

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

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

Jami Bailey
Division Director
Oil Conservation Division



Response Required – Deadline Enclosed

*Field Inspection Program
"Preserving the Integrity of Our Environment"*

21-Dec-12

CHI OPERATING INC
P. O. BOX 1799
MIDLAND TX 79702

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.002

| | | | | | | | |
|-------------------|------------------------|------------------|-------------------|-------------------------------------|----------------------------------|-----------------------|--|
| Inspection | | | | | | | |
| Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. | |
| 12/21/2012 | File and Compliance | Richard Inge | Yes | No | 3/26/2013 | IREI123563724 | |

Comments on Inspection: Violation of order WFX-897. Packer is set outside of depth required by the order. Packer set at 3695', Must be set within 100' of 4600'.

Well must be shut-in until packer is moved as required by the order or a request is made and approved to amend the WFX order.

BENSON DELAWARE UNIT No.012

| | | | | | | | |
|-------------------|--------------------------------|------------------|-------------------|-------------------------------------|----------------------------------|-----------------------|--|
| | | | | | | | |
| Inspection | | | | | | | |
| Date | Type Inspection | Inspector | Violation? | *Significant Non-Compliance? | Corrective Action Due By: | Inspection No. | |
| 12/19/2012 | File and Compliance Violations | Richard Inge | Yes | No | 3/24/2013 | IREI123545607 | |

Comments on Inspection: Violation of order WFX-897. Packer is set outside of depth required by the order. Packer set at 4387', Must be set within 100' of 4494'.

Well must be shut-in until packer is moved as required by the order or a request is made and approved to amend the WFX order.

December 21, 2012

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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.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Ince". The signature is written in a cursive, somewhat stylized font.

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.