S-28E	K	30-015-20170	O	04/2016		Unknown				0	
27075	FEDERAL 632 #001	F	C-04-18S-29E	C	30-015-22336	O	04/2016		Unknown				0	
	FEDERAL 632 #002	F	F-04-18S-29E	F	30-015-23912	O	04/2016		Unknown				0	
5581	MACY #001	S	N-16-17S-31E	N	30-015-05167	O	04/2016	05/01/2018	Unknown	Unknown			0	
	MACY #002	S	N-16-17S-31E	N	30-015-05165	O	04/2016	05/01/2018	Unknown	Unknown			0	
22971	NEW MEXICO CK STATE NCT #001	S	E-36-18S-31E	E	30-015-05709	O	03/2016	04/01/2018	Unknown	Unknown			0	
5584	PARRY #001	F	J-28-18S-29E	J	30-015-03468	O	04/2016		Unknown				0	
301178	SHUGART C #004Y	F	J-30-18S-31E	J	30-015-05644	O	04/2016		Unknown				0	
	SHUGART C #007	F	P-30-18S-31E	P	30-015-30241	O	04/2016		3950				0	
5600	STATE WK #001	S	G-16-17S-31E	G	30-015-05177	O	03/2016	04/01/2018	Unknown	Unknown			0	
5601	TEXACO STATE #002	S	J-07-18S-28E	J	30-015-02633	O	06/2006	07/01/2008	2362	7362	Y		0	Y

WHERE Ogrid.12576

Exhibit 2: Notice of Violation

OCD Case # 15649

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